MiGROS

We aimed to grow

by making a difference

we have done even better than that.

Migros Türk T.A.Ş. 2007 Annual Report

Koç

*Today we rank 236th among the world's top 250 retailers. We ranked 12th out of the 50 fastest growing retailers between 2001 and 2006.

* "2008 Global Powers of Retailing" report, Deloitte.

Ordinary General Assembly Meeting for the 53rd Year of Operation on 29 April 2008 at 11:00 a.m. at the Divan City, İstanbul

Contents

MİGROS TÜRK T.A.Ş.

Corporate Profile

Founded in 1954 in İstanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality, Migros Türk T.A.Ş. espoused the mission of procuring food supplies and consumer goods from producers under the supervision of the municipal authorities, and presenting these products to the people of İstanbul in hygienic conditions while offering value for money. Its first store opened in the Beyoğlu Fish Market, a majority of Migros' shares were acquired by the Koç Group in 1975. The number of stores and brand equity have grown rapidly ever since.

Further building on its market-leading position by acquiring the national retail chain, Tansaş, in 2005, Migros began offering its customers differentiated brands under different formats thanks to the synergy created by this acquisition.

As of year-end 2007, the number of Migros stores reached 953, consisting of 89 M, 91 MM, 40 MMM, 460 Şok, three 5M, 247 Tansaş and eight Macrocenter outlets located throughout Turkey's seven geographical regions in Turkey. The Company also had three Ramstores in Azerbaijan, nine Ramstores in Kazakhstan, two Ramstores in Macedonia, and one Ramstore in Kyrgyzstan. Migros sustains its leadership in the sector, adeptly drawing on its half a century of experience.

Migros expanded its service provision by introducing a delivery service, taking orders through alternative shopping channels including the internet, telephone, kiosks, mobile phones as well as the catalogue.

As the pioneer of the modern retail sector in Turkey, Migros responds to almost all customer needs through a broad range of products ranging from stationery to glassware, appliances to books, music to ready-wear clothing, as well as its extensive range of food and consumer goods offered at its large, efficiently designed stores.

Apart from the confidence it places in its human resources, Migros strives to provide its customers with the benefits of the latest technology. With an emphasis on and investments in information technology, Migros will always be one step ahead of its competitors in the sector.

Vision - Mission - Strategies

To be closest to the customer through various service formats with a strategy based on being ahead of customer expectations and expanding throughout Turkey and into neighboring countries.

To become a benchmark and a strong regional retail chain by strengthening its lead position in the Turkish retail sector and being either the first or the second in the countries in which it operates.

Migros Türk T.A.Ş. formulates its strategies in line with its mission to continuously raise retailing standards and to increase customer satisfaction in accordance with ongoing principles of quality, respect and maintaining leadership in the sector.

Our main strategy is to provide our customers with a modern, reliable, economic and high-quality service.

Meeting Agenda

1. Opening and election of the Presiding Board

2. Presentation and discussion of the Board of Directors Report on 2007 activities and accounts, Statutory Auditors' Report and the summary of the Independent Auditor's Report prepared by Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., approval, amendment or rejection of the Board's proposed Balance Sheet and Income Statement for 2007

3. Individual acquittal of the members of the Board of Directors and Statutory Auditors of their fiducial responsibilities for the Company's operations during 2007,

4. Approval, amendment or rejection of the Board of Directors proposal on distribution and timing of the Company's 2007 profit,

5. Presenting information on the Company's dividend distribution policies for 2008 and the following years pursuant to Corporate Governance Principles,

6. Re-election or replacement of Board Members whose terms have expired, and the setting of their terms of office

7. Re-election or replacement of Statutory Auditors whose terms have expired, and the setting of their terms of office

8. Determination of the monthly gross remuneration of the Chairman and the Members of the Board of Directors and the Statutory Auditors

9. Informing the General Assembly of donations made by the Company for social assistance purposes to tax-exempt foundations and associations in 2007

10. Approval of the Independent Audit Company selected by the Board of Directors pursuant to the regulation of the Capital Markets Board of Turkey pertaining to Independent Auditing in Capital Markets

11. Giving consent to members of the Board of Directors to carry out the business transactions falling under the Company's scope, personally or on behalf of others, and to become shareholders in companies pursuing businesses of such nature and to carry out other transactions in accordance with Articles 334 and 335 of the Turkish Commercial Code,

12. Authorizing the Presiding Board to sign the minutes of the General Assembly on behalf of the shareholders

13. Closing

MiGROS

The home of pleasant shopping

As the leader in its sector with 53 years of experience in modern retailing, Migros serves its customers in 49 cities and seven geographical regions. Unfailingly a pioneer and the name to introduce the firsts, Migros offers its customers the broadest range of offerings and the most pleasant shopping experience, and adheres to the principle of improving all its processes in view of the standards of the developing retail sector.

