

MİGROS



MİGROS TİCARET A.Ş.

01.01.2022-30.06.2022 INTERIM ANNUAL REPORT
PREPARED PURSUANT TO THE CMB SERIES:II NO:14.1

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CORPORATE PROFILE

Company	: Migros Ticaret A.Ş.
The Date of Foundation*	: 19.03.2008
Trade Registry Office	: Istanbul Trade Registry Office
Trade Registry Number	: 659896
Tax Administration	: Büyük Mükellefler Vergi Dairesi
Tax ID	: 6220529513
Address	: Atatürk Mahallesi Turgut Özal Bulvarı No: 7 34758 Ataşehir - İstanbul
Phone	: 0216 579 30 00
Fax	: 0216 579 35 00
Corporate Web Site	: www.migroskurumsal.com
E-mail	: malimigros@migros.com.tr
Share Capital	: TL 181,054,233
Capital Ceiling	: TL 500,000,000
Stock Exchange	: Borsa İstanbul
Listing Year at the Stock Exchange**	: 2009
Symbol	: MGROS.IS

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

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

INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 7.3% in the first quarter of 2022 in real terms. According to volume index, the consumption expenditures of households increased by 19.5% year on year during the same period.

The annual CPI, which was 36.1% in 2021, grew by 78.6% in June 2022 versus the same month of the previous year. The prices of food and non-alcoholic beverages rose by 93.9% in comparison to last year. According to the latest Inflation Report of the Central Bank of Turkey (CBRT), the annual CPI is expected to be between 56.9% and 63.9% (mid-point of 60.4%) by the end of 2022.

SECTION 1: CORPORATE INFORMATION

Board of Directors

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

Board of Directors	
Tuncay Özilhan	Chairman
Kamilhan Süleyman Yazıcı	Vice Chairman
Tuğban İzzet Aksoy	Board Member
Mehmet Hurşit Zorlu	Board Member
Esel Yıldız Çekin	Board Member
Rasih Engin Akçakoca	Board Member
Recep Yılmaz Argüden	Board Member
Ömer Özgür Tort	Board Member and CEO
Hüseyin Faik Açıkalın	Independent Board Member
Şevki Acuner	Independent Board Member
Emre Ekmekçi	Independent Board Member
Barış Tan	Independent Board Member

At the ordinary general assembly meeting held on 21 April 2022, Tuncay Özilhan, Kamilhan Süleyman Yazıcı, Tuğban İzzet Aksoy, Mehmet Hurşit Zorlu, Esel Yıldız Çekin, Rasih Engin Akçakoca, Recep Yılmaz Argüden and Ömer Özgür Tort were elected as members of the Board of Directors and Hüseyin Faik Açıkalın, Şevki Acuner, Emre Ekmekçi and Barış Tan were elected as independent members of the Board of Directors for 1 year until the General Assembly Meeting of the Company's for the year of 2022. Board members' résumés are provided at the Company corporate website at www.migroskurumsal.com.

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. 19 Board resolutions were taken in the first half of 2022.

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

According to the Articles of Association of the Company, the Board of Directors have the authority to take any decision with the exception of matters that needs the resolution of the General Assembly in accordance with the laws and the Company's Articles of Association. The Board of Directors of the Company were appointed at the 2021 Ordinary General Assembly Meeting dated 21 April 2022 for 1 year until the General Assembly Meeting in which the Company's 2022 accounts are to be discussed.

Committees of Board of Directors

In accordance with the Board of Directors resolution dated 6 May 2022, it was resolved that, within the scope of the Communiqué on Corporate Governance (II-17.1) of the Capital Markets Board ("CMB"), the Corporate Governance Committee shall be responsible for the duties of the Nomination Committee and Remuneration Committees and that the committees of our Company shall comprise of the following members.

Audit Committee		
Şevki Acuner	President	Non-executive
Barış Tan	Member	Non-executive

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

Early Recognition of Risk Committee		
Şevki Acuner	President	Non-executive
Hüseyin Faik Açıkalın	Member	Non-executive
Tuğban İzzet Aksoy	Member	Non-executive

Working Principles of Committees

Working Principles of the Audit Committee

Scope and Objective

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

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

Authority

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

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

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

The Committee convenes at least four times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken.

Working Principles of the Corporate Governance Committee

Scope and Objective

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

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

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

Authority

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

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

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

The Committee convenes at least four times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken.

