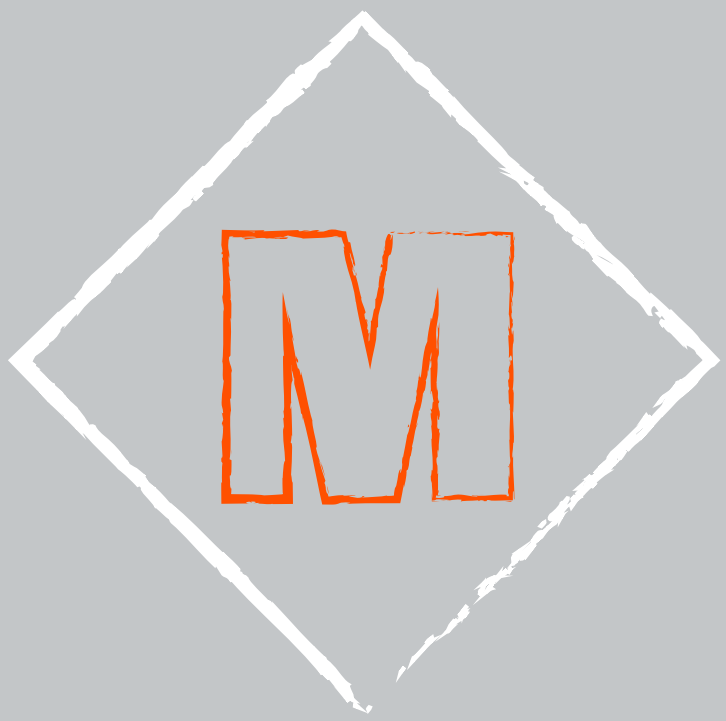
Migros 2013 Annual Report

Subject: The mathematics of retailing

Growth

Productivity



Penetration

The shopping experience

MiGROS

Contents

Growth:

internalized targets

+

correct strategies

=

sustainable growth

Productivity:

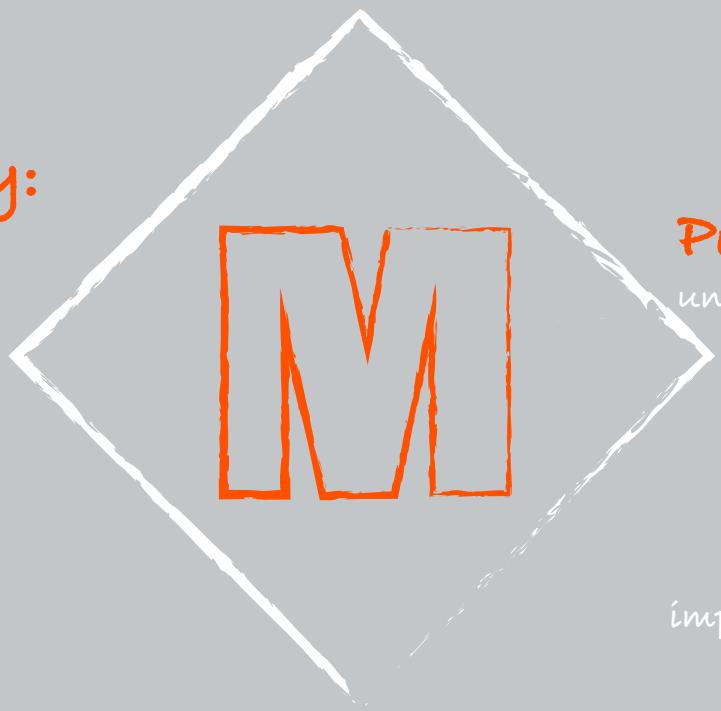
business focus

+

effective process management

=

sustainable profitability



Penetration:

understanding needs

+

right location, right format

=

improved market share

The shopping experience:

convenience

+

innovation

=

pleasant shopping

Our Formats

MİGROS

MİGROS: This Is My World
The pioneer of the retailing sector in Turkey and with its stores in 67 of Turkey's provinces located in seven regions of the country today, Migros is still the address that people prefer for a pleasurable, innovative, and superior-quality shopping experience. 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.

Tansaş

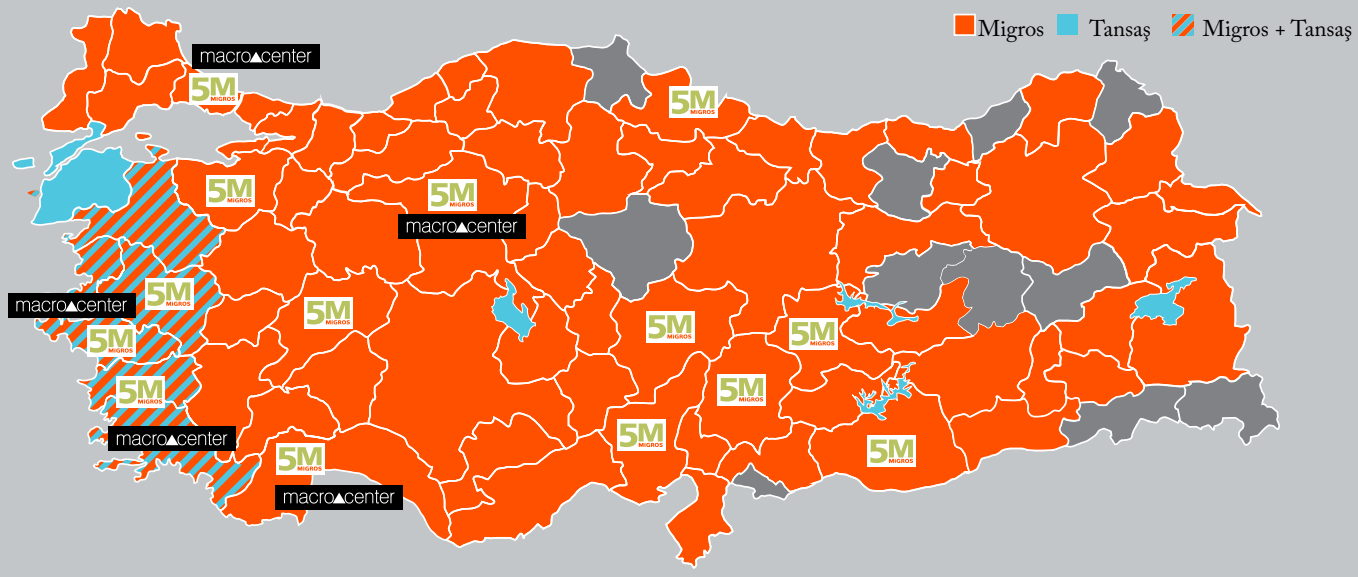
Sözünün eri, kalitenin yeri

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 neighborhood 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".

macro▲center

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. Stores in Antalya and Bodrum are now taking Macrocenter's distinguished service to locations outside İstanbul.

In Turkey...



5M 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.

MIGROS VIRTUAL MARKET: Internet, Mobile & Tablet Accessibility
Convenient shopping becomes even easier with Migros Virtual Market, Turkey's leading name in online food retailing. Now with delivery sources in fifteen of Turkey's provinces (İstanbul, Ankara, İzmir, Adana, Afyon, Antalya, Bursa, Denizli, Edirne, Eskişehir, Kayseri, Malatya, Mersin, Muğla, and Samsun), Migros Virtual Market allows shoppers to place their orders electronically and to have their purchases delivered right to their door.

RAMSTORE Taking pleasurable shopping around the world
The leading retailer in Turkey, Migros currently serves customers through Ramstores at 39 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.

Abroad...

Corporate Profile

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

always **one step ahead** in the sector

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

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.

Migros' most fundamental strategy is to keep its customers supplied with a modern, a reliable, an economical, and a high-quality service.

Milestones from Migros' History

Sixty years since the first store was opened **in Beyoğlu's fish market…**

Originally established in Turkey in 1954 as a collaboration of the Swiss-based Migros Cooperatives Society and the İstanbul municipality, Migros' primary mission was to supply economically-priced groceries and household supplies to consumers in İstanbul under wholesome conditions. The first store was opened in Fish Market of Istanbul Beyoğlu district. In 1975 the Koç Group acquired a majority stake in the Company, following which there was a steady increase in both number of its stores and its brand value for more than a decade. In 1991, Migros went public.

In 2005 Migros further bolstered its leadership of Turkey's food retailing sector with its acquisition of Tansaş, another national chain. With the synergies thus created, the Company began serving customers through a diversified range of brands and formats.

Following a Koç Group strategic decision to pull out of grocery retailing, in February 2008 Koç Holding signed an agreement to sell its 50.83% stake in Migros to Moonlight Perakendecilik. Transfer of the shares took place on May 30th of the same year. On 30 April 2009, Moonlight Perakendecilik (now known as Migros Ticaret A.Ş.) and Migros Türk T.A.Ş. were merged into a single company which has since been operating under the name "Migros Ticaret" and whose principal shareholder is MH Perakendecilik ve Ticaret A.Ş.

As of end-2013 Migros was operating through a total of 1,004 national and international locations. With a national presence in 70 provinces in Turkey's seven geographical regions taking the form of 299 "M", 205 "MM", 74 "MMM", 21 "5M", and 144 MigrosJet Migros-branded stores and of 199 "Tansaş" and 23 "Macrocenter" stores, its international footprint consisted of 25 Ramstores in Kazakhstan and another 14 in Macedonia.

The services that Migros provides to its customers at its stores are further expanded with order placement and delivery options that are made available through such alternatives as internet, call centers, kiosks, catalogues, and mobile shoppings.

Key Highlights

Migros' sales grew by about 10% year-on in 2013 while its consolidated gross profit increased by 11.2% and reached TL 1,895 million.

19.5%
Increase in operating profit in 2013

9.1%
Increase in EBITDA in 2013

5.8 TL billion

Total Assets

Total assets were up by 3.1% and reached TL 5.8 billion.

830.2 TL million

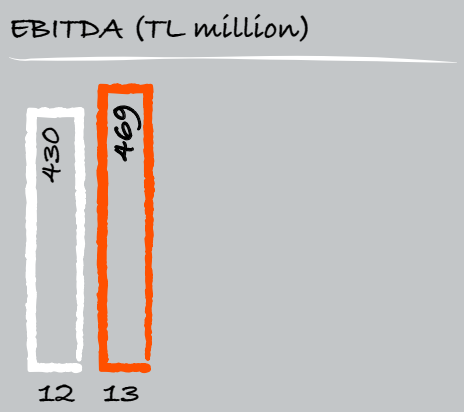
Equity

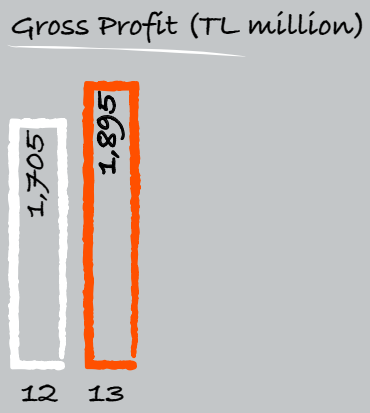
Equity amounted to TL 830.2 million in 2013.

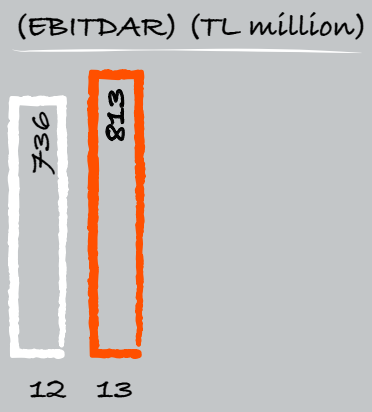
7.1 TL billion

Net Sales

Net sales were up by 9.9% compared with 2012 and reached TL 7.1 billion.







SUMMARY CONSOLIDATED BALANCE SHEET

(TL thousand)	2013	2012	Change (%)
Assets			
Current Assets	1,980,727	1,908,550	3.8
Non-Current Assets	3,815,908	3,715,795	2.7
Total Assets	5,796,635	5,624,345	3.1
Liabilities			
Current Liabilities	2,360,669	1,875,140	25.9
Non-current Liabilities	2,605,742	2,487,129	4.8
Non-controlling Interests	691	522	32.4
Attributable to Equity Holders of the Parent	829,533	1,261,554	-34.2
Total Liabilities and Equity	5,796,635	5,624,345	3.1

SUMMARY CONSOLIDATED STATEMENT OF INCOME

(TL thousand)	2013	2012	Change (%)
Net Sales	7,126,925	6,482,402	9.9
Cost of Sales	-5,232,223	-4,777,773	9.5
Gross Profit	1,894,702	1,704,629	11.2
Operating Expenses	-1,603,262	-1,434,956	11.7
Other Operating Income/Expenses	-55,398	-72,109	-23.2
Operating Profit	236,042	197,564	19.5
Income/Expenses from investment activities	-5,755	-3,118	84.6
Financial Income/Expenses (net)	-615,004	-65,536	838.4
Income Before Tax	-384,717	128,910	-398.4
Taxes	-78,416	-40,774	92.3
Net Income	-463,133	88,136	-625.5
EBITDA	**469,255**	**430,103**	**9.1**

Chairman's Message

We are all gearing up to celebrate Migros' 60th anniversary. For six decades we have been taking pride in giving modern, high-quality, and trusted service at stores all over our country.

A growth policy focused on consistency, sustainability, and **operational profitability**

Honored partners,

Welcome to Migros' annual general meeting for 2013. Once again I am grateful to you all for joining us here today.

Economic and Sectoral Review

Esteemed Migros stakeholders, we have all put a difficult year behind us. After US Federal Reserve Bank announced it would begin cutting back its bond purchases, developing countries were adversely affected in the aftermath as capital outflows beset their economies with exchange-rate, inflation-rate, and interest rate volatilities. Looking at the Turkish economy, we see that it is growing at less than its full potential as it contends with the global developments that have been unfolding over the last two years. Having grown by about 2.2% in real terms in 2012, our economy grew by 4.0% in the first nine months of 2013. Such growth is modest compared with previous years' performance and we somehow felt its impact in the food retailing sector as well. On the inflation front, consumer prices, which were up by about 6.2% in 2012, rose by 7.4% in 2013. Despite tougher domestic and international conditions, we remain optimistic about the years ahead. We believe that the Turkish economy has the strength and dynamism to reveal its true potential once again and we expect that as a climate of confidence is restored, the investment environment will also improve. And as the national economy continues to improve and household income continues to rise, food retailing once again will be one of the engines of economic growth. As Migros, our duty is to continue our investments and to create jobs in our industry just like we have always done.

Strategies and Operational Performance

As Migros we have been achieving essentially the same growth figures for the last two years. In 2012 for example we opened 166 new stores taking our international operations into account; in 2013 the number was 165. As of end-2013, we had 1,004 stores in all. We have a growth policy that is focused on consistency, sustainability, and operational profitability. Despite the frequency of our new store openings and cost-side pressures, the measures we have been taking allow us to maintain our strong operational profitability. In the last quarter of 2013 we renovated twenty of our stores with the launch of yet another new Migros concept that even better satisfies customers' changing expectations and focuses on serving them. The feedback from our customers about this new concept has been gratifying. I consider innovative strategies of this sort to be crucial to our ability to continue making sustainable progress in the organized retailing industry.

In 2013 our company booked consolidated sales

Innovative strategies that support **sustainable growth in market share**

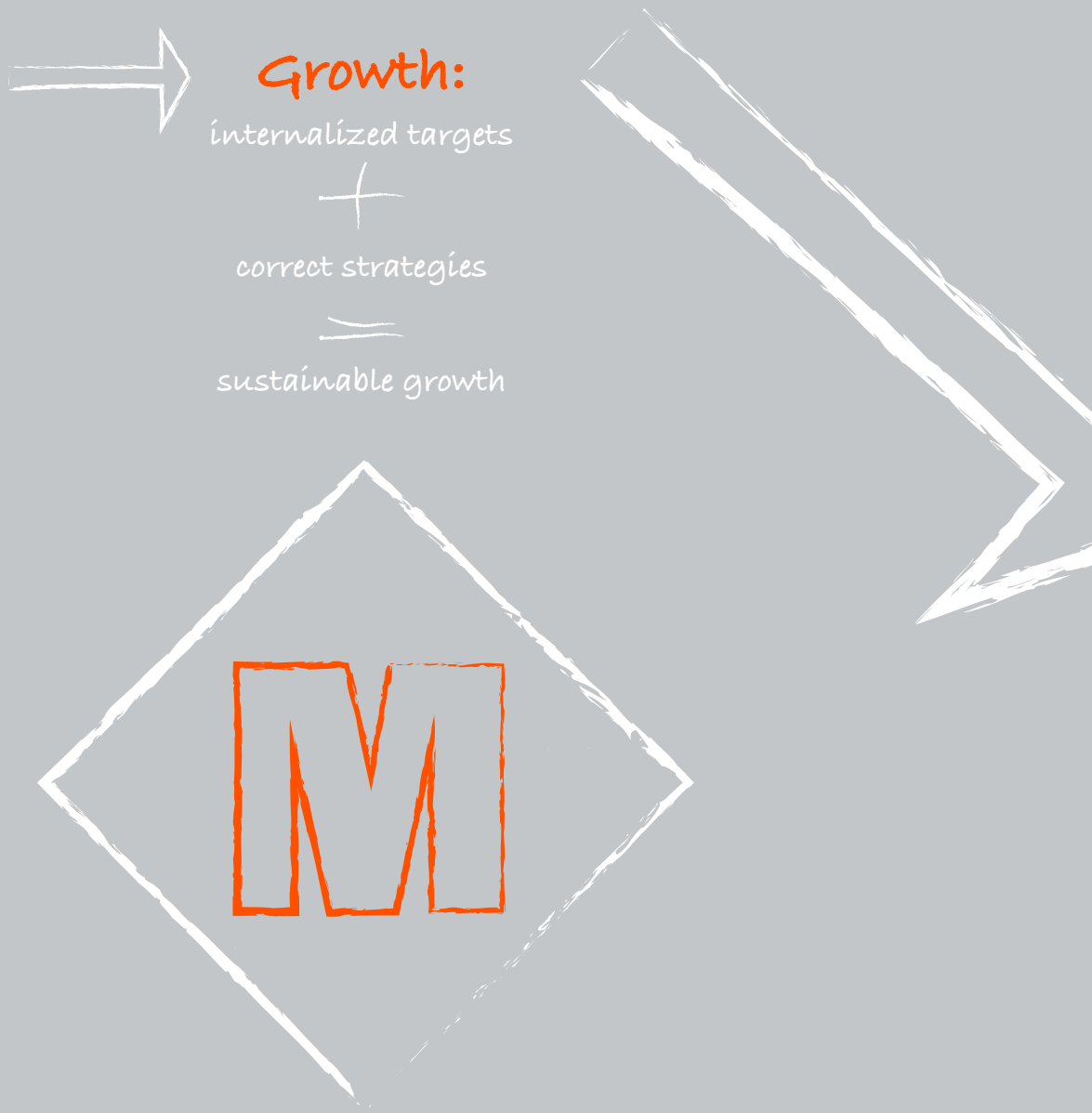
worth TL 7,127 million, which corresponds to a year-on rise on the order of 10%. Our gross profit was similarly up by 11.2% year-on and reached TL 1,895 million. We continue to reap the benefits of our long-term intensive efforts to manage our supply chain effectively. Our company's gross profit margin for example has been improving for three years in a row: our consolidated gross profit margin in 2013 weighed in at 26.6%. Last year we booked earnings before interest, taxes depreciation, and amortization (EBITDA) worth TL 469 million and an EBITDA margin of 6.6% while our earnings before interest, taxes, depreciation, amortization, and rent/restructuring costs (EBITDAR) amounted to TL 813 million and our EBITDAR margin was 11.4%. Despite such improvements however our company closed the year showing a net loss of TL 463 million. This is the result entirely of having to book TL 528 million in exchange rate losses suffered on our EUR-denominated debt, whose value was increased by the appreciation of the euro against the Turkish lira; I note in passing that it did not involve any cash outflows.