Total Store Area	Number of Stores
292, 400 m²	220 stores

ŞOK

Shopping at its cheapest

The leading soft discount grocery store chain, Şok Discount Markets are never far away. With its recent brand repositioning, Şok Markets support the household budget by always offering the lowest, most competitive pricing along with promotional campaigns, especially for their own brand products. Şok Discount Markets offer basic perishable commodities at convenient locations with low prices and daily discounts.

Total Store Area	Number of Stores
85,072 m²	460 stores

Ramstore SUPERMARKET

The gateway to the globe

The leader of the Turkish retail sector, Migros offers services in four foreign countries under the Ramstore brand. The Company operates in Kazakhstan, Azerbaijan, Macedonia and Kyrgyzstan with a total 15 stores, 2 of which are shopping malls. Ramstore exports a pleasant shopping experience while introducing Turkish products to the world.

Total Store Area	Number of Stores
27,244 m²	15 stores

Tansaş

The best value for money

Established in the Aegean region, Tansaş has built a widespread popularity for its fresh produce, good value for money and excellent customer service. Tansaş now offers customers the best value for money in the Marmara, Mediterranean, Central Anatolian and Western Black Sea regions. With its "Incredible Consumer Rights," Tansaş is always one step ahead of its competitors.

Total Store Area	Number of Stores
165,917 m²	247 stores

MACROCENTER

Exclusively for you

Macrocenter distinguishes itself from the competition with high service standards and product variety as a chain boutique retailing with its "For You" style. Macrocenter operates eight stores in İstanbul. With a broad variety of gourmet products and an atmosphere which sets itself apart from other supermarkets, Macrocenter makes its customers feel privileged and special thanks to with its well-stocked, spacious stores.

Total Store Area	Number of Stores
8,503 m²	8 stores

5M MiGROS

Hyper discount

Having revamped itself by drawing on the dynamism derived from the merger, Migros added a new link to its format diversity and introduced 5M hypermarkets, which offer deep discounts. The new format includes kitchens and cafés where customers can instantly enjoy food products which they purchased, as well as shopping areas of freedom where customers can prepare freshly squeezed vegetable/ fruit juices and even salads. Located in İstanbul, Ankara and Antalya, the 5M hypermarkets create a difference with their broad variety of electronics and appliances offered in addition to its wide product range.

Total Store Area	Number of Stores
24,633 m²	3 stores

kangurum
www.kangurum.com.tr

One stop shopping

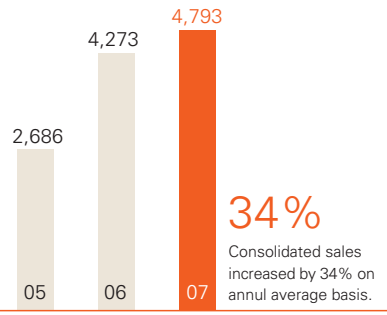
If you don't have time to go shopping, click on Kangurum, Turkey's first e-commerce site and have your selections delivered right to your front door. Kangurum lets you choose from thousands of products, ranging from mobile phones to furniture, and from flowers to appliances, have them delivered to the specified address. The facility offers customers the convenience and pleasure of shopping at a mall, but spares them the exhaustion. Organized under Kangurum, Migros Virtual Market operates in a similar manner, delivering supermarket orders directly to customers in İstanbul, Ankara, İzmir, Mersin, Adana, Bursa and Antalya.