Working Principles of The Early Detection of Risk Committee

Scope and Objective

The Early Detection of Risk Committee, which was formed under the framework of the Capital Markets legislation and article 378 of the Turkish Commercial Code numbered 6102, is continuing its activities under the auspices of the Board of Directors.

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

Authority

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

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

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

The Committee convenes six times a year. The results of these meetings are set down in minutes that are submitted to the Board of Directors along with any decisions that are taken.

Senior Management

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

Senior management compensation

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

Total compensation provided to the key management personnel by the Company for the periods ended 30 June 2022 and 30 June 2021 has been provided at Note 19 of Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.

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

Number of Employees

As of 30 June 2022, the Company employs 44,281 employees including its subsidiaries (31 December 2021: 40,470).

Subsidiaries

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

As of 30 June 2022;

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	June 2022 (%)	Dec. 2021 (%)
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Shopping mall operation	100.0	100.0
Dijital Platform Gıda Hizmetleri A.Ş.	Turkey	Turkey	Online food retail	100.0	100.0
MoneyPay Ödeme ve Elektronik Para Hizmetleri A.Ş.	Turkey	Turkey	Payment & electronic money service	80.0	80.0
Paket Lojistik ve Teknoloji A.Ş.	Turkey	Turkey	Logistics	75.0	25.0
Mimeda Medya Platform A.Ş.	Turkey	Turkey	Media	100.0	100.0

Increasing shareholding in Paket Lojistik ve Teknoloji A.Ş.

Migros increased its stake in Paket Lojistik ve Teknoloji A.Ş. ("Paket Lojistik") to 75% by purchasing the shares of Paket Lojistik with nominal value of TL 279,718 owned by the other shareholders of Paket Lojistik, in which Migros previously owned 25% stake. The transaction value was determined TL 104,499,845 in cash. The share transfer was completed as of 01 April 2022.

Establishment of an online meal delivery platform

An online platform to provide meal delivery services has been established within the structure of Dijital Platform Gıda Hizmetleri A.Ş. (Migros One), which currently brings the online channels "Migros Sanal Market, Migros Hemen, Migros Ekstra, Macroonline and Tazedirekt" together under the same umbrella.

This online platform, namely 'Migros Yemek', started to operate with its wide restaurant network, affordable prices, healthy and wide range of meal options, and is planned to expand its service network in the upcoming periods. Currently operating in İstanbul, Ankara and İzmir, Migros Yemek is planned to operate in 6 cities and 30 districts by September 2022.

The shareholding structure of Migros Ticaret A.Ş.

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

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

As of 30 June 2022;

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

Information About the Most Recent Capital Increase

No increase was made in the capital during 01 January – 30 June 2022.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2021 Ordinary General Assembly Meeting of our Company dated 21 April 2022 were disclosed in our corporate web site (www.migroskurumsal.com) and the Public Disclosure Platform (KAP). In the Ordinary General Assembly Meeting, the consolidated financial statements dated 31.12.2021, which was prepared in accordance with IFRS, and the other agenda articles were duly accepted.

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

Amendments in the Articles of Association

In our Company's public disclosure dated 02 February 2022, it was announced that i) our Company's registered capital ceiling, which was TL 500,000,000 and valid between 2018-2022 (for 5 years), would be expired at the end of 2022, ii) Migros Board of Directors resolved to determine the registered capital ceiling TL 500,000,000 and to extend the validity period of the registered capital ceiling for 5 years (between 2022-2026), iii) therefore, it was decided to amend the current content of the Article 7 titled "Share Capital" of our Article of Association.

In our Company's public disclosure dated 08 March 2022, it was stated that it was resolved to amend the current content of the Article 3 titled "Purpose and Scope" of the Company's Articles of Association.

The necessary permissions required for the amendment text were obtained from the Capital Markets Board (CMB) as well as the Ministry of Trade and the proposed amendments were submitted to the approval of our shareholders at the General Assembly Meeting held on 21.04.2022 and accepted. The aforementioned resolutions were registered on 29.04.2022 and announced in the Turkish Trade Registry Gazette dated 29.04.2022 and numbered 10570.

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

Authorities and Duties of the Auditors

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

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

At the Company's 2021 Ordinary General Assembly Meeting dated 21 April 2022, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was elected as independent auditor for 2022 fiscal year.