Outlook for the Future

Honored shareholders, Migros was the recipient of numerous awards and recognitions in its national and international operational arenas. Our employees brought home the "Most-Liked Retailer In Turkey" citation for the 10th year in a row. We also received a string of prized awards in the areas of customer relationship management, advertising, virtual marketing, and human resources. Particularly gratifying was the "ASTD Best of 2013" award, one of the world's most prestigious accolades in the field of manpower training and development, that was given to us by the American Society for Training and Development, a non-profit association for workplace learning and performance professionals. I take this opportunity to express my gratitude for this recognition of our business practices and results and I thank our employees for making it possible.

We are all gearing up to celebrate Migros' 60th anniversary. For six decades we have been taking pride in giving modern, high-quality, and trusted service at stores all over our country. We have been part of many firsts in our sector and we have always been a pioneer. Speaking as Chairman of the Migros Board of Directors, my colleagues and I regard the future with just as much confidence as we have today. In closing, I take this opportunity to wish our customers, employees, and all of our other stakeholders with many more decades of success while thanking you all for honoring us with your presence at this meeting.

F. Bülent Özaydınlı
Chairman of the Board of Directors


Growth:
internalized targets
+
correct strategies
=
sustainable growth
M

Growth:

Maintaining its double-digit rate of growth in 2013, Migros continued to open new stores by deploying the value that it creates.

Economic Review

Turkish economy
2013 (9 months) growth
4.0%

2013 will be remembered as a year in which macroeconomic expectations were frequently revised both in Turkey and around the world. A matter of the utmost concern to global markets was the US Federal Reserve Bank's long-anticipated decision to cut back the bond-buying program that it had been conducting for quite some time in order to keep markets supplied with liquidity. International capital flows seemed to change course in response to every suggestion that the Fed's monetary expansion might be slowing down. As events unfolded, capital began flowing out of the developing to the developed countries. This had an adverse effect on emerging economies in general, Turkey being one of them. For such countries therefore, 2013 was a year of capital outflows and serious exchange-rate, inflation-rate, and interest rate volatilities. From midyear on, their currencies also depreciated significantly against the euro and the dollar.

Estimates put global economic growth on the order of 3.3% in 2013. By that measure, the developing countries still made a positive contribution to global economic performance even though they only grew by 4.8% on average.

Having grown by about 2.2% in real terms in 2012, the Turkish economy grew by 4.0% in the first nine months of 2013. During the first three quarters, resident and non-resident household domestic consumption expenditures were 11.5% higher during the same period of the previous year in terms of current prices while wholesale and retail trade expenditures were up by 9.5% on the same measure. Food, beverage, and tobacco expenditures, which are tracked under the heading of "resident and non-resident household domestic consumption expenditure" grew by about 2.4% year-on in real terms. The current account deficit, which remained under control thanks in part to the slowdown in economic activity in 2012, ended up at USD 65 billion in 2013 owing mainly to gold and energy imports and to a surge in domestic demand.

Consumer price inflation, which was 6.16% in 2012, weighed in at 7.4% in 2013, which was just over half a percentage point higher than the 6.8% year-end target called for in the year's Medium Term Program schedule. This overshoot was due primarily to food price inflation, which was driven by a weaker Turkish lira and worsened expectations in the second half of the year. There was a modest improvement in official unemployment figures last year: the jobless rate in 2013 stood at 9.7% as compared with 9.8% in 2011 and 10.1% in 2012.

In 2012 the international credit rating agencies Fitch Ratings, Moody's, and JCR restored Turkey to the "investment-grade" category for the first time in decades. Despite continued international adversities and domestic uncertainties, especially in the second half of the year, Turkey successfully retained that rating in 2013.

Migros Investment Activities in 2013

The addition of 165 new locations in Turkey and abroad in 2013 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 serves its customers in seven different formats: Migros, Tansaş, Macrocenter, Ramstore, 5M, Virtual Market, and Wholesale.

During 2013 new openings in Turkey consisted of 66 Migros (40 M, 19 MM, and 7 MMM), 16 Tansaş (14 Mini, 1 Midi and 1 Maxi), 69 MigrosJet, and 6 Macrocenter stores (three of which had undergone a format change) in the supermarket format and 3 5M stores in the hypermarket format while 1 Ramstore went into service in Kazakhstan and another 7 in Macedonia. As a result of these developments, 165 new stores were added to the overall portfolio last year. This addition of 165 new locations in Turkey and abroad in 2013 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.

As of year-end 2013, the company's portfolio held a total of 1,004 stores consisting of 722 Migros (299 M, 205 MM, 74 MMM, 144 MigrosJet), 21 5M, 199 Tansaş (123 Mini, 54 Midi, 22 Maxi), and 23 Macrocenter stores in Turkey and 39 Ramstores (25 in Kazakhstan and 14 in Macedonia) abroad. With the opening of new stores in Skopje, Ohrid and Kumanovo in addition to those already existing in Tetovo, Skopje, and Struga, the number of cities in Macedonia in which the company has a presence reached five in 2013.

The company manages four shopping centers in Turkey and another two (one each in Kazakhstan and Macedonia) abroad. As of end-2013, the company's combined (domestic and international) net sales space amounted to 897,119 m2, which corresponds to a year-on rise of 5.3%.

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 Ankara, Muğla, İzmir and Antalya during 2013, the number cities with that format has reached five.

In the 5M (hypermarket) format, three new stores were opened in different cities in Turkey bringing the number of such locations to 21.

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.

International Subsidiaries

Growth is sustained with seven new stores Macedonia and one new store in Kazakhstan.

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 6.4% year-on rise in their total sales in 2013.

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 a new location in Almaty in July 2013, Ramstore Kazakhstan is now serving customers through a total of 25 stores whose aggregate sales space amounts to 49,841 m^2. Ramstore Kazakhstan served 16.4 million customers last year.

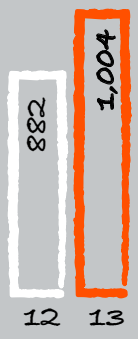
Ramstore Macedonia opened seven new stores in three cities (Skopje, Ohrid, and Kumanovo) with a combined sales space of 5,437 m^2. These additions bring the dimensions of the company's operations in that country to 14 stores and an aggregate sales space of 14,433 m^2. Ramstore Macedonia served 16.4 million customers last year.

As of end-2013, the company's international operations had a total of 39 stores with an aggregate sales space of 64,274 m^2 and total sales amounting to TL 421.1 million in value. Migros' foreign subsidiaries' earnings before interest, taxes depreciation, and amortization (EBITDA) reached TL 32.2 million in value last year while their EBITDA margin corresponded to about 7.7% of their total sales.

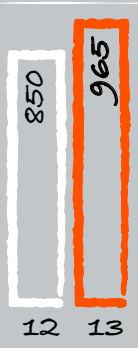
	Number of Stores		Net Sales Area (thousand m²)	
Store Format	2012	2013	2012	2013
Supermarket	832	944	684	720
Hypermarket	18	21	107	112
Total Domestic	**850**	**965**	**790**	**833**
International	32	39	61	64
Total	**882**	**1.004**	**852**	**897**

	Number of Stores	
International Operations	2012	2013
Macedonia	7	14
Kazakhstan	25	25
Total	**32**	**39**

Total stores (unit)



Total domestic stores (unit)



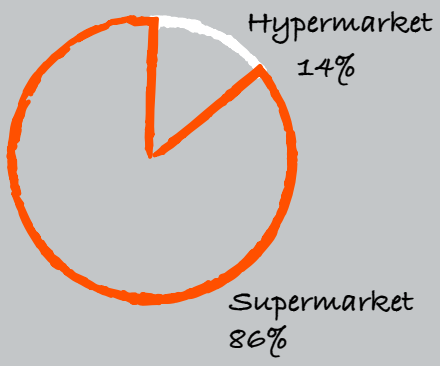
Total stores of international operations (unit)

Total net sales area (thousand m²)

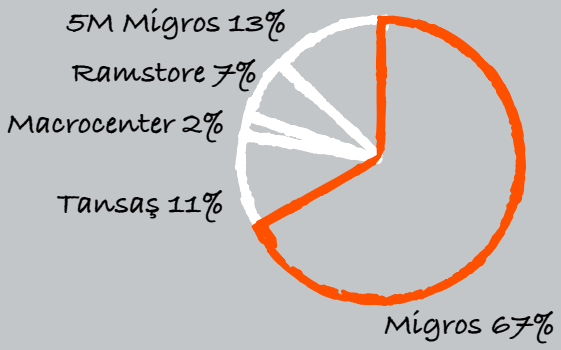
Net sales area of domestic stores (thousand m²)

Net sales area of international operations (thousand m²)

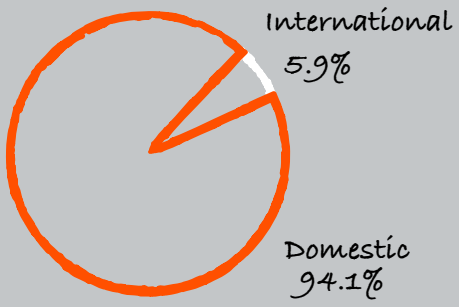
Breakdown of net sales area by store formats (%)



Breakdown of net sales area by brands (%)



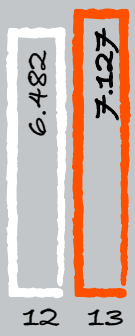
Breakdown of sales (%)



Domestic sales (TL million)

Sales of international operations (TL million)

Total sales (TL million)



Human Resources & Training

Migros' human resources policy is rooted in the philosophy of "Creating employees who will create competitive advantages".

Migros family
total of operations in Turkey and abroad
18,856 employees

One of Migros Human Resources' most important strategic objectives 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-2013, the Migros family consisted of 18,856 people of whom 17,275 were employed in Turkey and 1,581 abroad. With the inclusion of seasonal hires, the average number of personnel on the payroll works out to about 17,612 a month.

In 2013 Migros created a single candidate-employee pool by effectively combining several different sources of applications. A total of 35,700 (on average 170 a day) applicants were considered for recruitment. A total of 9,400 people were newly hired, which corresponds to about five new people joining the Migros family during each business hour last year.

During 2013 even more active use was made of the in-house recruitment system that became a part of the company's hiring processes in 2011. More than 200 positions were filled through in-house transfers and promotions made as a result of this system.

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". No fewer than 98% of Migros' store management personnel are recruited from the company's own human resources. Under the Store Career Paths 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.

Because of its new hiring in 2013, Migros ranked first in the province of İzmir as "Company Providing The Most Employment" while numbering among the top five in the "Company With The Most Female Employees Covered By Social Security" category. Two other recognitions earned by Migros in the Aegean Region last year were the "Company Providing The Most Employment" award from the Muğla Employment Agency and the "Company With the Most Physically Handicapped Employees" award from the Manisa Employment Agency.

With 70% of its personnel born between 1980 and 2000, Migros is a youthful, energetic family whose members' average age is 29. About half of its white-collar employees have been working for the company for more than eight and a half years.

With its reputation as Turkey's "retailing school", during 2013 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. In line with these efforts, Migros Human Resources' official Facebook page "**Migros Kariyer**" was launched. This page contains information about Migros HR practices, available job positions, career-related anecdotes, university campus recruitment activities, and Migros' latest awards and recognitions. "Migros Kariyer" is the first HR-related Facebook account in the Turkish retailing industry.

A "Working Life Assessment Survey" is conducted every year in order to measure and further improve the level of employee job satisfaction at Migros.

Hotline Forum
average number of calls dealt with
2,080 a month

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 achieves a 98% personnel-coverage rate. By providing a basis on which to continuously improve the company's human resources practices, it contributes significantly to reducing employee turnover in administrative and store management staffing. 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 25,000 calls in 2013. The average number of calls dealt with was 2,080 a month.

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 4,800 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.

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 1,900 employees in 2013. Thirteen **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 the leading HR application in 2013 at Migros. Launched last year, Rhythm aims to further increase the transparency, fairness, and flexibility of our stores as workplace environments. The project preliminaries and pilot studies were completed in 2013. 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.

In 2013
employee training
17.2 days (average)

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 2013, awards were handed out and reward points were granted to 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 fifth 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

MRA's curriculum consists of 228 classroom courses, 105 e-learning programs, and a recommended-reading list of 160 magazine articles and 75 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 17.2 days of training in 2013.

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.

Migros Retailing Academy **recepient of ASTD Best 2013 Award** the world's most prestigious accolade in its field

In collaboration with Ege University a **Retailing School** has been inaugurated whose aim is to train people with the qualifications that the retailing industry requires. Senior-year university students taking part in this program, which has been developed and is being implemented jointly by the university and Migros, will be 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 2013.

MRA received the **"ASTD Best of 2013"** award, one of the world's most prestigious accolades in the field of manpower training and development, from the American Society for Training & Development, a non-profit association for workplace learning and performance professionals.

Under the ASTD Best program, companies from all over the world are evaluated in line with the society's aims, on the basis of all of their training and development processes taking into account the effectiveness of their training, their ability to create a sustainable culture of learning, and their innovative training and development practices.

The Brandon Hall Group, a preeminent international research and analyst firm that provides research-based solutions in the area of training and development with the aim of enabling clients to improve their organizational performance, also conducts the **Brandon Hall Group Excellence Awards Program** in which training and development projects submitted by firms are evaluated by its own senior specialists and consultants as well as by independent experts. Regarded as one of the most prestigious awards programs in the training and development industry, the Brandon Hall Group Excellence Awards are given for project submissions by companies which have successfully developed and deployed programs, strategies, modalities, processes, systems, and tools that have helped them achieve measurable results. The Migros Group received three gold, one silver, and two bronze Brandon Hall Group Excellence Awards in 2013:

- **Best Sales Training Program for Extended Enterprise - Gold**

  Store Manager Trainee Program / 2 month

- **Best in Coaching and Mentoring Program - Gold**

  Store Management Mentoring Program

- **Best Certification Program - Gold**

  OEF Migros Retailing Bachelor & Associate Degree Program

- **Best Integration of Learning and Talent Management - Silver**

  Migros Group Leadership Path

- **Best Sales Leadership Development Program - Bronze**

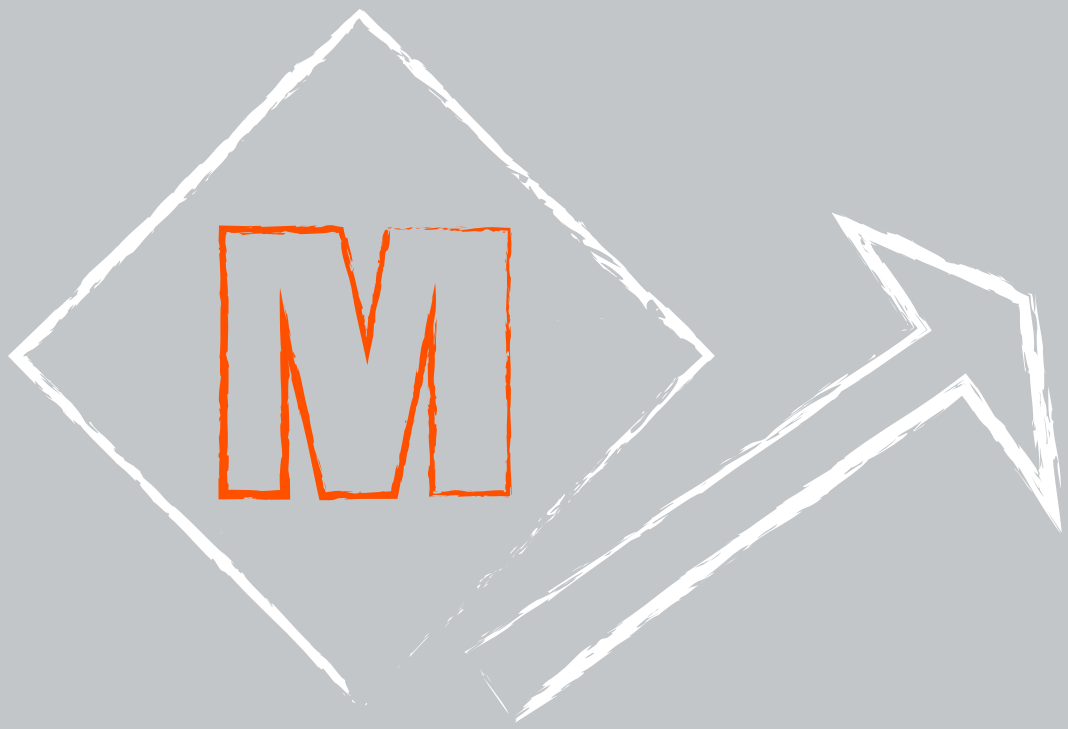
  Store Management Development Process

- **Best Onboarding Program - Bronze**

  Store Manager Orientation Program

In addition to these gratifying awards, in 2013 MRA also placed first in the "Best New International Corporate University" category in the Cubic Awards handed out on the occasion of the "Corporate University Week 2013 Conference" held in the United States.

In a competition in which companies and corporate academies from all over the world went head-to-head, the Migros Group received this award for the integration of its training activities with its corporate objectives and strategies, for the effective documentation of its procedures, for its strategic planning for the future, for its leadership support, and for its participation criteria.