FINANCIAL HIGHLIGHTS

Summary Consolidated Balance Sheet (TRY thousand)	2007	2006	Change (%)
Assets			
Current Assets	1,626,725	1,002,806	62.2
Non-current Assets	1,203,000	1,787,126	-32.7
Total Assets	**2,829,725**	**2,789,932**	**1.4**
Liabilities			
Short-term Liabilities	1,180,047	1,263,465	-6.6
Long-term Liabilities	180,345	603,498	-70.1
Minority Interests	265	199	33.2
Shareholders' Equity	1,469,068	922,770	59.2
Total Liabilities and Shareholders' Equity	**2,829,725**	**2,789,932**	**1.4**

Summary Consolidated Income Statement (TRY thousand)			
Net Sales	4,793,359	4,272,969	12.2
Cost of Sales	-3,598,461	-3,189,957	12.8
Gross Profit	1,194,898	1,083,012	10.3
Operating Expenses	-981,481	-877,926	11.8
Net Operating Expenses	213,417	205,086	4.1
Other Income/Expenses (net)	425,175	-50,077	849.0
Pre-tax Profit	638,592	155,009	312.0
Taxes on Income	-85,717	-76,323	12.3
Net Income	552,875	78,686	602.6
EBITDA	**326,000**	**311,236**	**4.7**

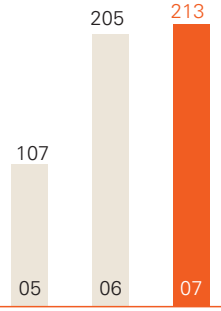
Consolidated Sales (TRY million)



34%

Consolidated sales increased by 34% on annul average basis.

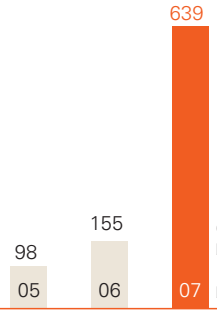
Consolidated Gross Operating Profit (TRY million)



41%

Consolidated gross operating profit increased by 41% on annul average basis.

Consolidated Income Before Tax (TRY million)



155%

Consolidated income before tax increased by 155% on annul average basis.

Number of Stores

953

stores

9%

Total Assets

2,830

TRY million

1.4%

Pre-tax Profit

639

TRY million

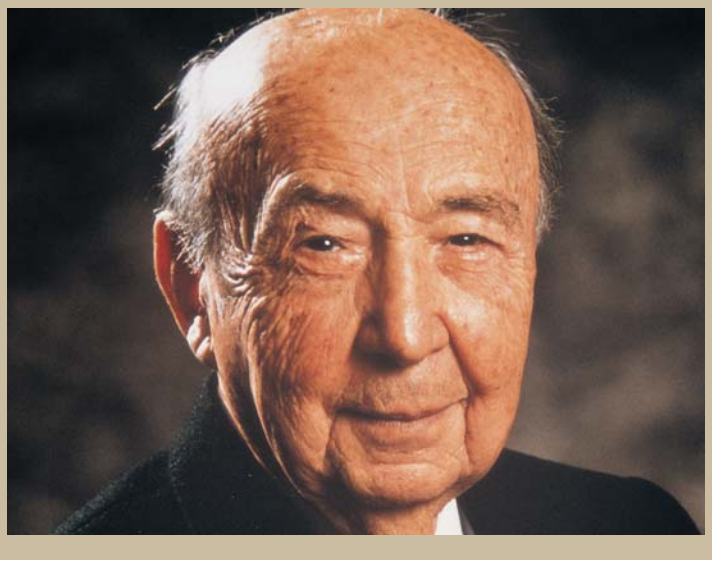
312%

We always aimed at exceeding our clients' expectations...

We have done even better than that.

We target to promote the highest standards, maximize product diversity, ensure customer satisfaction and inspire confidence through each and every stage of our service delivery.

MILESTONES



We remember with respect...

"Our most important capital is our human resources. The quality of our products and services starts with the quality of our employees."

M. Vehbi Koç
(1901-1996)

1954-1974: Migros was founded in 1954 in İstanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality. Initially delivering consumer goods to its customers with 45 sales trucks, Migros opened its first store in 1957 in the Beyoğlu Fish Market, which was followed by other store openings throughout İstanbul.

1975-1979: Following the acquisition of the majority of its shares by the Koç Group in 1975, Migros rapidly increased its number of stores in İstanbul, fueled by the dynamism of the Koç Group.

1980-1990: Migros opened its main warehouse in Bayrampaşa in 1981, which remained in operation for many years with some refits and refurbishments. Investments were undertaken for hygienic storage, packaging and preparation for sale of products such as pulse.

By the end of 1989, Migros had 34 stores in two major cities and was popular among customers with its "Honest Retailer" identity.