The Dividend Policy of Migros

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

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

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

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

SECTION 2: FINANCIAL INFORMATION

Sales

(Thousand TL)	01 Jan. – 30 June 2022	01 Jan. – 30 June 2021
Domestic sales	28,699,977	16,378,603
Foreign sales	27,525	13,337
Other sales	30,106	22,019
Gross sales	28,757,608	16,413,959
Less: Discounts and returns	-522,843	-309,847
Sales revenue, net	28,234,765	16,104,112

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	01 Jan. – 30 June 2022	(%)	01 Jan. – 30 June 2021	(%)
Net Sales	28,234,765	100.0	16,104,112	100.0
Cost of sales (-)	-21,052,398	-74.6	-12,179,795	-75.6
Gross Profit	7,182,367	25.4	3,924,317	24.4
Operating Expenses	-5,334,845	-18.9	-3,115,601	-19.3
Other Operating Income / (Expense)	-566,880	-2.0	-306,244	-1.9
Operating Profit	1,280,642	4.5	502,472	3.1
Income / (Expense) from investment activities	76,471	0.3	211,922	1.3
Operating Income Before Financial Income / (Expense)	1,357,113	4.8	714,394	4.4
Financial Income / (Expense)	-598,192	-2.1	-463,173	-2.9
Income/Loss Before Tax from continuing operations	758,921	2.7	251,221	1.6
Tax Income / (Expenses)	-225,652	-0.8	-93,845	-0.6
Deferred Tax Income	69,538	0.2	53,215	0.3
Net profit / loss from continuing operations	602,807	2.1	210,591	1.3
Net profit / loss from discontinuing operations	0	0.0	678	0.0
Net Profit / Loss	602,807	2.1	211,269	1.3
<i>Non-controlling Interest</i>	3,601	0.0	0	0.0
<i>Equity holders of Parent</i>	599,206	2.1	211,269	1.3

EBITDA (after ETB & unused vacation provisions) (without IFRS 16 impact)	1,852,362	6.6	804,232	5.0
EBITDA (after ETB and unused vacation provisions)	2,379,635	8.4	1,240,930	7.7
EBITDA (without IFRS 16 impact)	2,117,701	7.5	903,250	5.6
EBITDA	2,644,974	9.4	1,339,948	8.3

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	June 2022	(%)	December 2021	(%)
Current Assets	13,583,480	56.7	8,703,724	48.1
Non-current Assets	10,381,218	43.3	9,396,601	51.9
Total Assets	23,964,698	100.0	18,100,325	100.0
Current Liabilities	17,969,511	75.0	13,108,998	72.4
Non-current Liabilities	4,772,591	19.9	4,455,263	24.6
Total Liabilities	22,742,102	94.9	17,564,261	97.0
Equity Attributable to Owners of Parent	1,185,977	4.9	536,064	3.0
Non-controlling Interest	36,619	0.2	0	0.0
Total Equity	1,222,596	5.1	536,064	3.0
Total Liabilities and Equity	23,964,698	100.0	18,100,325	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	June 2022	December 2021
Current Ratio	0.76	0.66

FINANCIAL STRUCTURE RATIOS	June 2022	December 2021
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	0.95	0.97
Total Liabilities / Equity	18.60	32.77
Financial Liabilities (w/o Lease Liabilities) / Total Assets	0.12	0.03
Net Cash Position (w/o Lease Liabilities) (Thousand TL)	1,903,160	663,618

PROFITABILITY RATIOS (%)	01 Jan. – 30 June 2022	01 Jan. – 30 June 2021
Gross Profit Margin (without IFRS 16 impact)	25.1%	23.9%
Gross Profit Margin	25.4%	24.4%
Operating Profit Margin	4.5%	3.1%
EBITDA Margin (after ETB & unused vacation provisions) (without IFRS 16 impact)	6.6%	5.0%
EBITDA Margin (after ETB & unused vacation provisions)	8.4%	7.7%
EBITDA Margin (without IFRS 16 impact)	7.5%	5.6%
EBITDA Margin	9.4%	8.3%
Net Profit / Loss Margin	2.1%	1.3%

SHARE PERFORMANCE RATIOS	June 2022	December 2021
Market Cap (Thousand TL)	8,690,592	6,869,189
Share Price (TL)	48.00	37.94
Earnings Per Share (EPS) from continuing operations (TL)	3.31	1.98
Earnings Per Share (EPS) from discontinuing operations (TL)	0.00	0.00

Financial Evaluation

Migros' consolidated sales rose by 90% in the second quarter of 2022 and the Company reported TL 16.0 billion consolidated sales. In the first 6 months of the year, the Company's consolidated sales turnover increased by 75% year-on-year to TL 28.2 billion. Competitive pricing strategy and the strong recovery in footfall in our large stores especially located at malls and strong performance of new stores are the key drivers of the strong growth momentum.