The shopping experience:

convenience

+

innovation

=

pleasant shopping

The shopping experience

A retailing approach that focuses on customer convenience as well as innovation is what makes the Migros shopping experience a pleasure.

Quality Management

Where product wholesomeness is concerned, Migros is always guided by the highest internationally recognized standards.

354
suppliers
inspected in their own premises

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. In line with this goal, every product is kept under careful control at every stage from its initial purchase until it reaches the final consumer.

4,785 food products put on sale at Migros stores for the first time in 2013 were checked against the requirements of Turkish Food Codex regulations. 7,681 new products in various non-food categories were also checked 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 2013, the company inspected the production operations of 354 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 2013, 3,477 food products were analyzed for compliance with 20,027 parameters while 667 non-food items were analyzed for compliance with 3,582 parameters. Through the conduct of routine analyses, we ensure that our customers consume products which are wholesome and regulatorily compliant while also systematically adding value to products by ensuring that our suppliers constantly make improvements in them.

In addition, the analysis of private -label and equivalent branded products are compared in detail. According to the outcome of the analyses, the specifications of private label products were improved where appropriate.

In fresh fruit and vegetable procurement processes, a total of 1,269 produce items were inspected and analyzed at fresh fruit & vegetables depots and stores in the case of goods that we procure directly from farmers for traces of agrochemicals according to a plan based on harvest periods.. Such inspections and analyses also encompass the products of third party operators. The results of such analyses are checked against the requirements of the Turkish Food Codex and EU regulations and reported back to the firms concerned.

Fresh fruit and vegetable suppliers have also been included in our supplier performance evaluation processes. In 2013 inspections were conducted under our third party independent external agency inspection program: 93 of our suppliers were provided with preliminary information and made ready for 3rd-party inspections. As a result of these inspections, corrective/preventive measures were initiated on issues deemed necessary address and follow-up inspections were also carried out. In subsequent reviews, it was apparent that our most successful suppliers are those whose production and/or packaging processes comply with the principles and procedures specified by the Good Agricultural Practices regime.

All products shipped to distribution centers by suppliers are checked upon arrival. During 2013, 119,252 products specified for laboratory checks were analyzed by quality control specialists.

Apart from the checks made of goods upon their acceptance, detailed analyses of 720 private-label products were performed by quality specialists at distribution centers during 2013.

Independent inspection in 793 stores throughout Turkey

Specialist teams at distribution centers trained 5,185 personnel for effective management of processes in 125 different training programs.. At regional fresh fruit and vegetable distribution depots, 2,447 employees took part in 176 different training activities related to quality and food safety.

In the area of logistics, vehicles were inspected and tests were performed on the temperature and time indicators of vehicle temperature control systems. A total of 177 vehicles involved in the transport of fresh foods were subjected to testing.

An online control system ensures the preservation of the cold chain during every stage of the movement of products from their initial acceptance at distribution centers, through their storage and shipment, and to their presentation to consumers in the company's stores.

Store quality specialists performed 2,313 verification/follow-up inspections related to store quality and food safety management systems covering all business regions and formats. Under the heading of the 2nd-party independent external agency inspection program for stores, inspections were conducted at 793 stores located throughout Turkey. During these inspections, external-agency personnel carried out 8,691 hygiene-related analyses.

Store quality teams provided on-the-job training related to quality management systems and food safety to 1,462 personnel.

Under the heading of quality management system internal inspection planning, internal inspection audits were conducted by 160 internal inspectors at 830 stores and 21 distribution centers during the year.

Between 30 September and 3 October 2013, Turkish Standards Institution (TSE) inspections were conducted in all five of the company's regions, as a result of which, ISO 10002 Customer Satisfaction Management System certification was successfully received and the existing ISO 9001:2008 Quality Management System and ISO 22000:2005 Food Safety Management System certifications were confirmed.

Good Agricultural Practices (GAP)

During 2013 the company worked with 132 different suppliers of fresh fruits and vegetables which were certified as having been produced in accordance with GAP principles and procedures.

Volume of GAP-certified produce **288 thousand tons**

In 2013 Migros remained the only company in its sector in Turkey to have been awarded Good Agricultural Practices (GAP) certification. GAP-related activities continued throughout the Migros Group during the year, with group producers being provided with training and documentation about GAP principles and procedures and with information about infrastructural readiness and also being subjected to internal inspections. GAP certification inspections were conducted by a ministry-licensed control and certification agency during which group producers were audited for quality management system compliance both in the field and in regional produce warehouses. These efforts were successful and group certification was awarded.

During 2013 the company worked with 132 different suppliers of fresh fruits and vegetables which were certified as having been produced in accordance with GAP principles and procedures. A total of 240 different GAP certificates have been awarded to suppliers included in the Migros GAP system. In the year to end-2013, the volume of GAP-certified produce sold in the company's stores reached 288 thousand tons.

Firms in possession of GAP certification have convenient online access to the company through the "Migros Traceability Portal" located at https://b2b.migros.com.tr. The portal's interfaces have been revamped, companies are now identified along with their logos, and system data is being kept more current.

In 2013, under the "Fruit & Vegetable Regional Personnel Training Plan", GAP training was provided to a total of 164 employees in six provinces by GAP representatives.

The TSE-issued "Good Agricultural Practices Inspector" certifications of personnel charged with GAP-related responsibilities in the organization chart were renewed. Three agricultural engineers also took part in TSE-approved "Good Agricultural Practices Internal Auditor" training and they were awarded certification authorizing them to perform internal audits of crop production.

As part of its In-House Awareness & Monitoring System, in 2013 the company began publishing a weekly "Current GAP Produce Portfolio List" for the use of produce marketing, quality control, and store management personnel. On-line access is now being provided to the certifications of all GAP produce that is being procured by the company.

Special yellow-ground tags are now being used in stores to distinguish GAP-certified bulk produce from other kinds of produce.

The company engages in discussions with the Food, Agriculture and Livestock Ministry both to deal with GAP-related problems in retailing while also supporting the spread of good agricultural practices throughout the country. Migros took part in a ministry-conducted workshop to determine crop-based GAP criteria and also contributed to the preparation of a draft of proposed changes in the regulations governing good agricultural practices in Turkey.

Customer Service Line 444 10 44

96% of all incoming calls in 2013 were responded to and successfully finalized within 48 hours in line with the call center's defined guidelines

Call Center
number of custımers communicated
more than half a million

The objective of Migros' customer-focused point of view is to deliver service that exceeds expectations. Migros gives considerable importance to customers' feedback when shaping company strategy and for that reason it seeks to remain in instant and effective communication with them.

In 2013 Migros was awarded TSE-ISO-EN 10002 Customer Satisfaction Management System certification. All input received from customers is confidentially recorded and monitored. Issues are addressed, resolved, and responded to within 48 hours within the confidentiality guidelines established.

The Migros Call Center communicated with more than half a million customers in 2013.

Feedback about Migros, Tansaş, 5M, and Macrocenter as well as Virtual Market, and Money Club received from people calling 444 10 44 from anywhere in Turkey is responded to by Migros Call Center units located in İstanbul and Samsun. 96% of all incoming calls in 2013 were responded to and successfully finalized within 48 hours in line with the call center's defined guidelines.

Customer feedback is analyzed in detail and the findings are reported. These reports are taken as input for institutional improvements and as guidance for further opportunities.

Corporate Social Responsibility

Making a difference through innovative practices that address real-world concerns

"The Best Retailer In Turkey" for the 10th year in a row

Through its productivity-focused growth strategy and sustainably innovative practices, Migros continues to create value not just for customers, employees, and business partners but also for the Turkish retailing industry and the Turkish economy as a whole.

Becoming even closer to its customers, making a difference through innovative practices that address real-world concerns, and maintaining a reputation for trustworthiness that has been gained through nearly six decades in retailing are all issues that remain high on the company's agenda.

Distinguishing itself from others in its sector through its customer service approach, Migros' success in its ability to do so lies in its skilful achievement of what it refers to as a "golden ratio" in its balance of the four crucial elements of retailing: "Growth", "Productivity", "Penetration", and "Shopping Experience". These four components, which only the world's most outstanding retailers are able to achieve, maintain, and keep balanced so as to nourish one another through years of experience, sum up the strength of the Migros brand, the reason for its sustainable growth, and the approach that it takes as retailing continues to evolve over time.

One of the most evident outcomes of the benefits created by the growth- and productivity-based strategy to which Migros commits itself is the contribution that it makes to employment. With 18,500 people already on its payroll, the Migros Group will continue to create jobs for both its sector and the national economy as it adds more stores to its chain of existing ones.

Migros also works in close association with its suppliers. The innovative themed campaigns that it introduced to the retailing sector and products specially made for Migros are the results of the synergies that the company creates in collaboration with its suppliers.

Through projects that it has developed in areas in which it perceives there is a social need, Migros works along with foundations, associations, and other civil society organizations while also fostering the spread of social awareness by involving its customers, employees, and business partners in such efforts as well.

Migros' social responsibility activities are rooted in projects that address issues which are matters of concern to society's future, which will inspire hope throughout society when problems are resolved, and which can serve as models for others. A fundamental tenet of Migros' approach to projects is that they must be sustainable in the issues that they deal with and that they must create a favorable impression in every individual who comes into contact with them.

In 2013 Migros won the "Best Retailer In Turkey" citation for the 10th year in a row. By taking part in a variety of socially-beneficial activities, Migros will continue to fulfill all of the requirements of its role as a pioneer by adding value to retailing through sustainable projects and innovations that are meaningful to society's future.

While focusing on socially-vital issues, Migros also broadens the base of its social responsibility activities in the areas of education, culture & art, sport, environment, and health by encouraging customers and employees to take part in them as well.

Environment-Savvy Recycling Bins
packaging and other waste collected
8 million pieces

Migros Corporate Social Responsibility Projects

In order to promote civil-society awareness and to increase the effectiveness of socially-beneficial non-governmental organizations, Migros also supports projects which have been developed by others. In 2013 the company donated a total of TL 372,694.92 to socially beneficial foundations and societies.

Environment

A pioneer in developing and carrying out environment-related projects, Migros has authored and undertaken a wide range of activities whose aims are to create and foster environmental awareness and to protect nature while focusing on ensuring that the needs of future generations will also be met. The company engages in an ongoing effort to use resources productively and economically.

Migros: A Green Retailer

Migros is taking important steps on behalf of green retailing. The company's Bodrum Maya Migros store is the first and still the only establishment of its kind in the Turkish retailing industry to be awarded "Leadership in Energy and Environmental Design" (LEED) Gold certification by the U.S. Green Building Council. LEED certification is provided under the LEED Green Building Rating System, which rates the design, construction, and operation of green buildings. By conforming to LEED standards and criteria, Bodrum Maya Migros prevents the adverse environmental impact of uncontrolled building development while also serving as a model store that fulfills the requirements of green retailing and ensures the sustainability of energy and natural resource use.

Turkey's first store to be granted LEED gold certification, Bodrum Maya Migros also received an award in the "Environment and Sustainability" category of the 2013 "Retailing Sun Awards", a prestigious sectoral recognition that is given every year to individuals and organizations which contribute to the advancement of the retailing industry.

511,000 Trees For The Aegean

Responding to the concerns of its Aegean-region customers, Tansaş launched a social responsibility project in collaboration with the Aegean Forest Foundation in southwestern Turkey in 2006. With the steady support of customers, the project reached a total of 511,000 trees planted in ongoing efforts to reforest fire-ravaged areas in Urla, Dikili, Torbalı, Selçuk-Şirince, Çeşme, Seferihisar-Doğanbey, and Seferihisar-Kavakdere.

Efforts continue to promote public awareness of this project in different ways through additional efforts that will support it and make its social benefit even more sustainable. For example the proceeds from Aegean Forest Foundation olives sold at Tansaş stores are used in part in support of these reforestation efforts.

Joining Hands For Nature

Migros was one of the first major retailers in Turkey to replace plastic shopping bags with more eco-friendly sacks. Migros' efforts to reduce the use of disposable sacks attracted widespread public attention and approval. The reusable carrier bags made from fabric that Migros introduced are also attracting more and more interest.

Environment-Savvy Recycling Bins

Migros' environmental approach is also expanding through the increasingly greater use of "smart" recycling bins at the company's stores. Environmentally-aware customers who properly dispose of packaging waste and used batteries (all of which is correctly sorted and binned by means of barcode readers) earn "Environment Points" which they can then use to buy eco-friendly fabric carrier bags, make a donation to the World Wildlife Fund (WWF), or have a tree planted in the Migros Customers Forest. As a result of this program, 8 million pieces of packaging and other waste were collected in 2013.

As a member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), Migros provides material resources to undertakings that involve waste recovery and reuse. In 2013 Migros contributed towards ÇEVKO's budget an amount corresponding to the collection cost of the packaging waste generated by its own sales.

For 19 years, **Migros Children's Theater** have reached thousands of children in 50 different provinces.

In 2013, more than 45 tons of waste vegetable oil collected at Migros distribution centers was put to work for the benefit of the national economy by being converted into biodiesel.

In keeping with its environmental awareness, Migros collected 8,200 tons of paper, cardboard, metal, and other packaging waste from the company's stores and back office units and sent it all to recycling centers.

By means of discarded battery bins located in the company's stores, a total of 2.9 tons of worn-out batteries were collected. These batteries were turned over to TAP, an association of portable battery manufacturers and importers that is authorized by the Ministry of Environment and Urban Planning to dispose of such items.

Converting Organic Waste Into Electricity & Compost

In 2013 Migros formulated and put into effect an "Integrated Waste Management Plan" whose aim is to make the most effective choices in waste recovery, recycling, and disposal. In line with this plan, the company decided the best way to deal with organic waste was to use it to produce biogas (which can then be used to generate heat and electricity) and for composting. From 6,534 tons of organic waste collected from 81 stores in the İstanbul region, 653,400 m^3 of biogas and 1,380,004 kW of electricity were produced. From the biomass remaining after this biogas production, 3,380 tons of good-quality compost and fertilizer usable in gardening and farming were produced. This project is part of Migros' overall sustainable waste management policy, whose ultimate goal is to achieve "Zero Waste": Instead of disposing waste resulting from store operations, everything that can be transformed into something economically useful will be.

An "Electronic Waste Collection Project" was launched at 381 of the company's stores on 5 June (World Environment Day) last year. Customers who brought old or broken electrical and electronic appliances to these stores and surrendered them were given a certificate by store personnel indicating that they had done so. In order to maximize material recovery, the items collected in this way were then sorted at the stores according to whether they were small home appliances or IT goods, safely transported to the company's distribution centers, and then sent to the recycling facilities of firms licensed by the Ministry of Environment and Urban Planning. At regular intervals the company reports the quantities of such electrical and electronic scrap to the same ministry. During 2013, a total of 51 tons of electrical and electronic scrap was collected and from this material 3.4 tons of glass, 7.1 tons of plastic, and 14.4 tons of metal were recovered for the benefit of the national economy and the protection of the environment.

Health

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.

"Let Me Carry That For You" is yet another innovation that has been introduced at Tansaş stores. Intended for people aged 65 or older, store personnel accompany elderly shoppers and carry their purchases as they return home. This Tansaş campaign has generated considerable positive feedback from elderly customers and their relatives.

Culture & Art

As embodied in its slogan "Hand And Hand Into Tomorrow", the Migros Children's Theater is Migros' most enduring social responsibility project. Over the years, Migros has taken this theater on tour and given thousands of children around the country a chance to experience theater. Migros supports theater out of its belief that it contributes to children's intellectual development. In 2013, the Migros Children's Theater mounted 86 performances of Journey To Happiness in 11 provinces. Written and directed by Enis Fosforoğlu, the play conveys messages about peace and love.

In addition to the Migros Children's Theater, Migros has been collaborating with the State Theater for 19 years in the staging of plays for children for two weeks every spring as part of Children's Day celebrations. Known as the "April 23rd Theater Festival", these performances provide children with opportunities to attend the theater free of charge. The festival's extensive repertoire allows young audiences to experience both the delight of their own holiday and the excitement of the theater. About 800,000 children have attended such performances thanks to Migros' support.

4,562 children have taken part in **the "Youth Jerseys Training Program".**

During the Tansaş Puppets Festival, which was held as part of "7th İzmir International Puppet Days" in 2013, Tansaş played host to a quarter of a million people while also providing children with opportunities to have fun attending free-of-charge puppet shows and workshops.

Sport

Since 2008, Migros has been joining forces with the Educational Volunteers Foundation of Turkey in order to create opportunities to encourage children to regard sport as a way of life and to see life through the lenses of "fair play". To date, 4,562 boys and girls aged between 11 and 12 and grouped into sixteen-player teams have taken part in programs conducted at 10 parks in 11 provinces. Since the project's onset, 220 volunteer trainers have also taken part in the activities. Every volunteer trainer who completes a full year with the project receives a UEFA "E" trainer's license from the Turkish Football Federation. Migros' "Youth Jerseys Training Program" social responsibility project, which reaches children all over Turkey, has been awarded its third Grassroots Charter star under UEFA's "Football For All" program. "Youth Jerseys" also received an honorable mention in the "Sports Promotion" category in the Turkish National Olympic Committee's "2013 Turkey Fair Play Awards".

Another Migros-sponsored social responsibility project in sport is the "Special Support For Special Athletes" campaign that has been going on for nine years. 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. Since 2004, 6.5 million Migros customers have taken part in efforts to encourage nearly 4,500 specially-challenged youths to embrace life through sport, to gain self-confidence, and to play a more active role in everyday life.

The fifth in the series of Migros Sports Festivals in which company employees take part was held in 2013. Last year 273 finalists from different parts of the country along with hundreds of their family members came together in a festival that was the scene of spirited, excited, and entertaining confrontations. The 2013 festival consisted of meets in football, basketball, chess, volleyball, table tennis, and tennis. Migros employees from Adana, Ankara, Antalya, and İzmir took part in finals held in İstanbul during which they engaged in sportsmanlike competition against one another.

Originally launched two years ago, Tansaş-supported activities organized under the "Good Health With Tansaş" slogan continued last year. The events, which are open to İzmir's inhabitants free of charge six days a week, continue to draw attention and participants.

"Tansaş Bicycle Sundays", another Tansaş-sponsored program, is an event that brings İzmir's bicycle-riding fans together on Sundays. The number of participants in the weekly tour continues to increase steadily and has reached about 250.

Education

Recognizing that young people are the guarantee of our future, Migros continues to support their education by designing and implementing projects which will contribute towards making them beneficial members of society.