1991-1993: A public offering of Migros shares took place in 1991 and its shares were listed on the İstanbul Stock Exchange (ISE). After expanding to new regions and having completed the necessary infrastructure, Migros established its Antalya Regional Office and opened the MMM Migros Antalya store. Migros broadened its presence in Turkey by adding new stores in resorts such as Marmaris, Bodrum, Silivri and Yalova to its existing store network in big cities like İstanbul, İzmir, Ankara and Bursa.

Migros began accepting credit cards in its stores in 1992.

1994-1995: On its 40th anniversary, Migros greeted its customers with additional stores in the cities and regions where it already had a presence. It expanded its coverage area to the cities of Adana, Gaziantep, Edirne, Tekirdağ and Eskişehir, spread over a total of 17 cities in five geographic regions including Southeastern Anatolia. Migros was named as Turkey's most successful company by the Euromoney magazine.

Migros launched its Şok discount shops in 1995, pioneering yet another innovative practice in the sector.

1996: Migros opened its first store abroad, Ramstore in Baku.

After opening its first store in Eastern Anatolia with an MM Migros in Erzurum, Migros was able to reach 75 million customers during 1996 through 124 stores in 20 cities across six geographical regions.

1997: Migros expanded its international operations with the opening of its Ramstore Shopping Mall in Moscow, raising the number of countries of operation to three, including Turkey.

Migros pioneered online shopping with the introduction of the Migros Virtual Market.

Migros' store network reached 175, with 169 stores in Turkey and six in Baku and Moscow.

1998: Operating in six geographical regions, Migros penetrated new cities including Denizli, Hatay, Isparta, Elazığ and Kahramanmaraş, bringing its coverage up to 27 cities.

A second Ramstore Shopping Mall, larger than the first, was opened in Moscow in the Maryina Roscha district, increasing Migros' number of international stores up to seven. Migros also broke ground for a Ramstore Shopping Mall in Kazakhstan during the same year.

In a bid to enhance customer loyalty and launch campaigns to meet customer demands, Migros initiated its first Customer Relations Management (CRM) practice with Migros Club Card.

1999: Migros maintained its rapid growth abroad, entering its third international market with the opening of another Ramstore in Kazakhstan, increasing the total number of stores and shopping malls abroad to 11. As the first and the largest shopping mall in Kazakhstan, the Ramstore Shopping Mall in Almaty became an integral part of the daily lives of Kazakh consumers as a giant trade and activity center.

Owing to the advantages offered and the new route opened, Migros Club Card was embraced by a large population, and the number of cardholders reached 2.5 million by the end of 1999.

2000: Turkey's first online shopping center, Kangurum, started to offer service all over the country. Initially offering over 25,000 products from 48 stores, each a leader in its sector, the number of stores reached 60 by the end of the year.

Migros opened 128 new stores in Turkey and abroad, expanding its network to a total of 450 stores.

2001: Migros started to operate in Bulgaria, its fourth international market, and opened its 16th Ramstore in Sofia, marking a westward step in the expansion of Ramstores in addition to its existing eastward presence.

Offering 75,000 products in 28 categories from 59 stores, Kangurum introduced B2B, a wholesale market concept facilitating online wholesale and corporate procurement.

2002: Migros' expansion continued, with the opening of one MMM, five MM and four M Migros stores and 23 Şok stores domestically, as well as eight Ramstores, six in Russia, one in Bulgaria and one in Azerbaijan, with a total of 41 new outlets opened in 2002.

2003: Achieving its goal of "one new store per week," Migros opened a total of 55 new stores in 2003: three MMM stores, ten MM stores and twelve M stores along with 18 Şok outlets in Turkey, ten Ramstores in Russia, one in Bulgaria and one in Azerbaijan.

In parallel with its international expansion strategy, Ramstores were opened outside of Moscow for the first time in Russia. A Ramstore opened in Siberia's Krasnoyarsk region, followed by one in Kazan, the capital of Tatarstan, in April.

2004: Migros celebrated its 50th anniversary joyfully with all of its customers. The Company set alight the retail torch on Galata Port, where it had first embarked on its long journey to growth with 20 sales trucks to lead the modern retailing sector in Turkey in the fifty years that followed.

In April, Migros opened its first shopping mall in the Black Sea Region, in Ordu, followed by the opening of an MM Migros in Trabzon in December. With stores opened in Antalya and Mersin, Migros increased its coverage to 40 cities.