Migros continued to expand both its offline and online sales channels in the first half of 2022. The Company opened 130 new stores in 1H 2022 and the total number of stores reached 2,681. The number of online service stores, which was 826 as of 30 June 2021, increased to 955 stores as of 30 June 2022. Migros Hemen operates at 341 stores in 70 cities, where Macroonline offers online service from 82 stores in 10 cities.

In the first half of the year, the consolidated EBITDA after employee termination benefits and unused vacation provisions increased by 92% compared to 1H 2021 and reached to TL 2,380 million corresponding to a margin of 8.4%. EBITDA amounted TL 2,645 million with a margin of 9.4%. Reaching a net cash level of TL 1,903 million in 1H 2022 (excluding the impact of IFRS 16), Migros recorded a net profit of TL 603 million in the first half of 2022. As of June 30, 2022, the Company's total shareholders' equity amounted TL 1,223 million.

Considering the solid 1H 2022 operational and financial performance, the Company revised its year-end guidance for 2022. The consolidated sales growth guidance for 2022 was revised upwards to 80-85%. Despite elevated energy and logistics cost-side pressures, Migros targets a consolidated EBITDA margin after employee termination benefits and unused vacation provisions of ~ 8.0% and EBITDA margin guidance of ~ 8.5% in 2022. Moreover, new store openings target has been increased from 250+ stores to ~ 350 stores. Migros remains committed to invest more even in volatile market conditions. Migros will invest ~ TL 1.65 billion in total this year (previous guidance: ~ TL 1.5 billion).

The Dividend Distribution

In the General Assembly Meeting on 21 April 2022, the General Assembly discussed the Board of Directors' dividend distribution proposal. Accordingly;

Within the Communiqué of Capital Markets Board (CMB) No. II-19.1 and in accordance with our articles of association and dividend distribution policies that were disclosed to public by our company, the Company recorded TL 358,880,830.86 net profit in 2021 consolidated financial statements prepared in accordance with CMB legislation. Considering the fact that there are not any net distributable profit due to the losses from prior years, it was resolved not to distribute dividend for 2021 fiscal year.

This decision will provide a robust balance sheet structure and to manage the cash flow more efficiently for the upcoming years. The Company plans to use this profit to finance its working capital and capital expenditure requirements in the future.

Since the legal limit has been reached, the allocation of primary reserve is not required.

The financial resources and the risk management policies

Financial Debts

As of 30 June 2022, the outstanding financial loans and bonds of the Company stands at TL 2,899,493 thousand (TL 6,570,620 thousand including IFRS 16). Detailed information related to financial debts is provided in the Note 8 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.

The redemption schedule of principal amounts of financial debt at 30 June 2022:

(Thousand TL)	Tenge Loan TL Equivalent	Euro Loan TL Equivalent	TL Loan	Total TL Equivalent	Percentage (%)
1 July 2022 - 30 June 2023	43,808	0	945,609	989,417	35.3%
1 July 2023 - 30 June 2024	38,219	0	698,337	736,556	26.2%
1 July 2024 - 30 June 2025	24,212	0	476,436	500,648	17.8%
1 July 2025 - 30 June 2026	3,075	0	341,023	344,098	12.3%
1 July 2026 - 14 December 2026	0	0	235,408	235,408	8.4%
	109,314	0	2,696,813	2,806,127	%100.0

Risk Management and Internal Control Mechanism

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

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

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

The company was exposed to financial risks in regard of the fluctuations in foreign exchange rates mainly due to the foreign exchange denominated loans which was used in the previous years. Therefore, the Company's shareholders' equity had decreased in the last periods. Migros, in order to reduce its balance sheet risk, significantly reduced its Euro debt in 2020. With the early payment made in April 2021, the Company's gross foreign currency bank debt is nil as of April 2021. Thus, the exchange rate risk due to the financial debts in the previous years was eliminated.