Migros also supplies material resources in support of similar education-related projects which may be undertaken by non-governmental organizations. In 2013 Migros once again donated part of the income it received on own-brand products that were sold in its stores to the Educational Volunteers Foundation of Turkey (TEGV).

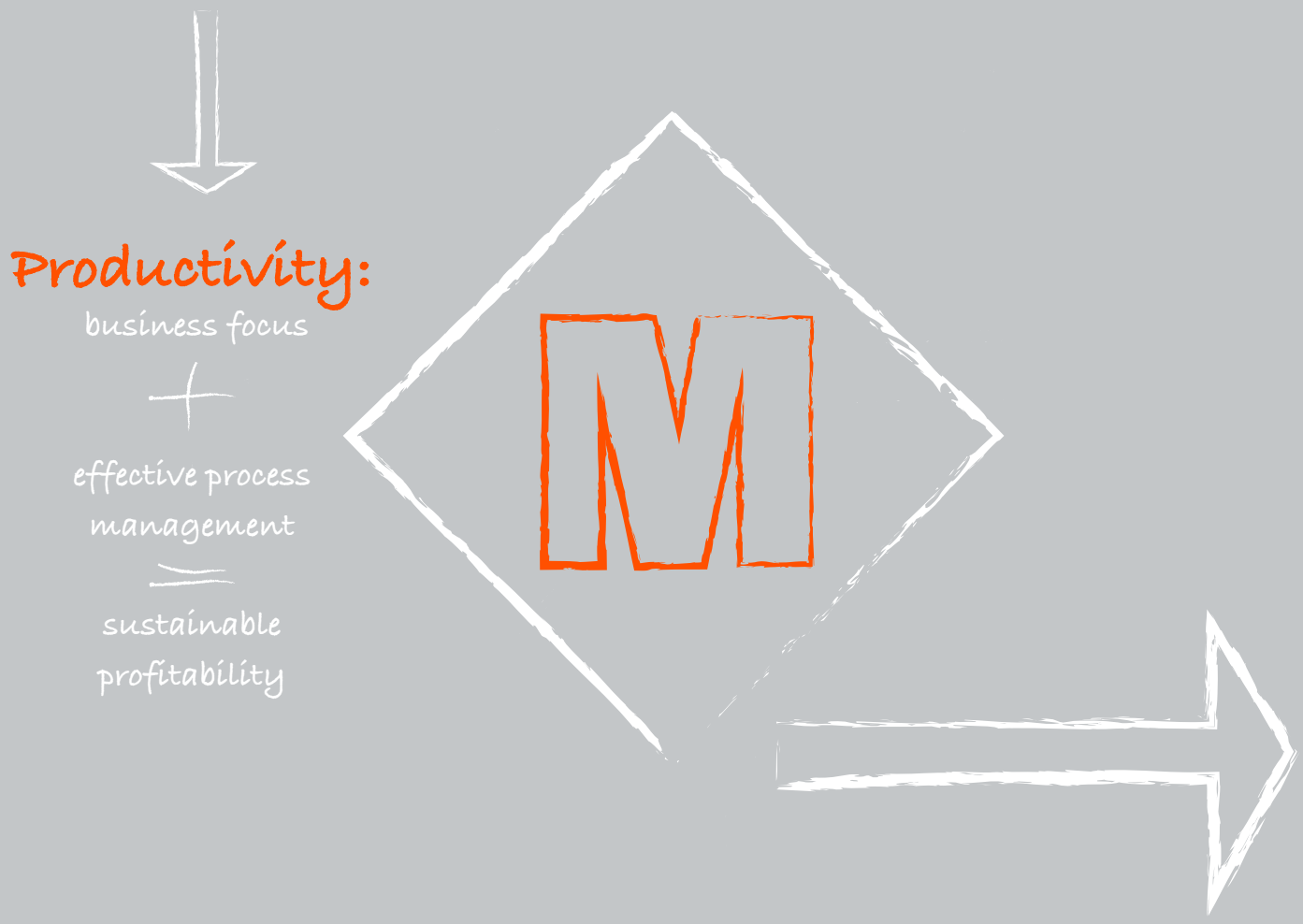
To encourage customers to buy gifts for children in celebration of National Sovereignty and Children's Day (April 23rd), Migros undertook a campaign jointly with TEGV in which a 50% price discount was given on the toys, children's books, and school supplies sold at Migros, Tansaş, 5M, and Macrocenter stores.

To promote traffic safety awareness, Migros prepared posters with driver-education slogans for installation atop traffic lights.

Social Welfare

During the Kurban Bayramı holiday, Migros store and the Migros online market customers were given opportunities to send donations to the Foundation for the Training and Protection of Mentally Handicapped Children through.

Some of the proceeds from every Ariel product sold at Migros stores were used to finance the purchase of new clothes to be given away to tens of thousands of needy children.


Productivity:
business focus
+
effective process management
=
sustainable profitability
M

Productivity:

Good planning and effective process management aimed for improving business results are the foundation of sustainable operational profitability.

Information Technologies

Along with improvements in technology, many other innovative changes were introduced that directly affect customers by facilitating the shopping experience and making it more enjoyable while also focusing on sales, profitability, and productivity.

Saving time with Halphone, a new mobile app

Along with improvements in technology, many other innovative changes were introduced that directly affect customers by facilitating the shopping experience and making it more enjoyable while also focusing on sales, profitability, and productivity.

E-Invoices

As required by recent changes in the law, Migros began using e-invoices as of 1 January 2014. Since then e-invoices issued in the company's name are automatically booked upon receipt and they may be viewed and approved online by authorized users.

A New Mobile App: HalPhone

"HalPhone" is an iPhone-based app that was specially developed for produce marketing team personnel when they are on the move and operating outside the company. HalPhone makes it easy to quickly perform a variety of operational tasks such as creating orders, soliciting prices, and querying produce requirements. The use of this app has also greatly reduced errors in procurement processes while additionally saving time.

Document Management Project

The Marketing Department has launched a document management project whose aims are to digitize and maintain all departmental documents in electronic format and to access them quickly whenever they are needed.

The approach taken at the outset of the project was that physical documents need to be kept in electronic format at a single, central location. Under this project, all documents have been archived within a uniform structure. Document-related index information has either been automatically integrated into the main operational application (OPSIS system) or else manually entered by users. This project has made significant contributions by improving process effectiveness and efficiency at the company

Production Planning, Costing, and Traceability System for MIGET Integrated Meat Plant

A new applications was designed and written to take care of all of the stock management, production & planning, production costing, quality control, and traceability processes at the Migros Fresh Meat Production Facility that went into service last year. Thanks to this specially-developed system, improvements have been made in a host of processes ranging from product-based cost accounting and distributed-access monitoring of stocks throughout the plant to shipment, acceptance, and quality control.

Newly-installed infrastructure keeps track of the movements of all processed products and provides customers with easily-understood information about such things as where meat is from and how livestock were fed and slaughtered.

Intelligent systems have been developed that make it possible to determine the kinds and quantities of products that will be the most material- and cost-effective when carcasses are to be rendered. Such systems ensure that capacity is used efficiently and that stocks are maintained at optimal levels.

System for Production Facility for Macrocenter Kitchen

Technical infrastructure was installed and processes were designed as needed to permit on-premises production of takeaway items sold to customers at Macrocenter stores. These facilities are now in operation.

This system makes it possible to systematically keep track of the production processes taking place in Macrocenter kitchens, to centrally manage their operations such as incoming and outgoing goods, discards, and all other stock movements of a similar nature, to perform product cost accounting, to monitor financial processes, and to analyze and report on all such activities.

Supplier Product Information Management System

Work has substantially been completed on the development of system infrastructure that will make it possible for information flows between suppliers and Migros product category officers to be managed on the B2B platform. Through this system, suppliers will be able to provide information about new products that they are offering while also updating current information about their existing ones.

When it becomes operational, this platform will allow accurate and reliable product information to circulate end-to-end through the supplier - retailer - customer triangle. Fully integrated into the Migros ERP system, this platform will be the first of its kind in the Turkish retailing sector.

Distribution Centers & Logistics Management

The number of centers (including both fresh produce and meat warehouses) from which perishables are distributed reached 21.

all fresh fruits and vegetables are available **within thirty hours of being harvested**

Distribution center service quality was improved substantially in 2013 while productivity increases were also achieved by focusing on costs. Despite more expensive inputs last year, distribution center and logistical costs followed a course consistent with that of 2012.

As of end-2013, the number of centers (including both fresh produce and meat warehouses) from which perishables are distributed reached 21. The Bayrampaşa Distribution Center in İstanbul and the Serik Meat Distribution Center in Antalya both became operational last year. The Bayrampaşa center serves Trakya-region stores in both the fresh and fast-moving product groups while the Serik center handles red meat shipments throughout its own territory. The increase in the number of distribution centers has made it easier to reach locations throughout Turkey while also achieving savings in transport costs by reducing the distances between distribution centers and stores. Efforts are also made to enhance logistical efficiency by dynamically analyzing shipment routes and frequencies and optimizing them accordingly.

Under a system that was introduced in 2010, perishables are now being distributed centrally to all territories through Migros distribution centers. These products move through an unbroken cold chain at every stage of shipment so as to ensure that they reach the consumer in the highest possible quality and safety.

Last year the company began using IFCO returnable trays for its fresh fruits and vegetables both to better protect product freshness and food safety and to reduce logistical costs. IFCO trays are made from food-safe plastic, comply with ISO 22000 Food Safety standards, and can be used again and again after being cleaned. Through the deployment of IFCO trays, Migros has not only boosted its freshness and quality standards but also significantly cut its crate transport costs.

Through its "From Field To Shelf In 30 Hours" project, Migros strives to satisfy consumers' freshness expectations at the highest possible level. Under this project, all fresh fruits and vegetables are delivered to store shelves within thirty hours of being harvested.

Through the effective use of technology, information about the exact positions, onboard temperatures, etc of vehicles during shipment is fully integrated into Migros' information systems in real time. Using tablet-computer maps, individual stores can see where trucks currently are, what their routes are, and when the vehicles will be arriving. This allows them to efficiently plan their stock and manpower needs and results in significant savings.

In early 2013 a pilot project was launched in which products are shipped to stores during the night rather than during the day. This not only improves shipment efficiency but also ensures that goods are supplied to stores before they open their doors for the day

Distribution Center Occupational Health & Safety

An issue of essential concern to operational processes at all distribution centers and produce warehouses is employee health and safety. A safety officer is on duty 710 hours a month and a workplace physician is also available during working hours (580 hours/month). All personnel are provided with and required to use safety gear while on the job. Workplace Occupational Health & Safety Committees have been formed. So far 32 risk analyses have been completed and emergency action and annual operations plans have been formulated. First aid and energy-resource intervention teams have been formed and take part in drills. Occupational health & safety training was provided to 2,232 employees last year.

Product Management

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.

Nostalgia-themed campaign
"Crystal Apple" award

"Good meat, good future"

Originally launched in 2011, Migros' "Nostalgia" campaign repeated in 2013. In this campaign, Migros introduces to today's customers products as they would have appeared on Migros' shelves long ago. The success of Migros' nostalgia-themed campaign was confirmed by the Advertisers' Association's "Crystal Apple" award. The company's "Happiness Festival" campaign provided opportunities to touch upon many different moments of happiness in customers' lives. This campaign was favorably received by customers both in stores and in social media.

The themed catalogues, weekend discounts, and "Seeing Is Believing" campaigns that the company has been successfully conducting for many years continued in 2013. Having become annual events that customers expect and look eagerly forward to, special campaigns for holidays like Valentine's Day, Women's Day, Children's Day, and World Animal Day also drew strong attention. Thanks to the "More Than 1,000 Yellow Stickers" program, discount-priced products are now easier to spot on shelves.

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.

Fresh meat processing operations have been moved to a new, more modern, and higher-capacity plant at a new location. This relocation has improved the traceability of products. Work has also begun on developing new products.

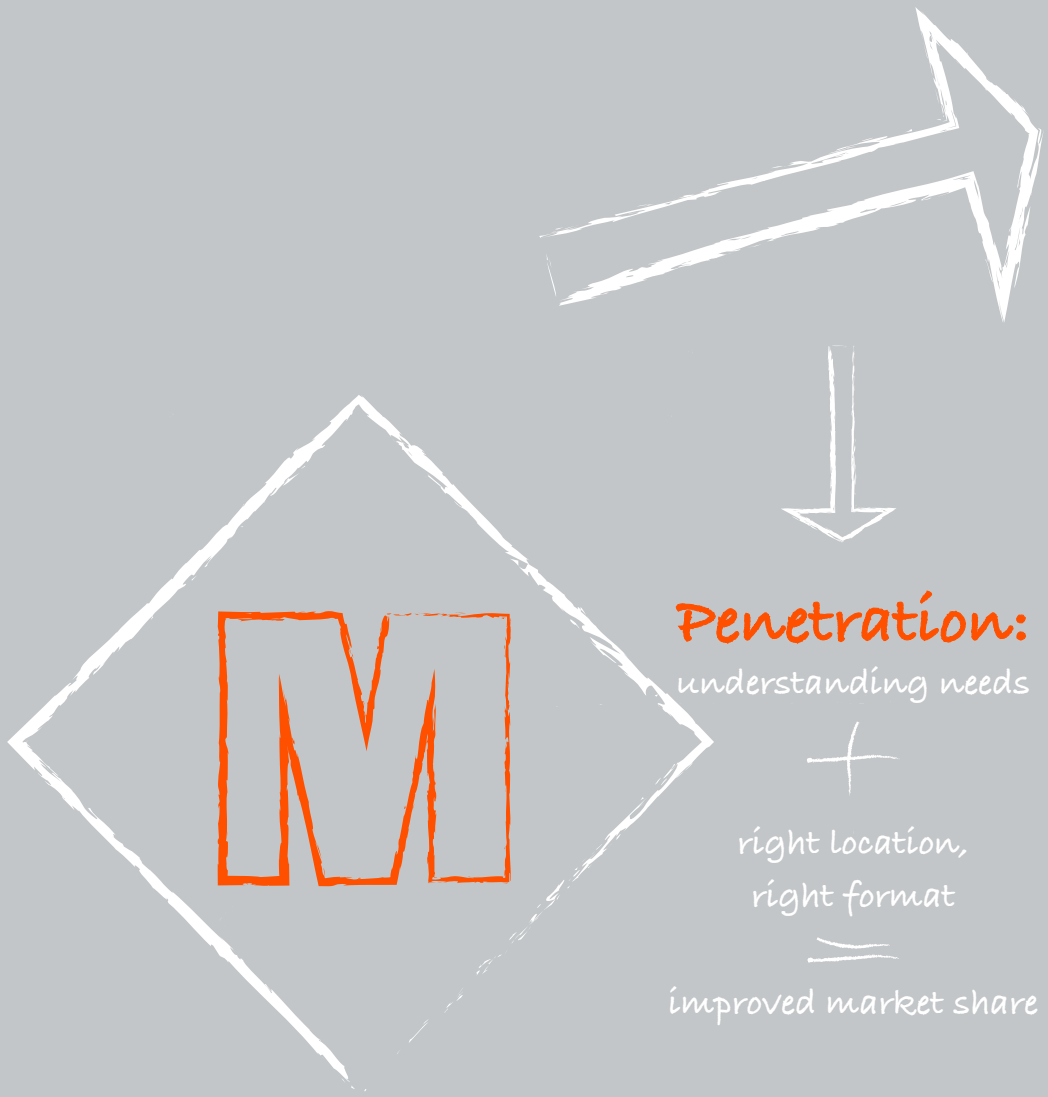
The introduction of locally-sourced produce not only enhances product variety for customers but also provides suppliers with opportunities to develop their own distribution channels. Migros has expanded its import operations in order to better address and satisfy consumers' price, quality, and variety priorities. For this purpose, greater attention was given to the activities of the company's Far Eastern procurements office. In support of its efforts to encourage healthier lifestyles, Migros has expanded its organic products portfolio. Last year the company launched its "From Field To Shelf In 30 Hours" project, whose aim is to shorten fresh produce supply times. Bakeries installed in stores with suitable premises allow customers to purchase bread and other essential baked goods every day in much fresher condition.

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.

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.

In 2013 the company held a "Suppliers Summit" during which it met with its suppliers. This meeting focused on creating a climate of mutual trust while also once again demonstrating to suppliers the benefits and advantages of working with Migros.

Based on evaluations made after the summit, 163 suppliers were identified with whom it was decided to continue working on a more integrated basis. These suppliers design products that are exclusively Migros-specific. Migros also overhauled the B2B screens through which it interfaces with its suppliers and it continued to strengthen its collaborative dealings with suppliers in line with their expectations.


M
Penetration:
understanding needs
+
right location,
right format
=
improved market share

Penetration:

By correctly understanding the needs of different income groups, Migros strives to maximize customer satisfaction while maintaining its unchallenged market position through a strategy of insightful store expansion.

Money Club & CRM (Customer Relationship Management)

As the retailing sector's most rewarding and entertaining loyalty program, in 2013 Money Club focused on a variety of joyful activities and campaigns which matters to members.

Money Club
number of active members
8,350,000

As the retailing sector's most rewarding and entertaining loyalty program, in 2013 Money Club focused on a variety of joyful activities and campaigns which matters to members.

In order to better familiarize its members with its fun-filled and rewarding world, in August Money Club introduced the "Moneygiller" family. Along with the lovable Moneygiller characters, each one of which represents a specific customer category, Money Club also launched its new loyalty program point-earning mechanism. Under this new system, Money Club members not only earn points when they make purchases of specific products or from specific product groups but can also do so on the basis of all of their shopping.

Every year Migros mails to the home addresses of its members booklets containing discount coupons for products. These products are selected according to the customer's shopping habits and the booklet is accompanied by a personalized letter. In 2013 the company continued to send out these booklets with brand-new designs.

Migros has also begun sending customers digital messages that are tailored according to their different lifestyles. These messages provide Money Club members with information about things that may appeal to their specific way of life and make suggestions that may be of interest to them. They also contain information about personalized and general campaigns.

The number of members of the BebeMoney program, which allows customers to get free infant products based on their related expenditures, topped 373,000–a threefold increase as compared with 2012.

Besides the strategic partnership which it has been involved in with Shell for three years and the Money Bonus credit card which it developed in collaboration with Garanti Bank, in 2013 Money Club entered into another strategic partnership with Turkish Airlines. Under this new agreement, Money Club members who are also Miles & Smiles members have the option of transferring the Money points which they earn on shopping purchases to their Miles & Smiles account and use them as travel miles instead. A comparable MacroMil loyalty program was also launched especially for Macrocenter customers.

