

MİGROS



MİGROS TİCARET A.Ş.

01.01.2023 - 30.06.2023 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 Borsa İstanbul following the merger with Migros Türk T.A.Ş.

INTRODUCTION: AN ECONOMIC REVIEW AND RETAIL MARKET

Gross Domestic Product (GDP) grew by 4.0% in the first quarter of 2023 in real terms. According to volume index, the consumption expenditures of households increased by 16.2% year on year during the same period.

The annual CPI, which was 64.27% at the end of 2022, grew by 38.21% in June 2023 versus the same month of the previous year. In June 2023, the prices of food and non-alcoholic beverages rose by 53.92% in comparison to June 2022. According to Inflation Report of the Central Bank of Turkey (CBRT) released in July, the annual CPI is expected to be between 54% and 62% (mid-point of 58%) by the end of 2023.

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.

As of 30 June 2023,

Board of Directors	
Tuncay Özilhan	Chairman
Kamilhan Süleyman Yazıcı	Vice Chairman
Talip Altuğ Aksoy	Board Member
Mehmet Hurşit Zorlu	Board Member
Esel Yıldız Çekin	Board Member
Rasih Engin Akçakoca	Board Member
Recep Yılmaz Argüden	Board Member
Ömer Özgür Tort	Board Member and CEO
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 11 April 2023, Tuncay Özilhan, Kamilhan Süleyman Yazıcı, Talip Altuğ Aksoy, Mehmet Hurşit Zorlu, Esel Yıldız Çekin, Rasih Engin Akçakoca, Recep Yılmaz Argüden and Ömer Özgür Tort were elected as members of the Board of Directors and 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 2023. Board members' résumés are provided at the Company corporate website at www.migroskurumsal.com.

* In our Company's public disclosure dated 24.07.2023, it was announced that Migros independent Board Member Şevki Acuner resigned from his duties due to personal reasons. In accordance with the Corporate Governance Communiqué (II-17.1), an independent Board member will be appointed to the vacant membership to serve until the first General Assembly meeting of the Company.

Information on external positions held by Board members and Independent Board Members' Affidavit is provided at the Company corporate website at www.migroskurumsal.com. 22 Board resolutions were taken in the first 6 months of 2023.

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 2022 Ordinary General Assembly Meeting dated 11 April 2023 for 1 year until the General Assembly Meeting in which the Company's 2023 accounts are to be discussed.

Committees of Board of Directors

In accordance with the Board of Directors resolution dated 03 May 2023, 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.

As of 30 June 2023;

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 Hürşit 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
Talip Altuğ Aksoy	Member	Non-executive

* In our Company's public disclosure dated 24 July 2023, it was announced that Şevki Acuner, the Chairman of Audit Committee and Early Recognition of Risk Committee, resigned from his duties due to personal reasons.

Following the resignation of Şevki Acuner, the independent Board member Hüseyin Faik Açıkalın has been appointed to the vacant membership in the Audit Committee and as the Chairman of the Committee. The independent Board member Barış Tan has been appointed to the vacant membership in the Early Recognition of Risk Committee and as the Chairman of the Committee.

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

Considering the diversified business areas of our company with new subsidiaries and initiatives, the following organizational changes have been made in the senior management roles in order to provide a more effective and agile governance structure in our core business line. Accordingly, as of 1 July 2023, it has been resolved;

- to form an Operations Committee to manage the sales, procurement, logistics, marketing, investment and construction roles of our Company's retail operations,
- to appoint Mustafa Murat Bartın as the President of the Operations Committee, thus expanding his role of COO (Chief Operations Officer) to Migros Retail General Manager. Mustafa Murat Bartın will continue to directly report to Migros Group CEO Ömer Özgür Tort,
- to appoint the Assistant General Manager of Expansion, Property and Construction Hakan Şevki Tuncer as Chief Expansion, Property & Construction Officer,
- to appoint the Supermarket Business Unit Director Cüneyt Taşpek as Chief Sales Officer.