The year was one of rapid growth, with 44 new outlets opened in 2004:6 Migros and 27 Şok stores in Turkey as well as 8 stores in Russia, 1 in Bulgaria and 2 in Kazakhstan.

With the opening of five new Ramstores in Moscow and one each in Rostov, Saint Petersburg and Samara each, the store network in Russia expanded to 32 stores during 2004. Migros also opened the Ramstore Aynabulak and Ramstore Atakent in Kazakhstan, as well as Ramstore Lozanets in Bulgaria.

2005: Taking a major leap forward and further strengthening its market-leading position by acquiring Tansaş, Migros began to serve its customers with differentiated brands under various formats on the back of the synergy created by this acquisition.

Macedonia became Migros' fifth international market. As the largest Turkish investment into the country, consumers in Skopje flocked to the new 25,000 square meter Ramstore shopping mall. Investments in Russia continued with 17 new stores in provinces such as Saint Petersburg.

At the end of 2005, Migros had 505 stores in Turkey and a total of 566 stores when stores and shopping malls abroad owned through its foreign subsidiaries were included. The domestic network consisted of 79 M, 79 MM, 33 MMM, 311 Şok stores together with 3 hypermarkets; its international store network consisted of three Ramstores in Azerbaijan, 49 in Russia, 5 in Kazakhstan, 3 in Bulgaria and 1 in Macedonia. With the addition of Tansaş stores, the overall number of outlets in Migros' portfolio reached 722. Migros continued to grow, reaching 140 million customers by the end of the year.

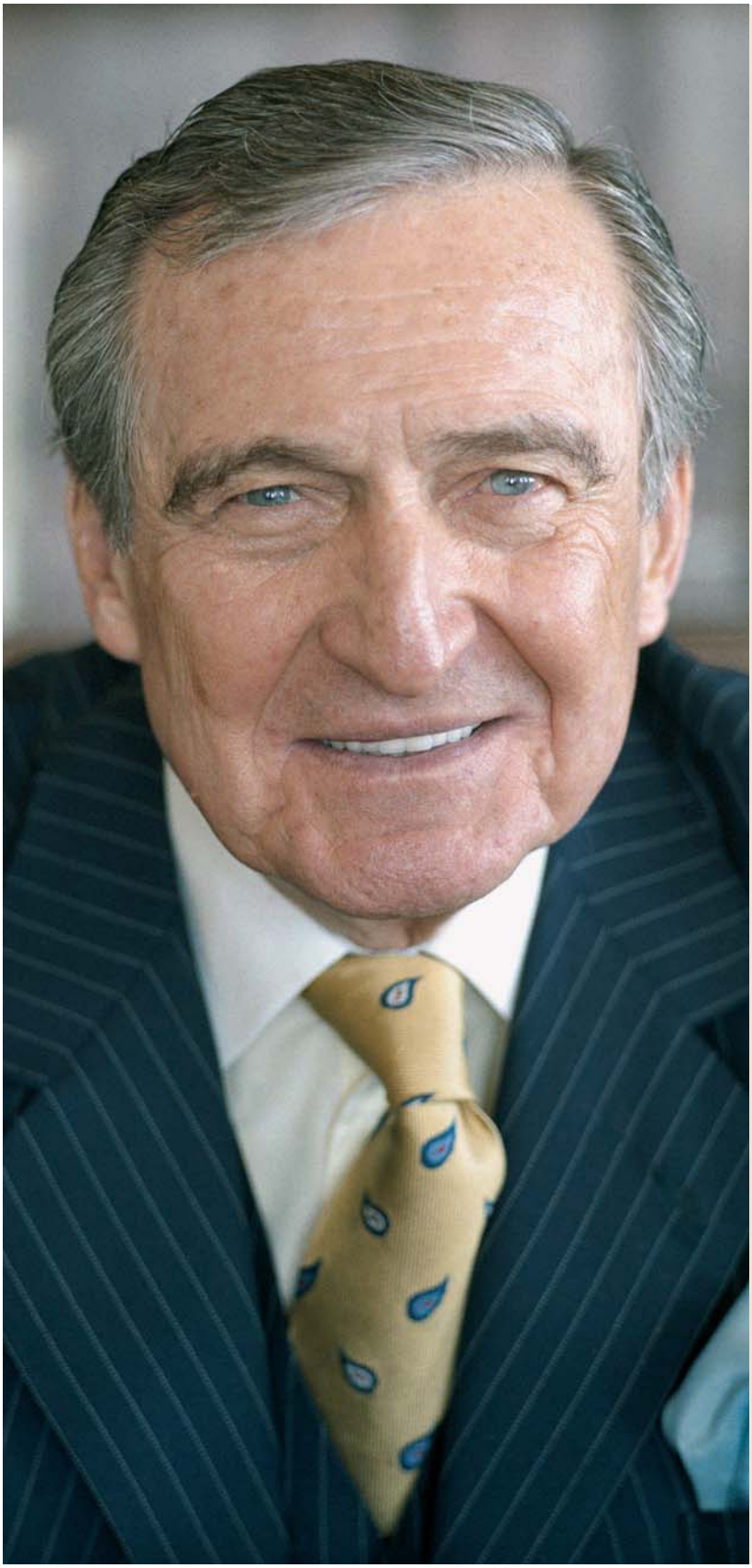
2006: In a culmination of efforts starting at the beginning of 2006, Tansaş merged with Migros on 30 June 2006. With the merger completed, cash registers switched off as Tansaş on 30 June were switched on the next morning as Migros cash registers. The merger between Migros and Tansaş has been a major milestone for the Turkish retail sector on a variety of fronts including financial magnitude, geographical outreach, format diversity, customer volume and the human resources involved.