In addition to such strategic partnerships, Money Club members also continued to benefit in other ways in 2013 by taking advantage of entertainment opportunities like discounts on tickets to Cirque du Soleil's Michael Jackson: The Immortal World Tour.

In communicating with its members, Money Club also makes effective use of the increasingly more widespread and influential social media platforms. Migros' policy of responding efficiently to customer feedback and of rapidly resolving any problems customers may have while maintaining warm and immediate relationships with them is greatly admired. In 2013 its Money Club Facebook page was awarded a "Socially Devoted" certificates by Social Bakers, a social media network statistics and analysis firm. The Money Club Facebook page, which has more than 450,000 fans, is also the recipient of the prestigious "CRM Excellence Award" from Gartner in the "Mobile & Social Strategy" category, in recognition of the social CRM database which it has created and of its stance and reputation as both a pioneer and a trend-setter. Such respected awards are evidence not only of Money Club's expertise in customer satisfaction management but also of the validity of its customer-listening and response strategy.

In 2012 Money Club introduced an iPad- and iPhone-based app that allows customers to make shopping purchases without the need for a card. In 2013 this app was transformed into a system that makes it possible for customers to be recognized by their mobile phone numbers. Thanks to this new feature, members who don't have their Money Club cards with them can benefit from all of the club's discounts and other advantages by providing a cashier with their mobile number.

As a result of year-long efforts, the number of active Money Club members reached 8,350,000 in 2013.

Private Labels

Three different product groups under the "Only At Migros" program are offered: fresh produce, private-label products, and branded products that are sold only by Migros.

Private labels:
Migros quality with competitive prices

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: Thanks to the support of its logistics network, the company enjoys a strong competitive advantage in terms of the quality and freshness of its fresh fruits and vegetables. Customers' confidence in Migros is also strengthened by the company's commitment to so called 'good agricultural practices'.

Private-Label Products: As of end-2013, 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 foods, Migros also offers private-label product 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 2011 the company introduced a new strategic approach in its private-label product groups. The success of this policy, which immediately became clear in 2012, gained even greater momentum in 2013. In line with this strategy, efforts continued to be made all year long to further enhance the quality of private-label products.

As a component of the same strategy, the shelf prices of Migros- and Tansaş-branded products were conspicuously reduced in the last quarter of 2011. In 2013, these products remained the market's comparable-quality price leaders. One outcome of this approach is that the growth in sales of own-brand products repeated their 2012 performance and once again outpaced overall turnover growth in 2013.

All Migros-branded milk and dairy product packaging was completely renewed in order to achieve uniformity in 2013. A new "M Life" series of products was also introduced in this category.

Migros continued to conduct its Consumer Panel Program in order to gauge consumer satisfaction with its private-label products. The Migros Quality Management System, which allows the company to maintain continuous and strict control over product and supplier quality, ensured the sustainable superior quality of private-label products all year long.

Branded products that are sold only by Migros:
Migros and Tansaş shelves also contain numerous branded products for sale which are not to be found anywhere except at Migros and/or Tansaş. These 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. bulunmaktadır.

Migros Virtual Market www.sanalmarket.com.tr

Conducting its distribution operations year-round through 64 stores, the number of MVM distribution points rises to 74 during the summer season with the addition of Turkey's most popular resort areas.

Virtual Market was visited by an average of **400,000 people a month**

Serving online customers in Turkey since 1997, the Migros Virtual Market (MVM) continued to grow rapidly in 2013 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 64 stores, the number of MVM distribution points rises to 74 during the summer season with the addition of Turkey's most popular resort areas.

MVM has begun using electric-powered vehicles in order to achieve greater energy saving in its delivery operations. MVM's website was visited by an average of 400,000 people a month during 2013.

Migros' Mobil Market application, the first of its kind in Turkey, accounted for 19% of total orders in 2013.

By reading product barcodes with their mobile phone cameras, customers using Migros Mobile Market application can place orders for the items they want. The Migros Mobile Market application for the Android platform, which was launched in May 2012, not only reads barcodes but, in another first in Turkey, is also equipped with a voice search feature that allows users to find products and brands they're looking for just by saying them out loud. In the month following its launch, Migros Mobile Market was the most downloaded Turkish application at the Amazon Appstore. In January 2013 an iPad version of Migros Mobile Market was also introduced.

Migros Mobile Market was cited as the "Retailing Technology Application of the Year" in the 2011-2012 series of awards conducted by the Turkish Shopping Centers and Retailers Association.

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 copies each of the second and third issues of Migroskod were printed and distributed during 2013.

Last year Migros Virtual Market continued to make active use of both Facebook and Twitter while also adding Google + to its lineup of customer accessibility platforms. 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 2013.

Macrocenter, Migros' chain of shops whose superior service standards and products appeal to upmarket customers, 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 2013 both channels began to provide personalized service to customers through an expanded distribution network that now includes Ankara, İzmir, Muğla, and Antalya.

Financial Results and Discussion

Migros' consolidated sales reached TL 7,127 million in 2013.

In 2013 the company adhered to a growth policy similar to that of the previous year and opened a total of 165 new stores. In Turkey these consisted of 66 Migros format, 16 Tansaş format, 69 MigrosJet format, 6 Macrocenter format (three of which had undergone a format change), and 3 5M (hypermarket) format stores. In its international operations, the company opened 7 Ramstores in Macedonia and 1 in Kazakhstan. At end-2013, the company's store portfolio contained 1,004 stores whose aggregate sales space amounted to 897,119 m^2. The latter figure corresponds to a net year-on increase on the order of 5.3%.

Migros' consolidated sales reached TL 7,127 million in 2013, 5.9% of which were generated by the company's international operations. Our consolidated sales performance corresponds to a year-on rise on the order of 10%. Our consolidated gross profit was similarly up by 11.2% year-on and reached TL 1,895 million. Our gross profit margin in 2013 weighed in at 26.6%, slightly higher than the previous year's 26.3%. Last year Migros booked earnings before interest, taxes depreciation, and amortization (EBITDA) worth TL 469 million and an EBITDA margin of 6.6% while our earnings before interest, taxes, depreciation, amortization, and rent costs (EBITDAR) amounted to TL 813 million and our EBITDAR margin was 11.4%.

Financing income in 2013 amounted to TL 115 million. Financing costs, which were around TL 199 million in 2012 shot up to TL 730 million, a result that was due entirely to the erosion of the Turkish lira's value against other currencies. In 2012 the company earned TL 17 million in interest on its bank deposits; in 2013 this amounted to TL 11 million while TL 82 million was booked as exchange rate gains. On the other hand the company suffered exchange rate losses on the order of TL 500 on its EUR-denominated debt, whose value was increased by the substantial appreciation of the euro against the Turkish lira.

Finally and despite the company's successful results on the operational front, Migros was obliged to book a hefty financing charge owing to EUR-based debt whose value was inflated by the significant depreciation of the Turkish lira against the euro. The result is that the company posted a pretax loss of TL 385 million and a net loss of TL 463 million in 2013.

FINANCIAL RATIOS

LIQUIDITY RATIOS	December 2013	December 2012
Current Ratio	0.84	1.02
FINANCIAL STRUCTURE RATIOS	**December 2013**	**December 2012**
Financial Leverage (Total Liabilities/Total Liabilities and Equity)	0.86	0.78
Total Liabilities/Equity	5.98	3.46
Financial Liabilities/Total Assets	0.51	0.44
Net Cash Position (TL thousand)	-1,887,060	-1,447,205
PROFITABILITY RATIOS (%)	**1 Jan - 31 Dec 2013**	**1 Jan - 31 Dec 2012**
Gross Profit Margin	26.6%	26.3%
Operating Profit Margin	3.3%	3.0%
EBITDA Margin	6.6%	6.6%
Net Profit Margin	-6.5%	1.4%
SHARE PERFORMANCE RATIOS	**December 2013**	**December 2012**
Market Capitalization (bin TL)	2,848,480	3,827,645
Share Price (TL)	16.00	21.50
Earnings Per Share (Kr)	-2.60	0.49

Migros Ticaret A.Ş.
2013 General Assembly Meeting Agenda

Migros Ticaret A.Ş.

10 April 2014, 11:00 am

Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir - İstanbul

MİGROS TİCARET A.Ş. 2013 ORDINARY GENERAL ASSEMBLY MEETING AGENDA

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 2013 activities and accounts,
3. Reading, deliberating, and voting on the financial statements for 2013,
4. Reading, deliberating, and voting on the Board of Directors' report and the annual report, both concerning the company's 2013 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 2013,
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. 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,
9. Determining the gross monthly fees and any kind of financial benefits including bonus, premium, attendance fee, etc. to be paid to the Board members,
10. As required by Capital Markets Board regulations and Corporate Governance Principles, providing information about the company's "Disclosure Policy",
11. Providing information about the socially beneficial donations and assistance granted by the company to foundations and associations in 2013; determining an upper limit on donations and assistance to be granted in 2014 as required by Capital Markets Board regulations and the company's Articles of Association,
12. 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,
13. 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,
14. As required by Capital Markets Board regulations, providing information about collateral, pledges, and mortgages granted by the company in favor of third parties in 2013,
15. 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 2013,
16. Closing remarks.

Board of Directors Report

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 Report

Board of Directors

The Migros Board of Directors consisted of nine members in 2013: 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 25 September 2013, shareholders voted to pay independent board members a fee of TL 16,000 (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 28 March 2013, 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 2013 fiscal year subject to the provisions of capital market laws and regulations and of the Turkish Commercial Code. This decision was approved at the first meeting of the general assembly of shareholders thereafter.

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 2013, the Audit Committee informed the Board of Directors of its opinion that the after-consolidation financial statements prepared in accordance with CMB-published accounting principles pursuant to the provisions of CMB Communique II-14.1 accurately reflected the company's true financial condition and the actual results of its operations on 31 December 2013.

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

At a meeting of the Migros Board of Directors held on 28 June 2013, the board voted to:

- Amend the existing texts of the following articles of the company's articles of association: Article 3 "Object and scope", Article 5 "Headquarters and branches", Article 7 "Capital", Article 8 "Shares", Article 9 "Issuing shares", Article 10 "Issuing securities", Article 11 "Meetings of the general assembly", Article 11/A "Submitting general assembly meeting minutes and addenda to the ministry and to the Capital Markets Board and publishing them", Article 12 "Voting", Article 13 "Presiding committee", Article 14 "Meeting and decision quora", Article 15 "Ministry representative", Article 16 "Board of directors", Article 16/A "Committees", Article 17 "Board of directors' term of office and duties", Article 18 "Board of directors' meetings", Article 19 "Board of directors meeting and decision quora", Article 20 "Representing and binding the company", Article 21 "Board members' remuneration", of former Article 23/A now renumbered as Article 22 "Financial statements and independent auditing", former Article 25 now renumbered as Article 23 "Announcements", former Article 26 now renumbered as Article 24 "Changes in the articles of association", former Article 28 now renumbered as article 26 "Distribution of profits", former Article 29 now renumbered as Article 27 "Profit distribution date", former Article 30 now renumbered as article 28 "Reserves", and former Article 32 now renumbered as article 30 "Statutory provisions";
- Remove from the articles of association of Article 22 "Auditors", Article 23 "Duties of auditors", Article 24 "Remuneration of auditors", and of article 33 "Articles of association to be sent to the ministry";
- Renumber, while making no other changes in their texts, Article 27 "Annual accounts" as article 25, Article 29 "Profit distribution date" as Article 27, Article 31 "Dissolution and liquidation of the company" as Article 29, Article 34 "Jurisdictional venue" as Article 31, and Article 35 "Compliance with corporate governance principles" as Article 32;
- Apply to the Capital Markets Board and to the Ministry of Customs and Trade to obtain the authorizations needed to make these changes and, having received them, to submit the changes for the approval of shareholders at the first general assembly meeting held thereafter.

Authorizations concerning these amendments in the articles of association have been obtained from both the Capital Markets Board (letter 29833736-110.03.02-2252 dated 18 July 2013 and letter 29833736-110.03.02-2663 dated 9 September 2013) and from the Ministry of Customs and Trade / Directorate General of Domestic Trade (letter 67300147/431.02.57670-954859-8289-5929 dated 24 July 2013 and letter 67300147/431.02-57670-1224833-100042-7133 dated 19 September 2013). Having received these authorizations, the articles of association amendments proposed by the Board of Directors were approved at a general assembly meeting held on 25 September 2013 and were subsequently registered on 8 October 2013.

The amended versions of these articles of the articles of association may be found on our company's corporate website (www.migroskurumsal.com), the minutes of the general assembly meeting held on 25 September 2013, and in the e-company portal on the Central Registry Agency's website (www.mkk.com.tr). A complete copy of our current articles of association may also be found in the Investor Relations section of the corporate website.

Capital

Migros Ticaret A.Ş.	Share (%)	Share Amount (TL)
MH Perakendecilik ve Tic. A.Ş.	80.51	143,323,336
Others	19.49	34,706,664
Total	100.00	178,030,000

Changes in Paid-in Capital during the Reporting Period

No changes took place in the company's paid-in capital during the reporting period.

Board of Directors Report

Migros' Position in the Sector and Investments in 2013

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-2013, the company had 1,004 stores consisting of 299 M, 205 MM, 74 MMM, 144 MigrosJet, 21 5M, 123 Mini, 54 Midi, 22 Maxi, and 23 Macrocenter stores located in all seven of Turkey's geographical regions and, through its international subsidiaries, 25 Ramstores in Kazakhstan and 14 Ramstores in Macedonia.

In 2013 new openings consisted of 66 Migros (40 M, 19 MM, and 7 MMM), 69 MigrosJet, 16 Tansaş (14 Mini, 1 Midi, and 1 Maxi), 3 5M hypermarket, and 6 Macrocenter stores in Turkey; in its international operations, 1 Ramstore opened in Kazakhstan and another 7 opened in Macedonia. Thus a total of 165 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 2012 Migros booked consolidated sales worth the equivalent of TL 6,482 million. In 2013 consolidated net sales were worth TL 7,127 million. As this corresponds to a 10.2% year-on rise when calendar effects are taken into account, the company fulfilled its target of achieving double-digit growth last year. Consolidated gross profit was up by 11.2% year-on and reached TL 1,895 million in 2013. 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 three years beginning with 2010, the company's consolidated gross profit margin improved steadily from 25.7%, to 26.0%, and to 26.3%. This trend continued in 2013 with the consolidated gross profit margin reaching 26.6%. Migros' consolidated operating profit grew by 19.5% year-on in 2013 and reached TL 236 million while its consolidated operating profit margin weighed in at 3.3%.

In 2012 Migros booked an earnings before interest, taxes depreciation, and amortization (EBITDA) figure of TL 430 million. In the twelve months to end-2013, this increased by 9.1% and reached TL 469 million, a figure that corresponds to 6.6% of sales.

In 2012 Migros booked TL 134 million as financial income; in 2013 this figure was TL 115 million. Owing to the depreciation of the Turkish lira against other currencies in 2013, the company's financial expenses more than trebled from TL 199 million the previous year to TL 730 million. Interest earned on bank deposits fell from TL 17 million to TL 11 million in 2013 while the company booked exchange rate gains worth TL 82 million. During 2013 the Turkish lira fell significantly against the euro. The result of this was that Migros booked exchange rate losses in the amount of TL 500 million on account of having to value its EUR-based debt in TL in its year-end balance sheet.

In 2012 Migros announced a pretax profit of TL 129 million and a net profit of TL 88 million; in 2013 the company booked a pretax loss of TL 385 million and a net loss of TL 463 million.

In 2013, total liabilities corresponded to 86% of total liabilities and equity (2012: 78%). 34% of the company's total assets consisted of current assets in 2013 with non-current assets making up the remaining 66%. In 2012 these figures were 34% and 66% respectively.

Profit Distribution Proposal & Conclusion

Within the framework of (1) principles set forth in Capital Markets Board (CMB) Communique 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 2013, which have been prepared in accordance with CMB regulations, show a net current loss. For that reason, it has been decided to recommend to the general assembly of shareholders at the 2013 annual meeting that no dividend be paid for the year.

Conclusion

This concludes our report of our company's 2013 activities and results.

We hereby submit for your consideration and approval our company's consolidated balance sheet and income statement dated 31 December 2013.

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, which went into effect with its publication in issue 28871 of Official Gazette on 3 January 2014, 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.

Corporate governance committee compliance activities in 2013

At the company's annual general assembly meeting on 25 September 2013, changes that had been duly authorized by the Capital Markets Board (CMB) and by the Ministry of Customs and Trade were made in our company's articles of association to bring them into compliance with the requirements of the Turkish Commercial Code (Statute 6102) and of the Capital Markets Law (Statute 6362). The current Statute 6102- and Statute 6362-compliant version of the articles of association is published on the company's corporate website at 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. The structures and memberships of the previously-constituted Audit Committee and Corporate Governance Committee have been changed to bring them into compliance with the same communique.

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;
- Represent the company;
- Handle shareholder requests and procedures related to general assembly meetings, share capital increases, and dividend payments;
- 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 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;
- Have shareholders' paper-form securities dematerialized;

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 2013 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: 34
- Board of Directors resolutions passed: 16
- Domestic and international conferences and roadshows taken part in: 7
- Analysts and fund managers met with during the year: 215

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.

Auditing

At the meeting of the Board of Directors of Migros, held on 26 March 2013, 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 2013 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 2013, 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.

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.

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 Central Registry Agency's 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 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 Central Registry Agency's 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

Owing to delays in public authorities' authorizations needed for proposed amendments in the company's articles of association, the annual general assembly meeting at which Migros Ticaret Anonim Şirketi's 2012 activities and accounts were examined took place on 25 September 2013 at 11:00 at Migros Ticaret A.Ş.'s headquarters 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 assembly meeting system. The meeting was observed by ministry representative Hatice Önder, who had been charged with this duty by Ministry of Customs and Trade İstanbul Directorate letter 28866 dated 24 September 2013.

The 2012 balance sheet and income statement, the Board of Directors annual report, the independent auditors' reports, and proposal for the distribution of the year's earnings were made available for the examination of shareholders at the company's headquarters, on its corporate website at www.migroskurumsal.com, and at the Central Registry Agency's electronic general assembly portal during the three weeks preceding the meeting.

An examination of the attendants list showed that 14,534,036,800 shares out of a possible 17,803,000,000 corresponding to TL 145,340,638 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 Central Registry Agency's e-company portal at www.mkk.com.tr. Additionally, the general assembly meeting's minutes were also announced in issue 8425 of Türkiye Ticaret Sicili Gazetesi on 14 October 2013.