Thus, as of July 1, 2023, the senior management of the Company is as follows:

Migros Group Executive Committee members Ömer Özgür Tort (CEO), Mustafa Murat Bartın (COO, Migros Retail General Manager), Ferit Cem Doğan (CFO), Ekmel Nuri Baydur (CMO) and Hakan Şevki Tuncer (CPO), and Migros Group Assistant General Managers Kerim Tatlıcı (CIO) and Olcay Yılmaz Nomak (CHRO), and Assistant General Managers Bülent Kuntay (Chief Supply Chain & Logistics Officer) and Cüneyt Taşpek (Chief Sales Officer).

Senior management compensation

Total compensation provided to the key management personnel by the Company for the periods ended 30 June 2023 and 30 June 2022 has been provided at Note 18 of Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 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 2023, the Company employs 51,025 employees including its subsidiaries (31 December 2022: 45,303).

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 2023;

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	June 2023 (%)	Dec. 2022 (%)
Ramstore Kazakhstan LLC	Kazakhstan	Kazakhstan	Shopping mall operation	100.0	100.0
Dijital Platform Gıda Hizmetleri A.Ş.	Turkey	Turkey	Online food retail	93.0	93.0
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	75.0
Mimeda Medya Platform A.Ş.	Turkey	Turkey	Media	100.0	100.0
Migen Enerji ve Elektrikli Elektrikli Araç Şarj Hizmetleri A.Ş.	Turkey	Turkey	Charging services to electric vehicles	100.0	100.0

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 2023;

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 2023.

Information on General Assembly Meeting

General Assembly Meeting

Meeting Minutes and List of Attendees pertaining to 2022 Ordinary General Assembly Meeting of our Company dated 11 April 2023 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 31.12.2022, 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

No change was made in the Articles of Association during 01 January – 30 June 2023.

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 2022 Ordinary General Assembly Meeting dated 11 April 2023, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was elected as independent auditor for 2023 fiscal year.

The Dividend Policy of Migros

Our Company's Dividend Distribution Policy was approved as follows at the Ordinary General Assembly meeting dated 11 April 2023.

"Our Company conducts a dividend distribution policy within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Regulations and other relevant legislation as well as the provisions of our Articles of Association regarding the dividend distribution.

In line with the Corporate Governance Principles, a balanced and accurate policy is followed between the benefits of the shareholders and the Company. By taking our Company's long-term strategies, investment and financing plans as well as its profitability into consideration, our Company targets to distribute 50% of its annual net distributable profit every year, in cash or in the form of bonus shares of stock, or some combination of the two. This policy is subject to the Company's cash flow projections, forward looking expectations on its operations, investment plans and economic conditions. The General Assembly may decide to distribute dividend which differs from the targeted percentage by taking all these factors into consideration.

Dividend distribution shall start latest by the end of the fiscal year in which the General Assembly approves the dividend distribution.

The Company may decide to distribute dividend in advance or distribute dividend with either equal or different installments, in compliance with regulations in effect."

SECTION 2: FINANCIAL INFORMATION

Sales

(Thousand TL)	01 Jan. – 30 June 2023	01 Jan. – 30 June 2022
Domestic Sales	61,186,099	28,727,502
Other Sales	114,134	30,106
Gross Sales	61,300,233	28,757,608
Less: Discounts and Returns	-1,165,689	-522,843
Sales Revenue, Net	60,134,544	28,234,765

Financial Statements

Migros - IFRS Consolidated Income Statement Summary (Thousand TL)	01 Jan. – 30 June 2023	(%)	01 Jan. – 30 June 2022	(%)
Net Sales	60,134,544	100.0	28,234,765	100.0
Cost of Sales (-)	-46,081,312	-76.6	-21,060,550	-74.6
Gross Profit	14,053,232	23.4	7,174,215	25.4
Operating Expenses	-11,005,372	-18.3	-5,326,693	-18.9
Other Operating Income / (Expense)	-921,297	-1.5	-706,690	-2.5
Operating Profit	2,126,563	3.5	1,140,832	4.0
Income / (Expense) from Investment Activities	280,382	0.5	76,471	0.3
Operating Income Before Financial Income / (Expense)	2,406,945	4.0	1,217,303	4.3
Financial Income / (Expense)	121,178	0.2	-458,382	-1.6
Income/Loss Before Tax from Continuing Operations	2,528,123	4.2	758,921	2.7
Tax Income / (Expenses)	-267,148	-0.4	-225,652	-0.8
Deferred Tax Income	-180,135	-0.3	69,538	0.2
Net Profit / Loss	2,080,840	3.5	602,807	2.1
<i>Non-controlling Interest</i>	21,235	0.0	3,601	0.0
<i>Equity Holders of Parent</i>	2,059,605	3.4	599,206	2.1