To achieve even greater growth than that generated by the merger, Migros rapidly increased the number of its national and international stores in all formats and expanded its geographical presence. While the Company penetrated different cities and regions with new stores in each format as Migros, Tansaş, Macrocenter and Şok, operations got underway in Kastamonu, Nevşehir, Karabük and Zonguldak, and new outlets were launched in the Western Black Sea region. New stores were opened at a rate of two a week, bringing Migros' coverage to a total of 52 cities by the end of 2006. Migros opened 17 Migros, 24 Tansaş, 1 Macrocenter and 51 Şok stores in Turkey, and 20 new Ramstores abroad, adding a total of 113 new stores to its chain.

Migros introduced Ramstores to Kyrgyzstan, with expansion continuing apace in new provinces and regions within Russia, with new store openings in Kalkandelen in Macedonia and in Karaganda in Kazakhstan. The rapid growth also continued in foreign countries in 2006, with the opening of 20 Ramstores and one new shopping mall. The largest Ramstore in Russia, the Kapitoli Shopping Mall, covering an area of 130,000 square meters, was opened in Vernadskova, Moscow during the year.

In the aftermath of the successfully finalized merger, Migros had gained a presence in 7 geographical regions with 84 M, 84 MM, 34 MMM and 357 Şok stores, together with 3 hypermarkets, 228 Tansaş and 8 Macrocenter stores in Turkey, including the Tansaş stores, with the international store network comprising of 3 Ramstores in Azerbaijan, 64 in Russia, 7 in Kazakhstan, 3 in Bulgaria, 2 in Macedonia and one in Kyrgyzstan. As such, Migros was operating in seven countries including Turkey by the end of 2006, with 878 stores, 20,000 employees and 300 million customers.

MESSAGE FROM THE CHAIRMAN



Our Company made its debut this year in the listing of the world's top 250 retailers. Migros ranked 236th in the list of world giants, which includes all retailers, not just food retailers, and was ranked as the 12th among the world's 50 fastest growing companies in the 2001-2006 period.

Dear Shareholders,

We would like to warmly welcome all of you to our Annual General Assembly Meeting where we will discuss the operating results for the 53rd year of Migros Türk T.A.Ş.

Turkey left behind a rough year in 2007 which was the scene of a series of significant political and economical developments. The political agenda was dogged by the impending general election, followed by the selection of a new president. The election produced a single-party government, paving the way for continued political stability. From the economical standpoint, although a relatively consistent course was adopted during the year, the negative developments outside Turkey's borders did begin to take a toll on the Turkish economy towards the end of the year.

The Turkish economy has enjoyed an uninterrupted run of growth since 2002. After the 6.9% growth in 2006, GDP growth slowed to 4.5% in 2007. Although inflation did not meet the target set by the government, it still remained in single digits. CPI inflation ended the year at 8.4% in 2007. Increased costs in the food sector and elevated energy prices stand out as the obstacles to reaching the inflation targets in 2008. Domestic interest rates, on the other hand, followed a downward trend in 2007, while the Turkish lira continued to gain value against foreign currencies.