Detailed information has been provided at Note 21, titled Exchange Rate Risk and Foreign Currency Position, of Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company. On the other hand, the Company aims to decrease its interest expenses by reducing its TL debts in the upcoming periods.

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

The Early Recognition of Risk Committee, which convenes 6 times a year, coordinates to take precaution against predictable risks that the company might face as a result of its financial structure and reports regularly to the Board of Directors about its practices.

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

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

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

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

In line with the risk-based audit approach and the year's internal control plan, the Internal Audit Department conducted financial and operational reviews of various departments and processes. Assessments and recommendations based on review results are submitted to company senior management along with the reports in which matters where improvements may be made in keeping with the philosophy of continuous development are also pointed out. Besides financial and operational reviews, the Internal Audit Department also conducts follow-up reviews on issues about which senior management was previously informed and it was agreed that measures needed to be taken. Similar risk analysis and audits were conducted in the first half of 2022. Furthermore, the program for risk analysis and audits was reviewed and updated in line with the requirements of COVID-19 pandemic conditions.

The features and amount of the capital market instruments that was issued

Bond Issuances

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

ISIN Code	Issue Amount (TL)	Issue Date	Maturity	Maturity (Days)	Coupon Number	Number of Coupons Paid
TRSMGTI62319	300,000,000	25.06.2021	23.06.2023	728	8	4/8

The total of debt securities issued by our Company reached TL 1,146 million so far. In this bond issuances,

- the bonds with ISIN code TRSMGTI72011 nominal value of TL 75 million,
- the bonds with ISIN code TRSMGTIE2015 nominal value of TL 46 million,
- the bonds with ISIN code TRSMGTI22115 nominal value of TL 200 million
- the bonds with ISIN code TRSMGTI72110 nominal value of TL 75 million,
- the bonds with ISIN code TRSMGTIA2118 nominal value of TL 200 million,
- the bonds with ISIN code TRSMGTI62228 nominal value of TL 150 million and
- the bonds with ISIN code TRSMGTI62210 nominal value of TL 100 million

were redeemed.

In our material event disclosure dated 20 May 2022, it was stated that our Board of Directors passed a resolution to determine the debt instrument capital ceiling in order to issue debt instruments. Within this context, the application for the approval of the issuance certificate has been submitted to the Capital Markets Board (CMB) and on 16 June 2022, CMB approved our Company's application and provided an issuance limit of TL 750,000,000 for the debt instruments.

SECTION 3: OPERATIONAL ACTIVITIES

Position of Migros in the Sector and Investments

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

During 01 January – 30 June 2022, Migros Ticaret A.Ş. opened 130 new stores - 64 Migros, 49 Migros Jet, 3 Minigros, 8 Macrocenter, 6 Macrokiosk and made TL 474,412 thousand capital expenditures.

The Company operates a network of 2,681 stores in total as of 30 June 2022, including 1,504 supermarkets, 958 Migros Jets, 84 Macrocenter, 56 hypermarkets, 41 Macrokiosk, 25 wholesale and 13 Minigros stores in seven geographical regions throughout Turkey.

New stores opened:

M		MM		MMM		Migros Jet	
Afyon	1	Eskişehir	1	İstanbul	1	Adana	2
Aksaray	1	Isparta	1			Ankara	2
Ankara	5	İstanbul	1			Antalya	3
Antalya	7	İzmir	2			Aydın	1
Aydın	1	Kastamonu	1			Balıkesir	3
Balıkesir	2	Kocaeli	1			Çanakkale	1
Bilecik	1	Rize	1			Edirne	3
Bursa	1	Şırnak	2			Elazığ	2
Çanakkale	1					Eskişehir	1
Denizli	2					Hatay	1
Edirne	1					Isparta	1
Elazığ	1					İstanbul	7
Erzurum	3					İzmir	2
Giresun	1					Kastamonu	1
İstanbul	6					Kırklareli	1
Kahramanmaraş	1					Kırşehir	1
Kars	1					Kocaeli	3
Kayseri	1					Konya	2
Kırklareli	1					Manisa	1
Kocaeli	1					Mersin	3
Konya	4					Muğla	2
Mersin	1					Nevşehir	1
Muğla	3					Ordu	1
Osmaniye	1					Sakarya	1
Rize	1					Tekirdağ	2
Sivas	1					Yalova	1
Tekirdağ	1						
Trabzon	1						
Yalova	1						
TOTAL	53	TOTAL	10	TOTAL	1	TOTAL	49

Minigros	
İstanbul	2
Kocaeli	1
TOTAL	3

Macrocenter	
Ankara	1
İstanbul	3
İzmir	1
Muğla	3
TOTAL	8

Macrokiosk	
Adana	1
Gaziantep	1
İstanbul	2
Mersin	1
Muğla	1
TOTAL	6

SECTION 4: CORPORATE GOVERNANCE

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

The Corporate Governance Rating of our Company was disclosed as 9.67 (96.69%) as of December 28, 2021 by SAHA in their report made public.