EBITDA (after ETB & unused vacation provisions) (without IFRS 16 impact)	3,113,056	5.2	1,852,363	6.6
EBITDA (after ETB and unused vacation provisions)	3,958,777	6.6	2,379,635	8.4
EBITDA (without IFRS 16 impact)	3,335,709	5.5	2,117,701	7.5
EBITDA	4,181,430	7.0	2,644,974	9.4

Migros IFRS Consolidated Balance Sheet Summary (Thousand TL)	June 2023	(%)	December 2022	(%)
Current Assets	28,245,937	60.3	20,123,315	55.2
Non-current Assets	18,582,099	39.7	16,300,553	44.8
Total Assets	46,828,036	100.0	36,423,868	100.0
Current Liabilities	34,142,387	72.9	26,010,277	71.4
Non-current Liabilities	6,722,229	14.4	6,323,840	17.4
Total Liabilities	40,864,616	87.3	32,334,117	88.8
Equity Attributable to Owners of Parent	5,839,964	12.5	4,045,688	11.1
Non-controlling Interest	123,456	0.3	44,063	0.1
Total Equity	5,963,420	12.7	4,089,751	11.2
Total Liabilities and Equity	46,828,036	100.0	36,423,868	100.0

Financial Structure and Profitability Ratios

LIQUIDITY RATIOS	June 2023	December 2022
Current Ratio	0.83	0.77

FINANCIAL STRUCTURE RATIOS	June 2023	December 2022
Financial Leverage (Total Liabilities / Total Liabilities & Equity)	0.87	0.89
Total Liabilities / Equity	6.85	7.91
Financial Liabilities (w/o Lease Liabilities) / Total Assets	0.06	0.07
Net Cash Position (w/o Lease Liabilities) (Thousand TL)	9,518,245	5,425,782

PROFITABILITY RATIOS (%)	01 Jan. – 30 June 2023	01 Jan. – 30 June 2022
Gross Profit Margin (without IFRS 16 impact)	23.2%	25.1%
Gross Profit Margin	23.4%	25.4%
Operating Profit Margin	3.5%	4.0%
EBITDA Margin (after ETB & unused vacation provisions) (without IFRS 16 impact)	5.2%	6.6%
EBITDA Margin (after ETB & unused vacation provisions)	6.6%	8.4%
EBITDA Margin (without IFRS 16 impact)	5.5%	7.5%
EBITDA Margin	7.0%	9.4%
Net Profit / Loss Margin	3.5%	2.1%

SHARE PERFORMANCE RATIOS	June 2023	June 2022
Market Cap (Thousand TL)	38,492,080	8,690,592
Share Price (TL)	212.60	48.00
Earnings Per Share (EPS) from continuing operations (TL)	11.38	3.31

Financial Evaluation

Migros' consolidated sales rose by 106% in 2Q 2023 to TL 33.0 billion. In the first half of the year, the Company's consolidated sales turnover increased by 113% year-on-year and exceeded TL 60.1 billion. The continued competitive pricing strategy, increased customer traffic in online & physical stores and accelerating new store openings were the main drivers of the robust sales growth in 1H 2023. Online channels' share in total sales increased to 16.7% (excluding tobacco and alcohol products) in 1H 2023 from 16.0% in 1H 2022.

Migros increased its expansion in both online and brick and mortar stores in the first half of 2023 by opening 225 new stores. The Company's total number of stores increased to 3,100 in 1H 2023. The number of online service stores which was 955 at the end of 1H 2022, increased to 1,028 stores as of 30 June 2023. The geographical coverage of Migros Sanal Market has expanded to 851 stores in 81 cities. Migros Hemen operates at 473 stores in 81 cities, while Macroonline offers online service from 89 stores in 9 cities.