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 annual general assembly meeting were informed about the donations and assistance provided by the company during the year. In 2012 the company made donations totaling TL 650,533.69 consisting of TL 185,000 to the Educational Volunteers Foundation of Turkey, TL 123,957.40 to the municipality of Marmaris, TL 121,040 to the municipality of Yenimahalle, and TL 220,556.29 to other associations and foundations.

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 25 September 2013, the company announced that it showed a net current profit in the amount of TL 88,136,409 in its 2012 consolidated financial statements conforming to CMB regulations. Since the company's statutory reserve was already at the legally prescribed level, it was not necessary to make an addition to it from this profit. Shareholders were informed of the Board of Directors' recommendation not to pay out a dividend for the year in order to further strengthen the company's balance sheet and to ensure the existence of a more dependable cash flow in the years ahead and of its intention to use this profit to cover the company's working capital needs and to finance new investments next year. 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.

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 "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 half a century, 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 2013, 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.

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 1980, Bayazıt assumed various positions at Yapı Kredi Bank from 1982 until 1995 and left the bank when he was serving as Assistant General Manager. He functioned as the General Manager of Interbank from 1995 to 1996, and of Banque de Commerce et de Placements from 1996 to 1999. Having worked as Vice President at Doğan Holding from 1999 until 2001, Bayazıt was the CEO and a board member of Dışbank (2001-2005), Fortis Bank (2005-2007), and Yapı Kredi Bank (2007-2009). Having held the position of Managing Director 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. and TAV Havalimanları Holding A.Ş. Serving as the country corporate officer at Marsh & McLennan Group, Turkey, Bayazıt holds seats on the boards of directors of Marsh Sigorta ve Reasürans Brokerliği A.Ş., Tam Faktoring A.Ş., Vector Yatırım A.Ş., Beşiktaş Gayrimenkul Geliştirme San. ve Tic. Ltd. Şti., Bomonti Gayrimenkul Pazarlama İnşaat ve San. Tic. A.Ş. and Embarq, Turkey companies, and on the advisory board of Taaleritehdas Asset Management Ltd., Finland. He is also a faculty member at Koç University and the Vice President of the Board of Directors of TÜSİAD (Turkish Industry and Business Association).

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 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) from 1981 to 1984. He assumed various positions at Unilever from 1984 until 1995, when he left the company while serving in the position of Regional Leader responsible for East Asia detergent business. He served as the Chairman and CEO of Uzay Gıda from 1995 to 1996. He was the Chairman and CEO of nine entities in Turkey, in which Unilever was the majority shareholder, from 1996 to 2000.

He taught at Koç University from 2000 to 2002, when he joined Koç Holding as President of Food, Retailing and Tourism. Since 2005, he has been lecturing at Koç University. He was a member of the Board of Directors of Migros from April 2002 until April 2006. He has been the CEO of Fenerbahçe Futbol A.Ş. since 8 January 2013.

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

Serving in the position of CEO of Fenerbahçe Sports Club and Fenerbahçe Futbol A.Ş. since 8 January 2013, 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.

On 6 June 2012, each of the company's independent board members individually signed an independent board member's affidavit, the text of which is presented below, and submitted their affidavit to the company.

Corporate Governance Principles Compliance Report

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

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

Tayfun Bayazıt

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

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 2013 the Migros Board of Directors passed sixteen 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 2013. Any questions that may be raised by boardmembers 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 boardmembers 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 20 million have been taken out on board members and senior executives.

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 2013 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.

Corporate Governance Principles Compliance Report

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 2013 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.

5.5 Mission, Vision and Strategic Goals of the Company

Our 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.

Our mission is to strengthen our pioneer position in the Turkish retailing industry and become a strong and exemplary regional retail chain by ranking first or second in our operating countries.

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 being provided to members of the Board of Directors appear and are discussed as a separate item on general assembly meeting agendas. At the Migros annual general assembly meeting held on 25 September 2013, it was decided to pay independent members of the board a fee of TL 16,000 (gross) for each board meeting that they attended 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.

As required by CMB communiques concerning the determination and application of corporate governance principles, a Migros 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 25 September 2013. It is also 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.

(TL 1,000)	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Short-term benefits provided to employees	9,946	11,076
	9,946	**11,076**

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 2013 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 2013 the company submitted 34 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 2013, 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	Share (%)	Amount (TL)
MH Perakendecilik ve Tic. A.Ş.	80.51	143,323,336
Publicly Held	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 2013 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 Those Who Have Access to Insider 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.

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) 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 2013 survey, 4,000 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 2013, 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 undergoes preliminary quality control before it is put on sale at the company's stores.
- 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.

Auditor's Report on Annual Report

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

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Migros Ticaret A.Ş. ("the Company") prepared as of 31 December 2013 are consistent with the audited consolidated financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communique related to the Determination of the Minimum Content of the Companies' Annual Report".

3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated 11 March 2014.

   Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

   We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Migros Ticaret A.Ş. are consistent with the audited consolidated financial statements as at 31 December 2013.

İstanbul, 11 March 2014

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU LIMITED

Zere Gaye Şentürk
Partner

Migros Ticaret Anonim Şirketi and its Subsidia

Consolidated Financial Statements as of 01 January - 31 December 2013 Together with Independent Auditor's Report

(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

Independent Auditor's Report

(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

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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 2013, 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 2013, 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 2013 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 Article 378 of Turkish Commercial Code No. 6102, in non-listed companies, an Early Risk Identification Committee shall be established, if the auditor considers the existence of this committee necessary and reports this issue to the Board of Directors in a written form. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee on 9 October 2012, and the committee is comprised of 4 members. Since the date of its establishment, the committee has held 8 meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU LIMITED

Zere Gaye Şentürk
Partner

İstanbul, 11 March 2014

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	Notes	Audited 31 December 2013	Restated Audited 31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	1.038.329	1.040.867
Financial investments	5	9.726	-
Trade receivables	7	48.395	47.345
- Due from related parties	27	55	52
- Other trade receivables		48.340	47.293
Other receivables		1.050	1.233
- Other receivables	8	1.050	1.233
Derivative financial instruments	28	879	15
Inventories	9	851.243	786.036
Prepaid expenses	10	28.635	29.992
Other current assets	17	2.470	3.062
Total current assets		**1.980.727**	**1.908.550**
Non-current assets			
Financial investments	5	1.695	1.695
Other receivables		1.434	1.302
Derivative financial instruments	28	70	241
Investment properties	11	46.267	45.777
Property, plant and equipment	12	1.233.665	1.142.342
Intangible assets		2.501.008	2.499.937
- Goodwill	14	2.251.427	2.251.427
- Other intangible assets	13	249.581	248.510
Prepaid expenses	10	31.769	24.501
Total non-current assets		**3.815.908**	**3.715.795**
Total assets		**5.796.635**	**5.624.345**

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Financial Position at 31 December 2013

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	Notes	Audited 31 December 2013	Restated Audited 31 December 2012
LIABILITIES			
Current liabilities			
Short term portion of the long term borrowings	6	491.973	146.261
Trade payables	7	1.685.963	1.554.044
- Due to related parties	27	734	1.251
- Other trade payables		1.685.229	1.552.793
Employee benefit obligations	16	34.909	29.496
Other payables		2.574	1.701
- Other payables	8	2.574	1.701
Derivative financial instruments	28	-	20.063
Deferred income	10	3.612	3.266
Taxes on income	25	18.327	8.473
Short term provisions		75.007	64.735
- Short term provisions for employee benefits	16	52.577	42.865
- Other short term provisions	15	22.430	21.870
Other current liabilities	17	48.304	47.101
Total current liabilities		**2.360.669**	**1.875.140**
Non-current liabilities			
Long term borrowings	6	2.440.568	2.340.110
Other payables		3.244	2.967
- Other payables	8	3.244	2.967
Derivative financial instruments	28	869	1.279
Deferred income	10	2.250	321
Long term provisions		43.954	35.834
- Long term provisions for employee benefits	16	43.954	35.834
Deferred income tax liabilities	25	114.857	106.618
Total non-current liabilities		**2.605.742**	**2.487.129**

Migros Ticaret Anonim Şirketi and its Subsidia

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	Notes	Audited 31 December 2013	Restated Audited 31 December 2012
EQUITY			
Attributable to equity holders of the parent		**829.533**	**1.261.554**
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	(12.839)	(13.844)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences	18	41.122	10.973
Restricted reserves	18	385.856	385.856
Retained earnings	18	(4.641)	(92.704)
Net income/(loss) for the period	18	(463.175)	88.063
Non-controlling interest		**691**	**522**
Total equity		**830.224**	**1.262.076**
Total liabilities and equity		**5.796.635**	**5.624.345**

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

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Statement of Profit or Loss For the Year Ended 31 December 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	Audited 1 January - 31 December 2013	Restated Audited 1 January - 31 December 2012
PROFIT OR LOSS			
Revenue	3,19	7.126.925	6.482.402
Cost of sales (-)	3,19	(5.232.223)	(4.777.773)
GROSS PROFIT/LOSS	3,19	1.894.702	1.704.629
General administrative expenses (-)	20	(252.983)	(232.161)
Marketing, selling and distribution expenses (-)	20	(1.350.279)	(1.202.795)
Other operating income	21	54.846	53.744
Other operating expenses (-)	21	(110.244)	(125.853)
OPERATING PROFIT	3	236.042	197.564
Income from investment activities	22	1.650	2.106
Expenses from investment activities (-)	22	(7.405)	(5.224)
OPERATING INCOME BEFORE FINANCE EXPENSES/INCOME	3	230.287	194.446
Financial income	23	114.568	133.502
Financial expenses (-)	24	(729.572)	(199.038)
NET (LOSS)/INCOME BEFORE TAX FROM CONTINUING OPERATIONS	3	(384.717)	128.910
Tax expense from continuing operations	**25**	**(78.416)**	**(40.774)**
- Income tax expense	25	(70.938)	(36.506)
- Deferred tax expense	25	(7.478)	(4.268)
NET (LOSS)/INCOME FROM CONTINUING OPERATIONS		(463.133)	88.136
NET (LOSS)/INCOME		(463.133)	88.136
Net (loss)/income attributable to:			
- Non-controlling interest		42	73
- Equity holders of the parent		(463.175)	88.063
		(463.133)	88.136
(Loss)/earning per share (Kr)	**26**	**(2,60)**	**0,49**

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

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Statement of other Comprehensive Income For the Year Ended 31 December 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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	Audited 1 January - 31 December 2013	Restated Audited 1 January - 31 December 2012
Net (loss)/profit for the period	(463.133)	88.136
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	30.276	(7.923)
Actuarial gain/loss	1.005	(13.844)
Other comprehensive income/(loss)	31.281	(21.767)
Total comprehensive (loss)/income	(431.852)	66.369
Total comprehensive (loss)/income attributable to:		
- Non-controlling interest	169	46
- Equity holders of the parent	(432.021)	66.323
	(431.852)	66.369

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

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Statement of Changes in Equity For the Year Ended 31 December 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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					Items that may be reclassified subsequently to profit or loss
	Share capital	Other capital reserves	Share premium	Additional contribution to equity related to merger	Cumulative translation differences
Balances at 1 January 2012	**178.030**	**(365)**	**678.233**	**27.312**	**18.869**
Transfers	-	-	-	-	-
Total comprehensive income	-	-	-	-	(7.896)
Balances at 31 December 2012	**178.030**	**(365)**	**678.233**	**27.312**	**10.973**
Balances at 1 January 2013	**178.030**	**(365)**	**678.233**	**27.312**	**10.973**
Reclassification effect (Note 2.1)	-	-	-	-	-
Restated balances at 1 January 2013	**178.030**	**(365)**	**678.233**	**27.312**	**10.973**
Transfers	-	-	-	-	-
Total comprehensive income	-	-	-	-	30.149
Balances at 31 December 2013	**178.030**	**(365)**	**678.233**	**27.312**	**41.122**

Items that will not be reclassified subsequently to profit or loss		Retained earnings				
Defined benefit plans, remeasurement gains/losses	Restricted reserves	Accumulated profit/(losses)	Net income/(loss) for the period	Attributable to owners of the parent	Non-controlling interest	Total equity
-	385.856	70.541	(163.245)	1.195.231	476	1.195.707
-	-	(163.245)	163.245	-	-	-
-	-	(13.844)	88.063	66.323	46	66.369
-	385.856	(106.548)	88.063	1.261.554	522	1.262.076
-	385.856	(106.548)	88.063	1.261.554	522	1.262.076
(13.844)	-	13.844	-	-	-	-
(13.844)	385.856	(92.704)	88.063	1.261.554	522	1.262.076
-	-	88.063	(88.063)	-	-	-
1.005	-	-	(463.175)	(432.021)	169	(431.852)
(12.839)	385.856	(4.641)	(463.175)	829.533	691	830.224

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Statement of Cash Flow For the Year Ended 31 December 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	Audited 1 January - 31 December 2013	Restated Audited 1 January - 31 December 2012
A. Cash flows from operating activities			
(Loss)/income for the period		(463.133)	88.136
Adjustments for reconciliation of (loss)/profit before taxation			
Adjustments for depreciation and amortisation	20	143.314	131.146
Adjustments for provision for employment termination benefits	16	24.789	20.464
Adjustments for provision for unused vacation	16	14.472	13.511
Adjustments for provision for litigation	15	5.919	9.121
Adjustments for doubtful receivable provision	21	5.309	3.091
Adjustments for income tax expense/income	25	78.416	40.774
Interest income	21,23	(51.281)	(61.405)
Interest expense	21,24	205.751	231.477
Adjustments for unrecognized foreign exchange differences		580.472	(97.009)
Adjustments for fair value losses		(1.241)	22.263
Adjustments for (loss)/gain on sale of property, plant and equipment	22	(481)	(1.583)
Adjustments for impairment/reversal of property, plant and equipment	12	6.236	4.701
		548.542	404.687
Changes in working capital			
Adjustments for increase/decrease in inventories	9	(65.207)	(107.036)
Adjustments for increase/decrease in trade receivables		(6.359)	16.738
Adjustments for increase/decrease in other receivables related with operations		(14.994)	(9.236)
Adjustments for increase/decrease in trade payables		131.919	159.615
Adjustments for increase/decrease in other payables related with operations		10.041	(10.609)
		603.942	454.159
Cash flows from operating activities			
Employment termination benefits paid	16	(15.413)	(12.451)
Unused vacation paid	16	(4.760)	(4.691)
Interest received	21	40.081	44.738
Interest paid	21	(84.596)	(98.215)
Taxes paid/return	25	(61.084)	(30.554)
Compensations paid	15	(5.359)	(6.711)
		472.811	346.275

Migros Ticaret Anonim Şirketi and its Subsidia

Audited Consolidated Statement of Cash Flow For the Year Ended 31 December 2013

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	Notes	Audited 1 January - 31 December 2013	Restated Audited 1 January - 31 December 2012
B. Cash flows from investing activities			
Cash inflows from the sale of tangible and intangible assets	12, 13, 22	2.345	2.953
Cash outflows from the purchase of tangible and intangible assets	12, 13, 22	(225.576)	(159.688)
		(223.231)	**(156.735)**
C. Cash flows from financing activities			
Cash outflows due to debt repayments		(135.255)	(631)
Cash paid with respect due to derivative instruments		(19.925)	(37.069)
Interest received		11.200	16.667
Interest paid		(120.202)	(136.801)
		(264.182)	**(157.834)**
D. Impact of foreign currency translation differences on cash and cash equivalents		**12.064**	**(1.094)**
Net increase/(decrease) in cash and cash equivalents		(2.538)	30.612
Cash and cash equivalents at the beginning of the period		**1.040.867**	**1.010.255**
Cash and cash equivalents at the end of the period		**1.038.329**	**1.040.867**

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

Migros Ticaret Anonim Şirketi and its Subsidia

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2013

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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 will be mentioned as the "Group" together with its subsidiaries. The parent company of the Group is MH Perakendecilik ve Ticaret A.Ş. ("MH Perakendecilik"). Its shareholding in Migros Ticaret A.Ş is 80,51% (31 December 2012: 80,51%).

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 2013, the Group operates in 1.004 stores (31 December 2012: 882) with a net retail space of 897.119 (31 December 2012: 851.680) square meters. As of 31 December 2013, the Group employed 18.219 people (31 December 2012: 17.437) 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 2014 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 2013 %	31 December 2012 %
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	Trade	100,0	100,0

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

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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 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.

Additionally consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

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

Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained. Group made some reclassifications in the previous period's financial statements in order to comply with the new format of Capital Market Board issued on 7 June 2013. The nature, cause and amount of reclassifications are as follows:

- As of 31 December 2012, in the financial position table, "Prepaid expenses" amounting to TL 29.992 and TL 24.501 were formerly disclosed in "Other current assets" and "Other non-current assets", respectively. In the current year, Group management reclassified these amounts to "Prepaid expenses".
- As of 31 December 2012, in the financial position table, "Due to personnel and social security premium payables" amounting to TL 29.496 was formerly disclosed in "Other current liabilities". In the current year, Group management reclassified this amount to "Employee benefit obligations".
- As of 31 December 2012, in the financial position table, "Unearned revenue" amounting to TL 3.266 was formerly disclosed in other current liabilities. In the current year, Group management reclassified this amount to "Deferred income".
- As of 31 December 2012, in the financial position table, "Vacation provisions" amounting to TL 42.865 was formerly disclosed in provisions. In the current year, Group management reclassified this amount to "Short-term provisions for employee benefits".
- As of 31 December 2012, in the financial position table, "Provision for litigations" amounting to TL 21.870 was formerly disclosed in provisions. In the current year, Group management reclassified this amount to "Other short term provisions".
- As of 31 December 2012, in the financial position table, "Employee termination benefits" amounting to TL 35.834 was formerly disclosed in "Employee benefits". In the current year, Group management reclassified this amount to "Long-term provisions for employee benefits".