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

Sub Sections	Weight	Rating (%)
Shareholders	25%	95.83
Public Disclosure and Transparency	25%	98.39
Stakeholders	15%	99.51
Board of Directors	35%	94.88
Average	100%	96.69

Statement of Compliance with Corporate Governance Principle

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

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

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

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

Corporate Governance Committee

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

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

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

Investor Relations

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

In addition, the Investor Relations communicates directly with various institutions including the Capital Markets Board (CMB), Borsa Istanbul (BIST), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc.) and represents the Company. Keeping records of the Board of Directors meetings and material disclosures to the Public Disclosure Platform (KAP) in compliance with the CMB Communiqué on Material Events are among the Department's other activities. Migros' Investor Relations Department keeps up with relevant legislation as well as CMB communiqués and informs the senior management on the matters requiring compliance.

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

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

Other Matters

- i. The stakeholders can reach the Corporate Governance Principles Compliance Report as well as the information on corporate social responsibility activities which has an impact on social and environmental matters, employees' rights and their vocational training at the Company corporate website at www.migroskurumsal.com. The assessment of the Board of Directors on the Committees' work guidelines and their effectiveness is included in the Corporate Governance Principles Compliance Report.
- ii. Migros which was included in the BIST - Sustainability Index since the beginning of the index in 2014, has been continuing to be included in the index since 8 years.
- iii. Information about various lawsuits filed against or in favor of the Company is provided in the Note 9 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.
- iv. Information on tax assets and liabilities is provided in the Note 17 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.
- v. Information on related parties is provided in the Note 19 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.
- vi. The collective labor agreement, which covers the period of 01.01.2020 - 31.12.2022, was signed on March 30, 2020 by our Company and Tez-Koop. Labor Union. Our Company announced this agreement by a public disclosure on March 30, 2020.
- vii. In addition to the existing organic expansion program, following the recent clearance of the Competition Authority, Migros will acquire the tenancy rights, lease agreements and store equipment of 25 stores in Trabzon and Giresun as well as 6 stores in İstanbul. The transactions are expected to be finalized in the last quarter of this year.
- viii. Competition Authority Investigation: As previously announced, The Turkish Competition Authority had launched an investigation, as per the Law on the Protection of Competition No. 4054, on certain firms operating in the sectors of food retail and cleaning materials. The Competition Authority declared that it decided to impose our Company a monetary fine amounting to TL 517,672,762.75 as a result of the said investigation, provided that the decision might be challenged before the Administrative Courts.

As per the article 17 of the Misdemeanor Law No. 5326, our Company paid TL 388,254,572.06, i.e. 75% of the total fine, on February 2022 and made a provision in its financial statements for 2021 due to the mentioned monetary fine.

On the other hand, our Company filed an annulment action with demand of stay of execution on 25 February 2022 in regard to the Competition Authority's decision. The 7th Administrative Court of Ankara has decided to reject our Company's demand of stay of execution, for which a remedy of opposition is available.

This decision is related to the demand of stay of execution, on the other hand the lawsuit process regarding the annulment of the monetary fine has been continuing.

Donations and Assistance

The upper limit to donations and assistance to grant in 2022 was approved as TL 3,500,000 at the General Assembly.

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

Research and Development Activities

The Company's total R&D expenditures for first half of 2022 is TL 53,135 thousand (1H 2021: TL 26,328 thousand).

Migros Ticaret A.Ş., which was issued an R&D Center certificate from the Ministry of Science, Industry and Technology, has been continuing with its technical research and development activities in areas of business and software development in 2022.

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

Our Sustainability Approach

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

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

Migros' 2021 Integrated Report is posted on the Company corporate website (www.migroskurumsal.com).

The long-term sustainability targets of Migros are as follows;



Subsequent Events

Information about subsequent events is provided in the Note 23 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2022 of the Company.