Consolidated EBITDA increased by 66% to TL 3,959 million in 1H 2023. On the other hand, EBITDA margin decreased to 6.6% from 8.4% a year ago, as the company increases its price investments.

With the contribution of Migros' strong balance sheet and one-off gains derived from an asset divestiture, the Company recorded a net profit of TL 1,515 million in the second quarter of 2023.

Migros revised its year-end consolidated sales growth guidance upwards from %80-85 to ~90%, thanks to strong growth momentum in 1H 2023. On the other hand, the consolidated EBITDA margin guidance for 2023 is revised from 7.0-7.5% to 6.5-7.0%, in line with 1H 2023 performance, due to lower gross profitability on the back of more competitive product offerings and price investments across all categories.

New store openings target for 2023 was revised from ~365 stores to ~450 stores. The company's investments in 2023 was increased and total Capex for the full year was raised from TL ~4 billion to TL ~6 billion.

The Dividend Distribution

In the General Assembly Meeting on 11 April 2023, the General Assembly discussed the Board of Directors' dividend distribution proposal. Accordingly it was decided;

- to distribute gross dividends of TL 472,000,000.00 to be fully paid in cash, after allocating TL 47,200,000.00 of secondary legal reserves, from "other distributable resources" in the consolidated financial statements prepared in accordance with the capital markets legislation and in the legal records prepared in accordance with the Tax Procedure Law.
- to pay dividend TL 2.6069536 gross=net for shares at the nominal value of TL 1 for our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey,
- to pay gross dividend of TL 2.6069536 and net dividend of TL 2.3462582 (by deducting 10% withholding tax) cash for shares at the nominal value of TL 1 for our other shareholders,
- to start dividend distribution on 30 May 2023 upon completion of the legal process following the General Assembly Meeting and to authorize the Board of Directors to engage in necessary transactions.

The dividend distribution was completed.

Since the legal limit in the Article 519 of the Turkish Commercial Code 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 2023, the total amount of outstanding financial loans and bonds of the Company stands at TL 2,862,143 thousand (TL 9,017,368 thousand including IFRS 16). Detailed information related to financial debts is provided in the Note 7 of the Condensed Consolidated Financial Statements for the Interim Period 1 January - 30 June 2023 of the Company.

The redemption schedule of principal amounts of financial debt at 30 June 2023:

(Thousand TL)	Tenge Loan TL Equivalent	TL Loan	Total TL Equivalent	Percentage (%)
1 July 2023 - 30 June 2024	61,045	1,286,197	1,347,242	48.7%
1 July 2024 - 30 June 2025	38,673	470,300	508,973	18.4%
1 July 2025 - 30 June 2026	4,912	671,705	676,617	24.4%
1 July 2026 - 14 December 2026	-	235,409	235,409	8.5%
	104,630	2,663,611	2,768,241	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. The Company's equity has been gradually improving.

Detailed information has been provided at Note 20, titled Exchange Rate Risk and Foreign Currency Position, of Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 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.

Internal working teams were formed to raise corporate awareness about a possible earthquake in the Marmara Region and to review the company's existing risk and crisis management plans prepared for disaster emergencies. Within the framework of professional consultancy received from an organization specializing in earthquake preparations, these working groups, consisting of different units within the company, have started working to create and review alternative work plans for all central units of the company and to ensure business continuity after a possible Istanbul-based earthquake.

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 6 months of 2023.

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

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
TRFMGTIE2317	450,000,000	13.04.2023	13.10.2023	183	1	0/1
TRSMGTI62517	300,000,000	13.06.2023	26.06.2025	744	8	0/8

Issuance of bill – April 2023

The bill issuance with ISIN code TRFMGTIE2317, nominal value of TL 450,000,000, maturity date of 13.10.2023 was completed. The bill has a single coupon payment and coupon interest rate is 16.0438%.

Issuance of bond – June 2023

The bond issuance with ISIN code TRSMGTI62517, nominal value of TL 300,000,000, maturity date of 26.06.2025 was completed. The bond has 8 coupon payments with a fixed interest rate of 10.5740%.