Migros Ticaret Anonim Şirketi and its Subsidia

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- As of 31 December 2012, in the financial position table, "Defined benefit plans re-measurement losses" amounting to TL 13.844 was formerly disclosed in "Retained earnings". In the current year, Group management reclassified this amount to "Defined benefit plans re-measurement losses".
- As of 31 December 2012, in the financial position table, "Expense accrual" amounting to TL 15.932 was formerly disclosed in "Other current liabilities". In the current year, Group management reclassified this amount to "Other trade payables".
- As of 31 December 2012, in the consolidated profit or loss table , "Interest income on term sales" amounting to TL 24.139 and "interest expense on term purchases" amounting to TL 98.215 were formerly disclosed in "Financial income" and "Financial expenses", respectively. In the current year, Group management reclassified these amounts to "Other operating income" and "Other operating expenses" respectively.
- As of 31 December 2012, in the consolidated profit or loss table, "Interest income from operating activities" amounting to TL 20.599 was formerly disclosed in "Financial income". In the current year, Group management reclassified this amount to "Other operating income".
- As of 31 December 2012, in the consolidated profit or loss table , "Gain on sale of property plant and equipment" amounting to TL 2.106 and "Loss on sale of a property, plant and equipment" amounting to TL 523 and "Losses from closed stores" amounting to TL 4.701 were formerly disclosed in "Other operating income" and "Other operating expenses", respectively. In the current year, Group management reclassified these amounts to "Income from investing activities" and "Expenses from investing activities", respectively.

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 2013 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2012.

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 financial statements

The following amendments to TASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

Amendments to TAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to TAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012.The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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TAS 19 ***Employee Benefits***

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of TAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group Management has elected to early adopt the amendment of TAS 19 which require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

b) New and Revised TASs effective since the year 2013 with no material effect on financial statements with amendments and interpretations on current TASs.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (as revised in 2011) and TAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

TFRS 10 replaces the parts of TAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of TFRS 10.

Under TFRS 10, there is only one basis for consolidation that is control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

TFRS 11 replaces TAS 31 *Interests in Joint Ventures*. TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these TFRSs for the first time.

TFRS 13 ***Fair Value Measurement***

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

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The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under TFRS 7 *Financial Instruments: Disclosures* will be extended by TFRS 13 to cover all assets and liabilities within its scope.

Amendments to TAS 1 *Presentation of Financial Statements* (as part of the *Annual Improvements to TFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to TAS 1 as part of the *Annual Improvements to TFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to TFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

***Annual Improvements to TFRSs 2009 - 2011 Cycle* issued in May 2012**

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation*;
- Amendments to TAS 34 *Interim Financial Reporting*

Amendments to **TAS 16**

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. Amendments to TAS 16 have no significant effect on the Group's consolidated financial statements.

Amendments to **TAS 32**

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 *Income Taxes*. Amendments to TAS 32 have no significant effect on the Group's consolidated financial statements.

Amendments to **TAS 34**

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with TAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

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IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

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

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

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[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] Effective for annual periods beginning on or after 1 January 2014.

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.

Amendments to TFRS 9 and TFRS 7 ***Mandatory Effective Date of TFRS 9 and Transition Disclosures***

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

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'.

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

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 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.

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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	2013	2012
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.

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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.

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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

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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.

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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.

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Turkish Accounting Standard 23 ("Borrowing Costs") was revised on 29 March 2007 by the TASB. Besides, the revised TAS 23 is effective at 1 January 2009, yet voluntary early transition to the application right is reserved. The Group opted for early adoption and changed its accounting policy, choosing the policy envisaged in TAS 23 related to borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

h) Financial instruments

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.

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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.

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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.

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.

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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.

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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) Discontinued operations

According to Turkish Financial Reporting Standard 5 ("TFRS 5") "Non-current Assets Held for Sale and Discontinued Operations", the discontinued operation is the part of an entity which either is classified as held-for-sale or has been disposed of and whose activities and cash flows can be treated as separable from the entity's activities and cash flows. Discontinued operations represent separate business or geographical segments, which are part of a plan to sell or dispose, or is a subsidiary acquired for selling.

Net assets of discontinued operations are measured at fair value less cost to sell. An analysis of the revenue, expenses and pre-tax profit or loss of discontinued operations, income tax expense of discontinued operations and the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed in the notes to the consolidated financial statements. Besides, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are separately disclosed either in the notes or on the face of consolidated financial statements.

v) 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.

w) 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.

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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.

x) 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.

y) 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.

z) 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).

aa) 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.

ab) 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.

ac) 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).

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 7,4% annually, after tax, and includes the Group's specific risk factors as well (Note 14).

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(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.

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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 2013 is as follows:

a) 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

b) Segment analysis for the period 1 January - 31 December 2012

	Turkey	Other countries	Combined total	Intersegment elimination	Total
External revenues	6.086.720	395.682	6.482.402	-	6.482.402
Inter segment revenues	2.622	-	2.622	(2.622)	-
Sales revenue	6.089.342	395.682	6.485.024	(2.622)	6.482.402
Cost of goods sold	(4.483.539)	(296.856)	(4.780.395)	2.622	(4.777.773)
Gross profit	1.605.803	98.826	1.704.629	-	1.704.629
Selling and marketing expenses	(1.149.772)	(53.023)	(1.202.795)	-	(1.202.795)
General administrative expenses	(202.413)	(29.748)	(232.161)	-	(232.161)
Addition: Depreciation and amortization	114.070	17.076	131.146	-	131.146
Addition: Provision for employment termination benefits	8.013	-	8.013	-	8.013
Addition: Termination benefits paid	12.451	-	12.451	-	12.451
Addition: Unused vacation provision	8.820	-	8.820	-	8.820
EBITDA	396.972	33.131	430.103	-	430.103
Addition: Rent expenses	289.564	16.067	305.631	-	305.631
EBITDAR	686.536	49.198	735.734	-	735.734

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A reconciliation of EBITDA figure to income before tax is provided as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
EBITDAR, reported segments	812.916	735.734
Rent expenses	(343.661)	(305.631)
EBITDA, reported segments	**469.255**	**430.103**
Depreciation and amortisation	(143.314)	(131.146)
Provision for employment termination benefits	(9.376)	(8.013)
Termination benefits paid	(15.413)	(12.451)
Unused vacation provision	(9.712)	(8.820)
Other operating income	54.846	53.744
Other operating expenses(-)	(110.244)	(125.853)
Operating profit	**236.042**	**197.564**
Income from investing activities	1.650	2.106
Expenses from investing activities (-)	(7.405)	(5.224)
Operating profit before finance (expense)/income	**230.287**	**194.446**
Financial income	114.568	133.502
Financial expenses(-)	(729.572)	(199.038)
Income before tax	**(384.717)**	**128.910**

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 2013	31 December 2012
Turkey	5.478.873	5.331.873
Other countries	416.298	369.816
Segment assets	**5.895.171**	**5.701.689**
Less: Inter-segment elimination	(98.536)	(77.344)
Total assets as per consolidated financial statements	**5.796.635**	**5.624.345**

	31 December 2013	31 December 2012
Turkey	4.844.540	4.260.500
Other countries	144.930	103.634
Segment liabilities	**4.989.470**	**4.364.134**
Less: Inter-segment elimination	(23.059)	(1.865)
Total liabilities as per consolidated financial statements	**4.966.411**	**4.362.269**

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	38.261	32.947
Banks		
- demand deposits	73.094	54.542
- time deposits	579.136	601.436
Cheques in collection	247	680
Credit card receivables	347.591	351.262
	1.038.329	1.040.867

Weighted average effective interest rates on TL, EURO denominated time deposits at 31 December 2013 are 8,2% and 2,9% (TL and EURO denominated time deposits at 31 December 2012: 8,0%; 3,0%).

Credit card receivables with a maturity of less than one month are discounted at 31 December 2013 with annual rate of 8,2% (31 December 2012: 6%).

The maturity analysis of time deposits at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
1 - 30 days	46.930	601.436
31 - 90 days	532.206	-
	579.136	601.436

NOTE 5 - FINANCIAL INVESTMENTS

	31 December 2013	31 December 2012
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 2013	31 December 2012
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 2013		31 December 2012	
	Share %	Amount	Share %	Amount
Sanal Merkez Ticaret A.Ş.	100%	1.695	100%	1.695
	0,0%	-	0,0%	-
		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.

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NOTE 6 - FINANCIAL LIABILITIES

	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-current 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**

The fair value of bank borrowings at 31 December 2013 is TL 2.919.980 (31 December 2012: TL 2.467.291).

Considering the current market conditions and future plans, on 29 March 2013, the Group made an early payment of EUR 58 Million and its accrued interest towards the outstanding loan of EUR 1.052,7 Million as of December 2012, which was originally provided through the "Facilities Agreement" signed with various financial institutions on 13 February 2008, for a 10 year maturity. The outstanding capital payable regarding the "Facilities Agreement" as of 31 December 2013 is EUR 994.7 Million.

With respect to long term bank loans, all Migros Ticaret A.Ş. shares owned by Parent Company MH Perakendecilik ve Ticaret A.Ş. was provided as collateral to the financial institutions as from the grant date of the loan. As of 31 December 2013, 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. is pledged (31 December 2012: 14.332.333.600 shares representing 80,51%.).

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	31 December 2012		
	Weighted average interest rate	Euro	Total TL e quivalent
Current portion of long-term bank borrowings			
- with fixed interest rates	2,00%	124	291
- with floating interest rates	4,30%	62.070	145.970
Total current bank borrowings		**62.194**	**146.261**
Non-current bank borrowings			
- with fixed interest rates	2,00%	370	874
- with floating interest rates	4,30%	994.701	2.339.236
Total non-current bank borrowings		**995.071**	**2.340.110**
Total financial liabilities		**1.057.265**	**2.486.371**

The redemption schedule of long-term bank borrowings with TL equivalents at 31 December 2012 is as follows:

	Euro	TL
2014	163.956	385.577
2015	199.064	468.139
2016	234.171	550.700
2017	257.452	605.449
2018	140.428	330.245
	995.071	**2.340.110**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 December 2013	31 December 2012
Receivables from tenants and wholesale activities	43.677	41.264
Doubtful receivables	24.445	18.117
Notes receivable	3.362	4.717
Due from related parties (Note 27)	55	52
	71.539	**64.150**
Less: Provision for doubtful receivables	(22.943)	(16.671)
Unearned finance income on term sales	(201)	(134)
Short-term trade receivables, net	**48.395**	**47.345**

The maturities of trade receivables are generally less than one month at 31 December 2013 and they were discounted with the annual rate of 8,2% (31 December 2012: 6,0%).

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Movement of provision for doubtful receivables is as follows:

	2012
1 January	**14.109**
Current year charge (Note 21)	3.091
Collections and reversals	(251)
Cumulative translation adjustment	(278)
31 December	**16.671**

	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**

Trade Payables:

	31 December 2013	31 December 2012
Supplier current accounts	1.683.119	1.547.110
Expense accruals	17.296	15.932
Due to related parties (Note 27)	734	1.251
Less: Unincurred finance cost on term purchases	(15.186)	(10.249)
Short-term trade payables, net	**1.685.963**	**1.554.044**

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 8, 2 % as of 31 December 2013 (31 December 2012: 6, 0%).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	31 December 2013	31 December 2012
Receivables from personnel	1.050	1.233
Short-term other receivables	**1.050**	**1.233**

	31 December 2013	31 December 2012
Deposits and guarantees given	1.434	1.302
Long-term other receivables	**1.434**	**1.302**

Other Payables:

	31 December 2013	31 December 2012
Credit card bills collection amount (*)	2.574	1.701
Short-term other payables	**2.574**	**1.701**

	31 December 2013	31 December 2012
Deposits and guarantees taken	3.244	2.967
Long-term other payables	**3.244**	**2.967**

(*) 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.

NOTE 9 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	673	1.742
Work in progress	5.703	7.845
Merchandise stocks	842.339	772.791
Other	2.528	3.658
	851.243	**786.036**

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2013 amounts to TL 5.206.100 (1 January - 31 December 2012: TL 4.754.027).

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NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOMES

Prepaid expenses:

Short Term :

	31 December 2013	31 December 2012
Prepaid expenses	22.907	24.294
Advances given	4.932	4.902
Upfront fee	796	796
	28.635	29.992

Long Term :

	31 December 2013	31 December 2012
Prepaid expenses	29.050	20.987
Upfront fee	2.719	3.514
	31.769	24.501

Deferred incomes:

Short Term :

	31 December 2013	31 December 2012
Deferred income	3.612	3.266
	3.612	3.266

Long Term :

	31 December 2013	31 December 2012
Deferred income	2.250	321
	2.250	321

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NOTE 11 - INVESTMENT PROPERTY

	Opening 1 January 2013	Additions	Disposals	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**

	Opening 1 January 2012	Additions	Disposals	Cumulative translation differences	Closing 31 December 2012
Cost					
Land and buildings	71.979	-	-	(1.390)	70.589
Accumulated depreciation					
Buildings	(20.614)	(4.386)	-	188	(24.812)
Net book value	**51.365**				**45.777**

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 2013, total investment property of Kazakhstan and Macedonia are 7.827 and 9.170 square meters respectively (31 December 2012: Kazakhstan 8.131 square meters, Macedonia 8.420 square meters).

Fair value of the investment properties in Kazakhstan and Macedonia are TL 62.855 and TL 58.799 respectively (31 December 2012: TL 69.087 and TL 63.274 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 19.011 (2012: TL 18.766). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TL 4.065 (2012: TL 3.421).

At 31 December 2013 and 2012 there were no mortgages on investment property.

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	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.

At 31 December 2013 and 2012 there were no mortgages on property, plant and equipment. Depreciation expenses of the period are recorded in general administrative expenses.

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	Opening 1 January 2012	Additions	Disposals	Impairment loss (*)	Transfers	Cumulative translation differences	Closing 31 December 2012
Cost							
Land and buildings	455.747	1.321	-	-	515	(2.776)	454.807
Leasehold improvements	425.670	32.544	(153)	(11.974)	10.903	(1.451)	455.539
Machinery and equipments	330.621	44.523	(7.125)	-	21.262	(2.191)	387.090
Vehicles	2.736	363	(1.480)	-	5	(37)	1.587
Furniture and fixture	170.053	25.059	(2.129)	-	5.250	(711)	197.522
Construction in progress	3.210	42.897	-	-	(37.935)	-	8.172
	1.388.037	146.707	(10.887)	(11.974)	-	(7.166)	1.504.717
Accumulated depreciation							
Buildings	(29.918)	(8.986)	-	-	-	499	(38.405)
Leasehold improvements	(122.215)	(41.754)	36	7.273	-	234	(156.426)
Machinery and equipments	(74.075)	(43.295)	6.940	-	-	871	(109.559)
Vehicles	(878)	(307)	559	-	-	7	(619)
Furniture and fixture	(42.070)	(17.834)	1.982	-	-	556	(57.366)
	(269.156)	(112.176)	9.517	7.273	-	2.167	(362.375)
Net book value	1.118.881						1.142.342

(*) Impairment loss amounting to net TL 4.701 consists of leasehold improvements of the stores closed in 2012.

NOTE 13 - INTANGIBLE ASSETS

	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

Amortisation expenses of the period are recorded in general administrative expenses.

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Trademark impairment test:

Trademark was tested for impairment using the release from royalty method as of 31 December 2013. 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 7,1%.

	Opening 1 January 2012	Additions	Disposals	Cumulative translation difference	Closing 31 December 2012
Cost					
Trademark (*)	202.175	-	-	-	202.175
Rent agreements (**)	32.982	-	-	-	32.982
Rights	29.105	12.981	-	(193)	41.893
Other intangible assets (***)	28.783	-	-	-	28.783
	293.045	12.981	-	(193)	305.833
Accumulated amortisation					
Rent agreements	(20.134)	(3.315)	-	-	(23.449)
Rights	(13.547)	(7.528)	-	30	(21.045)
Other intangible assets	(9.094)	(3.735)	-	-	(12.829)
	(42.775)	(14.578)	-	30	(57.323)
Net book value	250.270				248.510

(*) 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 Hamoglu Yönetim Organizasyonu Personel Taşımacılık ve Yemek Üretim Hizmetleri İsletmecilik 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.

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NOTE 14 - GOODWILL

Movement of goodwill is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
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.

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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 7,4% 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 6,4% or 8,4% instead of 7,4%) causes a decrease/increase of TL 960.742 (31 December 2012: TL 1.609.468) in the fair value calculations for which sales costs are deducted, as of 31 December 2013. 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 2013	31 December 2012
Provision for litigation	22.430	21.870
Total current provisions	**22.430**	**21.870**

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 2012	**19.460**
Increase during the period	9.121
Payments during the period	(6.711)
31 December 2012	**21.870**
1 January 2013	**21.870**
Increase during the period	5.919
Payments during the period	(5.359)
31 December 2013	**22.430**

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Collaterals, Pledges, Mortgages

The details of collaterals, pledges and mortgages ("CPM") of the Company at 31 December 2013 and 2012 are as follows:

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%			

31 December 2012				
Collaterals, Pledges, Mortgages:	Total TL Amount	TL	USD	Euro
A. CPM given on behalf of the Company's legal personality	60.547	59.646	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	60.547	59.646	472	25
Proportion of other CPM's to equity	0,0%			

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Contingent assets and liabilities:

a) Guarantees given at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Letter of guarantees given	74.024	60.547

b) Guarantees received at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Guarantees obtained from customers	100.338	100.448
Mortgages obtained from customers	19.116	17.596
	119.454	118.044

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 2013	31 December 2012
Payable within 1 year	26.284	23.119
Payable in 1 to 5 years	10.703	11.374
5 years and more	2.282	2.551
	39.269	37.044

d) Tax legislations in Kazakhstan is subject to different interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of Ramstore Kazakhstan by the tax authorities may differ from the interpretation of the management. Consequently, Ramstore Kazakhstan may encounter additional taxes, penalties and interests. Tax authorities in Kazakhstan maintain the right to inspect the accounts for five fiscal years.

e) Yeni Gimat İşyerleri İşletmesi A.Ş. ("Yeni Gimat") has filed an action of debt regarding the claim of rent difference of the immovable rented to Migros Ticaret amounting TL 38.583 which covers the period from 14 June 2001 to the date of trial, 12 June 2009.

Although the mentioned case concluded in favor of the Company on 3 October 2012, the claimant requested an appeal and Company introduced its petition of appeal to the court. The decision has been approved by the Supreme Court in favor of the company on 3 July 2013. On 23 October 2013, the claimant requested another appeal and the case is still in the review process by the Supreme Court as of 31 December 2013.

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NOTE 16 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Payables for employment termination benefit:

	1 January - 31 December 2013	1 January - 31 December 2012
Due to personnel	22.209	18.559
Social security deductions	12.700	10.937
	34.909	29.496

Provisions for employment termination benefit:

	31 December 2013	31 December 2012
Provision for unused vacation	52.577	42.865
Provision for employee termination benefits	43.954	35.834
	96.531	78.699

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 3.254,44 (31 December 2012: TL 3.033,98) for each year of service at 31 December 2013.