SECTION 3: OPERATIONAL ACTIVITIES

Position of Migros in the Sector and Investments

Operating in the food retail sector, Migros is engaged in the retail sale of all types of food products and consumer goods, as well as their wholesale for retail consumption. Migros, through its subsidiaries, also operates in online food retailing and ready-to-eat meals, financial technologies, logistics (distribution by motorcycles) services, development and marketing of retail media assets, electric vehicle charging services and shopping mall operation in Turkey and abroad.

During 01 January – 30 June 2023, Migros opened 225 new stores - 135 Migros, 65 Migros Jet, 7 Mion cosmetics stores, 5 Minigros, 8 Macrocenter, 4 Macrokişok, 1 Wholesale and made TL 1,417 million capital expenditures. The Company operates a network of 3,100 stores in total as of 30 June 2023, including 1,784 supermarkets, 1,052 Migros Jets, 93 Macrocenter, 56 hypermarkets, 48 Macrokişok, 34 Minigros, 27 Wholesale and 7 Mion stores in seven geographical regions throughout Turkey.

New stores opened:

M		MM		MMM		Migros Jet	
Adana	2	Adana	1			Adıyaman	3
Afyon	1	Aksaray	1			Afyon	2
Ağrı	1	Ankara	3			Ankara	6
Aksaray	1	Antalya	2			Antalya	2
Ankara	16	Bolu	1			Aydın	3
Antalya	5	Denizli	2			Balıkesir	2
Aydın	2	Diyarbakır	1			Bursa	1
Balıkesir	3	İstanbul	3			Çanakkale	1
Bingöl	1	İzmir	1			Denizli	3
Bursa	6	Kayseri	1			Edirne	1
Çankırı	1	Muğla	1			Erzincan	2
Denizli	2	Niğde	1			Eskişehir	2
Diyarbakır	3	Tokat	1			Hatay	1
Edirne	2	Trabzon	2			Isparta	2
Elazığ	2	Yozgat	1			İstanbul	10
Erzincan	1					İzmir	5
Erzurum	1					Kastamonu	1
Gaziantep	1					Kayseri	2
Giresun	1					Kilis	2
Gümüşhane	1					Kocaeli	2
Isparta	1					Mersin	1
İstanbul	8					Muğla	3
İzmir	8					Nevşehir	2
Kahramanmaraş	1					Sivas	1
Karaman	1					Tekirdağ	1
Kayseri	4					Trabzon	2
Kırıkkale	1					Yalova	1
Kocaeli	4					Zonguldak	1
Konya	2						
Kütahya	1						
Manisa	1						
Mardin	1						
Mersin	1						
Muğla	1						
Nevşehir	1						
Ordu	1						
Osmaniye	2						
Sakarya	2						
Samsun	8						
Sivas	2						
Tekirdağ	2						
Tokat	1						
Trabzon	1						
Van	1						
Yalova	1						
Yozgat	2						
Zonguldak	1						
TOTAL	113	TOTAL	22	TOTAL	0	TOTAL	65

Macrocenter	
İstanbul	5
İzmir	1
Muğla	2
TOTAL	8

Mion	
Ankara	1
İstanbul	6
TOTAL	7

Minigros	
İstanbul	5
TOTAL	5

Macrokişok	
Aydın	1
İzmir	1
Muğla	1
Yalova	1
TOTAL	4

Wholesale	
İstanbul	1
TOTAL	1

SECTION 4: CORPORATE GOVERNANCE

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

The Corporate Governance Rating of our Company was disclosed as 9.67 (96.70%) as of December 28, 2022 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%	98.45
Stakeholders	15%	99.51
Board of Directors	35%	94.88
Average	100%	96.70