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 2013	31 December 2012
Discount rate (%)	2,60	2,27
Turnover rate to estimate the probability of retirement (%)	79,80-100,00	80,80-100,00

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 3.438,22 effective from 1 January 2014 (1 January 2013: TL 3.129,25) 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 79,8% and 100% for the employees working 0-14 years and 15 years and above, respectively.

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1 January 2012	**10.516**
Increase during the period	20.464
Payments during the period	(12.451)
Actuarial loss	17.305
31 December 2012	**35.834**
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**

Provision for unused vacation:

The group has an unused vacation liability against its employees amounting to 52.577 TL (31 December 2012: 42.865 TL) 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 2012	**34.045**
Increase during the period	13.511
Payments during the period	(4.691)
31 December 2012	**42.865**
1 January 2013	**42.865**
Increase during the period	14.472
Payments during the period	(4.760)
31 December 2013	**52.577**

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NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2013	31 December 2012
Deductible taxes and funds	166	2.102
VAT receivables	508	241
Insurance claims	1.235	296
Other	561	423
	2.470	3.062

Other current liabilities:

	31 December 2013	31 December 2012
Taxes and funds payable	15.377	15.151
Various expense accruals	2.637	2.972
Merchandise coupons	7.219	8.789
VAT payable	15.340	15.089
Other	7.731	5.100
	-	-
	48.304	47.101

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 2013 (31 December 2012: 17.803.000.000 shares). All shares are paid-in and no privileges are given to different share groups and shareholders.

The shareholders of the Company and their shareholdings stated at historical amounts at 31 December 2013 and 31 December 2012 are stated below:

	31 December 2013		31 December 2012	
Shareholders	Share %	Amount	Share %	Amount
MH Perakendecilik ve Ticaret A.Ş.	80,51	143.323	80,51	143.323
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 385.856 as of 31 December 2013 (31 December 2012: TL 385.856).

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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. II -19.1 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 2013 from 2012 profits (2012: The Group did not distribute any dividend in 2012 from 2011 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 1.294.921. 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 507.258.

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The equity schedules at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Share capital	178.030	178.030
Share premium	678.233	678.233
Other capital reserves	(365)	(365)
Restricted Reserves	385.856	385.856
Actuarial gain/loss	(12.839)	(13.844)
Cumulative translation differences	41.122	10.973
Additional contribution to equity related to merger	27.312	27.312
Retained earnings	(4.641)	(92.704)
Net (loss)/income	(463.175)	88.063
Attributable to the equity holders of the Group	**829.533**	**1.261.554**

NOTE 19 - REVENUE AND COST OF SALES

	1 January - 31 December 2013	1 January - 31 December 2012
Domestic sales	6.897.693	6.271.076
Foreign sales	419.992	394.733
	7.317.685	**6.665.809**
Other sales	13.590	10.333
	7.331.275	**6.676.142**
Less: Discounts and returns	(204.350)	(193.740)
Sales revenue - net	**7.126.925**	**6.482.402**
Cost of sales	(5.232.223)	(4.777.773)
Gross Profit	**1.894.702**	**1.704.629**

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Retail sales revenue	7.094.188	6.456.662
Rent income	68.689	64.995
Wholesale revenue	154.808	144.152
	7.317.685	**6.665.809**

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NOTE 20 - EXPENSES BY NATURE

Total	1 January - 31 December 2013	1 January - 31 December 2012
Staff costs	650.547	569.558
Rent	343.661	305.631
Porterage and cleaning	45.600	39.384
Transportation	75.130	69.178
Depreciation and amortisation	143.314	131.146
Energy	109.964	105.865
Advertising	48.169	47.307
Repair and maintenance	25.587	20.844
Security	18.649	17.495
Warehouse	42.000	35.744
Taxes and other fees	10.383	9.481
Mechanisation	15.714	13.725
Communication	7.575	6.837
Other	66.969	62.761
	1.603.262	1.434.956

Marketing, selling and distribution expenses	1 January - 31 December 2013	1 January - 31 December 2012
Staff costs	562.932	490.015
Rent	343.141	305.160
Porterage and cleaning	44.219	38.221
Transportation	74.879	69.117
Energy	108.774	104.723
Advertising	48.169	47.307
Repair and maintenance	25.086	20.281
Security	17.926	16.813
Warehouse	42.000	35.744
Taxes and other fees	9.413	8.237
Mechanisation	13.642	11.492
Communication	6.129	5.666
Other	53.969	50.019
	1.350.279	1.202.795

General administrative expenses	1 January - 31 December 2013	1 January - 31 December 2012
Staff costs	87.615	79.543
Depreciation and amortisation	143.314	131.146
Other	22.054	21.472
	252.983	232.161

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Expenses by nature in cost of sales for the periods 1 January - 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Cost of goods sold	(5.206.100)	(4.754.027)
Cost of services rendered	(26.123)	(23.746)
	(5.232.223)	(4.777.773)

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 2013	1 January - 31 December 2012
Interest income on term sales	23.003	24.139
Interest income from operating activities	17.078	20.599
Gain on sales of scrap goods	733	661
Gain on damage insurance	1.085	5.516
Provision write-off	6.076	251
Other	6.871	2.578
	54.846	53.744

Other operating expense:	1 January - 31 December 2013	1 January - 31 December 2012
Interest expense on term purchases	(84.596)	(98.215)
Bad debt expense	(5.309)	(3.091)
Litigation provisions	(5.919)	(9.121)
Losses from prior period rent differences	(4.462)	(8.039)
Other	(9.958)	(7.387)
	(110.244)	(125.853)

NOTE 22 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities:	1 January - 31 December 2013	1 January - 31 December 2012
Gain on sale of property, plant and equipment	1.650	2.106
	1.650	2.106

Expenses from investing activities:	1 January - 31 December 2013	1 January - 31 December 2012
Losses from closed stores	(6.236)	(4.701)
Loss on sale of property, plant and equipment	(1.169)	(523)
	(7.405)	(5.224)

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NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2013	1 January - 31 December 2012
Interest income on bank deposits	11.200	16.667
Foreign exchange gains	82.202	96.876
Financial income on derivatives	21.166	19.959
	114.568	133.502

NOTE 24 - FINANCIAL EXPENSE

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange losses	(582.323)	(18.247)
Interest expense on bank borrowings	(121.155)	(133.262)
Financial expense on derivatives	(19.925)	(42.222)
Other	(6.169)	(5.307)
	(729.572)	(199.038)

NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2013	31 December 2012
Taxes and fund payable	70.938	36.506
Less: Prepaid current income taxes	(52.611)	(28.033)
Taxes on income, net	18.327	8.473

	31 December 2013	31 December 2012
Deferred tax assets	28.555	27.789
Deferred tax liabilities	(143.412)	(134.407)
Deferred tax liabilities, net	(114.857)	(106.618)

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 2013 is 20% (2012: 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.

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Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (2012: 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 (2012: 20%, 10% and 10%, respectively).

The details of taxation on income are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Current period tax expense	(70.938)	(36.506)
Deferred tax expense	(7.478)	(4.268)
	(78.416)	(40.774)

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The reconciliation of tax expenses stated in the consolidated income statements is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Income/(loss) before tax	(384.717)	128.909
Expected tax expense according to parent company (20%)	76.943	(25.782)
Differences in tax rates of subsidiaries	269	740
Expected tax expense of the Group	**77.212**	**(25.042)**
Tax effect of non deductible expenses	(154.870)	(16.038)
Tax effect of research and development operations and other	956	270
Tax effect of exemptions	270	130
Other differences	(1.984)	(94)
Tax expense of the Group	**(78.416)**	**(40.774)**

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 2013 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 (2012: 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 2013 and 2012 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Fair value change of derivative instruments	869	21.342	174	4.268
Short term provisions	75.007	64.735	15.002	12.947
Inventories	16.781	11.625	3.356	2.325
Provision for employment termination benefits	43.954	35.834	8.791	7.167
Unincurred interest income	201	134	40	27
Other	5.959	5.274	1.192	1.055
Deferred income tax assets			**28.555**	**27.789**
Fair value change of derivative instruments	(949)	(256)	(190)	(51)
Property, plant and equipment and intangible assets	(734.964)	(693.759)	(139.482)	(131.444)
Unincurred interest expense	(15.186)	(10.249)	(3.037)	(2.050)
Other	(3.514)	(4.310)	(703)	(862)
Deferred income tax liability			**(143.412)**	**(134.407)**
Total deferred income tax liability, net			**(114.857)**	**(106.618)**

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	31 December 2013	31 December 2012
Deferred income tax assets:		
Deferred income tax asset to be recovered after more than 12 months	8.965	7.423
Deferred income tax asset to be recovered within 12 months	19.590	20.366
	28.555	27.789
Deferred income tax liabilities:		
Deferred income tax liability to be settled after more than 12 months	(140.216)	(131.495)
Deferred income tax liability to be settled within 12 months	(3.196)	(2.912)
	(143.412)	(134.407)
Deferred tax liabilities, net	**(114.857)**	**(106.618)**

Movement of deferred income tax assets and liabilities are as follows:

1 January 2012	**(105.346)**
Deferred tax income from continuing operations	(4.268)
Recognized under equity	3.461
Cumulative translation difference	(465)
31 December 2012	**(106.618)**
1 January 2013	**(106.618)**
Deferred tax expense from continuing operations	(7.478)
Recognized under equity	(251)
Cumulative translation difference	(510)
	(114.857)

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 2013	1 January - 31 December 2012
Net (loss)/income attributable to the shareholders	(463.175)	88.063
Weighted average number of sales with Kr1 face value each ('000)	17.803.000	17.803.000
(Losses) earnings per share (Kr)	**(2,60)**	**0,49**

There is no difference between basic and diluted earnings per share for any of the periods.

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Balances with related parties

Due from related parties	31 December 2013	31 December 2012
Mavi Jeans Giyim Sanayi ve Tic. A.Ş.	18	11
Tekin Acar Büyük Mağazacılık T.A.Ş.	6	5
Provus Bilişim Hizmetleri A.Ş.	1	13
Sanal Merkez T.A.Ş.	30	23
Total due from related parties	55	52

Due to related parties	31 December 2013	31 December 2012
Natura Gıda San. Tic. ve A.Ş.	648	118
Other	86	1.133
Total due to related parties	734	1.251

(ii) Transactions with related parties

Inventory purchases	1 January - 31 December 2013	1 January - 31 December 2012
Natura Gıda San. Tic. ve A.Ş.	2.270	1.597
	2.270	1.597

Inventory sales	1 January - 31 December 2013	1 January - 31 December 2012
Sanal Merkez T.A.Ş.	-	13
Pizza Restaurantları T.A.Ş.	-	48
	-	61

(iii) Other transactions with related parties

	1 January - 31 December 2013	1 January - 31 December 2012
Rent income	803	664
Other income	234	198
	1.037	862

(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 2013	1 January - 31 December 2012
Short-term benefits to employees	9.946	11.076
	9.946	11.076

Compensation paid or payable consists of salaries, benefits, SGK and employer shares and Board of Directors attendance fees.

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NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS

Short-term derivative financial instruments

Current assets	31 December 2013	31 December 2012
Cap option	9	15
Forward foreign exchange contracts	870	-
	879	15

Current liabilities	31 December 2013	31 December 2012
Interest rate swap contracts	-	9.622
Forward foreign exchange contracts	-	10.441
	-	20.063

Long-term derivative financial instruments

Non-current assets	31 December 2013	31 December 2012
Cap option	70	241
	70	241

Non-current liabilities	31 December 2013	31 December 2012
Interest rate swap contracts	869	1.279
	869	1.279

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 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 fair values of the foreign exchange contracts as of 31 December 2012 which extend until 31 December 2013 are as follows:

	EURO Amount to be purchased	TL Amount to be sold	Fair Value (TL)
Forward foreign exchange contracts	32.425	88.850	10.441

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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 2013 and 2012 are as follows:

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

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31 December 2012

Current Assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Cap	30 May 2012	31 May 2012	29 November 2013	212,5 million	15
					15

Non-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	241
					241

Current Liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	6 October 2010	31 May 2011	29 November 2013	105 million	2.874
Interest rate swap	6 October 2010	30 November 2011	30 November 2013	105 million	3.322
Interest rate swap	6 October 2010	31 May 2011	29 November 2013	53 million	1.663
Interest rate swap	6 October 2010	30 November 2011	30 November 2013	53 million	1.763
					9.622

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	1.279
					1.279

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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 4,28% (31 December 2012: 4,30%) as of 31 December 2013. 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 2.470 (31 December 2012: TL 2.117) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate positions of the Group at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Financial instruments with fixed interest rates		
Time deposits	579.136	601.436
Financial liabilities	1.092	1.165
Financial instruments with floating interest rates		
Financial liabilities	2.931.449	2.485.206

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 2013, the Group's financial debt with a maturity longer than 1 year is TL 2.440.568 (31 December 2012: TL 2.340.110) (Note 6).

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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	5 years and over
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	2.574	2.574	2.574	-	-	-
	4.621.078	**4.973.281**	**1.405.446**	**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	5 years and over
Derivative cash inflows	949	249	-	249	-	-
Derivative cash outflows	(869)	(1.920)	-	(956)	(964)	-
Derivative financial liabilities, net	**80**	**(1.671)**	**-**	**(707)**	**(964)**	**-**

The maturity analysis of Group's financial liabilities as of 31 December 2012 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years	5 years and over
Financial liabilities (Non-derivative):						
Financial payables	2.486.371	2.856.426	-	242.378	2.276.772	337.276
Trade payables	1.538.112	1.548.361	1.289.567	258.794	-	-
Other payables	1.700	1.700	1.700	-	-	-
	4.026.183	**4.406.487**	**1.291.267**	**501.172**	**2.276.772**	**337.276**

Derivative financial instruments

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years	5 years and over
Derivative cash inflows	256	37	-	37	-	-
Derivative cash outflows	(21.342)	(26.414)	-	(24.217)	(2.197)	-
Derivative financial liabilities, net	**(21.086)**	**(26.377)**	**-**	**(24.180)**	**(2.197)**	**-**

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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 2013 and 2012 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 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**	**2.484**	**661.956**
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	2.484	661.956
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	-	-

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	31 December 2012			
	Trade receivables		Other receivables	Deposits
	Related Parties	Other	Other	in Banks
Maximum exposed credit risk				
As of reporting date (A+B+C+D)	**52**	**47.293**	**2.535**	**655.978**
Secured portion of maximum				
Credit risk by guarantees etc.	-	8.004	-	-
A.Net book value of financial assets				
Either are not due or not impaired	52	43.124	2.535	655.978
Secured portion by guarantees etc.	-	6.558	-	-
B. Financial assets with renegotiated conditions	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-
C.Net book value of the expired				
or not impaired financial assets	-	2.723	-	-
secured portion by guarantees	-	-	-	-
D. Impaired assets				
Net book value	-	1.446	-	-
Over due (Gross book value)	-	18.117	-	-
Impairment (-)	-	(16.671)	-	-
Secured portion of the net value				
By guarantees etc.	-	1.446	-	-

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 2013	31 December 2012
Group 1	7.454	5.721
Group 2	38.100	39.759
Group 3	817	231
	46.371	**45.711**

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

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b) Aging of the receivables which are overdue but not impaired

	31 December 2013	31 December 2012
0-1 months	661	601
1-3 months	739	505
3-12 months	815	917
1-5 years	792	700
	3.007	2.723

c) Geographical concentration of the trade and other receivables

	31 December 2013	31 December 2012
Turkey	38.861	40.882
Other	12.018	8.998
	50.879	49.880

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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 2013, 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 128.690.

FOREIGN CURRENCY POSITION

	31 December 2013				31 December 2012			
	Total TL equivalent	USD	EURO	Other TL equivalent	Total TL equivalent	USD	EURO	Other TL equivalent
Trade receivables	7.701	374	27	6.823	4.740	246	-	4.301
Monetary financial assets	391.178	4.917	123.169	18.998	440.591	158	180.059	16.865
Other	12.494	1.214	-	9.903	6.717	1.422	-	4.182
Current assets	**411.373**	**6.505**	**123.196**	**35.724**	**452.048**	**1.826**	**180.059**	**25.348**
Other	203	95	-	-	-	-	-	-
Non-curent assets	**203**	**95**	**-**	**-**	**-**	**-**	**-**	**-**
Total Assets	**411.576**	**6.600**	**123.196**	**35.724**	**452.048**	**1.826**	**180.059**	**25.348**
Trade payables	17.481	1.039	147	14.831	7.478	131	-	7.244
Financial liabilities	491.973	-	167.537	-	146.261	-	62.194	-
Non-monetary other liabilities	8.783	1.694	-	5.167	4.061	1.131	-	2.045
Current liabilities	**518.237**	**2.733**	**167.684**	**19.998**	**157.800**	**1.262**	**62.194**	**9.289**
Financial liabilities	2.440.568	-	831.115	-	2.340.110	-	995.071	-
Non-monetary other liabilities	2.593	-	883	-	2.500	-	1.063	-
Non-current liabilities	**2.443.161**	**-**	**831.998**	**-**	**2.342.610**	**-**	**996.134**	**-**
Total liabilities	**2.961.398**	**2.733**	**999.682**	**19.998**	**2.500.410**	**1.262**	**1.058.328**	**9.289**

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FOREIGN CURRENCY POSITION								
	31 December 2013				31 December 2012			
	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	**(2.549.822)**	**3.867**	**(876.486)**	**15.726**	**(2.048.362)**	**564**	**(878.269)**	**16.059**
Net foreign currency asset/(liability) position of monetary items	**(2.551.143)**	**4.252**	**(875.603)**	**10.990**	**(2.048.518)**	**273**	**(877.206)**	**13.922**
Fair value of hedged funds of foreign currency	870	-	-	-	10.441	-	-	-
Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedged amount of foreign currency liabilities	17.619	-	6.000	-	76.254	-	32.425	-
Export	-	-	-	-	-	-	-	-
Import	78.314	41.080	-	-	74.715	41.764	-	-

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Foreign currency sensitivity analysis as of 31 December 2013 and 2012 is as follows:

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**

31 December 2012

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset/liability	(103.271)	103.271
Portion secured from Euro risk	-	-
Euro net effect	**(103.271)**	**103.271**

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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 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Total liabilities	4.966.411	4.362.269
Less: Cash and cash equivalents	(1.038.329)	(1.040.867)
Deferred tax liabilities (net)	(114.857)	(106.618)
Net debt	3.813.225	3.214.784
Equity	829.533	1.261.554
Equity+net debt	4.642.758	4.476.338
Net debt/(Equity+net debt) ratio	**82,13%**	**71,82%**

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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 TFRS 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, the borrowings carried at the amortised cost at the balance sheet are presented with their 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

None.

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