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 9 years.
- iii. Information about various lawsuits filed against or in favor of the Company is provided in the Note 8 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 of the Company.
- iv. Information on tax assets and liabilities is provided in the Note 16 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 of the Company.
- v. Information on related parties is provided in the Note 18 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 of the Company.
- vi. The collective labor agreement, which covers the period of 01.01.2023 - 31.12.2025, was signed by our Company and Tez-Koop. Labor Union. Our Company announced this agreement by a public disclosure on April 12, 2023.
- vii. The Energy Market Regulatory Authority approved the "charging network operating license" application of our subsidiary Migen Enerji ve Elektrikli Araç Şarj Hizmetleri A.Ş., which was established on 21.10.2022 in order to operate charging units and stations to provide energy to electric vehicles, to manage a charging network and stations and to provide charging service.
- viii. In addition to the Company's current organic growth program, the Competition Authority cleared the acquisition of the lease rights and lease agreements of 8 stores in Ankara and 7 stores in Amasya, Tokat and Yozgat by our Company, together with their fixed assets.
- ix. The sale of our real estate in İstanbul Bayrampaşa, in which Bayrampaşa Distribution Center is located, to Bilgiçler Yapı İnşaat A.Ş. was completed with an amount of TL 706,505,000 + VAT. The transfer of ownership certificate was completed on 12 April 2023.
- x. Within the scope of the paragraph 4 of Article 3, and the Articles 9/3-a-2 and 9/15 of the "Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws", which entered into force after being published in the Official Gazette dated 12.03.2023 and numbered 32130, it was decided to apply for the restructuring of the administrative fine imposed by the Competition Authority which was previously announced in our Company's public disclosure. Hence, the lawsuit filed for the annulment of the relevant Competition Authority decision was waived. With this decision, no additional payment obligation will arise for our Company, and an application was made to the relevant Tax Office for the return of TL 194,127,286.03 to our Company over the previously paid amount of TL 388,254,572.06.
- xi. In order to support ready meal sales channels in our online and physical stores, new investment opportunities was evaluated. Hence; It was resolved to invest in CRC Danışmanlık ve Organizasyon A.Ş. ("CRC"), and to acquire shares corresponding to 50% of the paid-in capital of CRC. The closing is expected to be finalized by 15 November 2023.

Donations and Assistance

The upper limit of donations (including donations and assistance given to earthquake victims) to be made in 2023, was set at TL 25,000,000 and this was approved at the General Assembly meeting.

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 6 months of 2023 is TL 141,570 thousand (1H 2022: TL 53,135 thousand).

Migros Ticaret A.Ş., which was issued an R&D Center certificate from the Republic of Turkey Ministry of Industry and Technology, has been continuing with its technical research and development activities in areas of business and software development in 2023.

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.

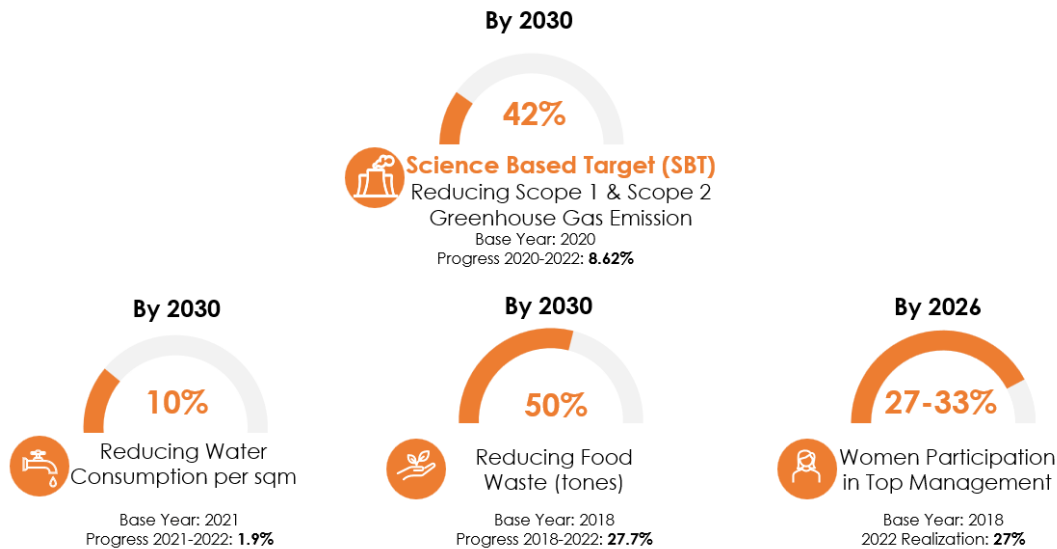
Our Sustainability Approach

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' 2022 Annual 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 22 of the Condensed Consolidated Financial Statements for the Interim Period 1 January – 30 June 2023 of the Company.