Meanwhile, the budget deficit and the current deficit continued to pose risks for the national economy, with the current account deficit reaching a gaping USD 38 billion by the end of the year, an increase of 18% on the year, while the foreign trade deficit surpassed USD 63 billion in the same period, marking a 15% increase on the year.

Tourism revenues notched up a 10% increase, compared to 2006, to exceed USD 18 billion, contributing to the financing of current deficit. In a similar vein, foreign investors' interest in Turkey continued to grow. With USD 19 billion of net inflows in 2006, the direct investments item registered USD 19.8 billion of net inflows in 2007, up an increase of 4.1%.

However, we have been watching the worsening of the global economy with concern. The crisis that started in the US housing sector sends signals of a significant deceleration in the growth of the US economy. In spite of the measures adopted, the crisis has gradually come to dominate global markets, led by Europe and Japan. The slowdown in the global economy will certainly bear its impact on our country as well. To survive these developments and by escaping with the least possible damage, necessary measures must be adopted courageously and rapidly. Economic issues must gain priority on the country's agenda, the accession negotiations with the EU must regain their former pace, and fiscal discipline and structural reforms must be pursued, because the signs are that 2008 will be a tougher year than 2007. In order to avoid losing the gains we have secured so far, we must all work together with a sense of determination and resolution.

When it comes to the food retail sector, 2007 saw continued growth of the overall market and companies operating in the sector moved forward with their investments with greater momentum. Our Company stepped up its growth pace, opening 160 new stores in various formats in 2007, compared to 93 in 2006. In foreign countries, two new stores were opened in Kazakhstan. Migros made its debut this year in the listing of the world's top 250 retailers according to the Deloitte rating agency's Global Powers of Retailing list prepared based on 2006 data. According to the ranking, which includes all retailers, as well as food retailers, Migros numbered was placed 236th among the world's giant companies. Based on the same report, our Company ranked 12th among the world's fastest growing 50 companies

Behind our success lies the trust held in us by our customers, suppliers and shareholders, the commitment of our employees and the devoted efforts of our business partners.

in the 2001-2006 period. Behind this proud success lies the trust held in us by our customers, suppliers and shareholders, the commitment of our employees and the devoted efforts of our business partners.

Even while Migros increased its investments, it sustained its profitability in 2007. Its consolidated sales increased by 12% in 2007 to reach TRY 4.8 billion. This growth was reflected to domestic gross profitability, especially boosting our consolidated gross profitability, which climbed 10% to reach TRY 1.2 billion. The consolidated gross profit margin came in at 24.9%, while consolidated operating profit was up 4% to reach TRY 213 million. Our earnings before tax, interest and depreciation (EBITDA) grew by 5% to TRY 326 million with an EBITDA margin of 6.8%. Fueled by the gains on the sales of associates generated on the sales of Ramenka, our consolidated pre-tax profit more than quadrupled from TRY 155 million in 2006 to TRY 639 million in 2007, while our net profit surged by seven times to TRY 552.9 million from TRY 78.7 million. Our consolidated net profit margin also increased significantly from 1.8% to 11.5%. When evaluating these financial results, it should be noted that Ramenka was included in the consolidation for the first 10 months of 2007, whereas it had been consolidated for the full year in 2006.

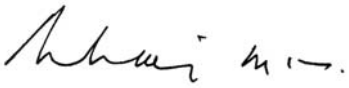
Under a globalizing conjuncture and in an environment characterized by rapidly increasing competition, the Koç Group has revised its strategy and decided to grow more deeply, and to become competitive on a global basis by concentrating its resources and energies in a smaller number of sectors. In line with this approach the Group aimed to focus on four core businesses: energy, durables, automotive and financial services. For this purpose, the Group assigned an investment bank during the year to assess all strategic alternatives including the sales of Migros.

Under this framework, Migros' 50% stake in Harranova Besi ve Tarım Ürünleri A.Ş., a domestic associate, was sold in September to Tat Konserve Sanayii A.Ş. for a price of TRY 5.5 million. This was followed by the sales of Ramenka Limited Şirketi (Ramenka), Migros' subsidiary in Russia in which the Company held a 50% stake, to Enka Holding Investment S.A. for USD 542.5 million in November. In the same process, all shares representing Migros' 0.37% share in Koç Finansal Hizmetler A.Ş., a domestic associate, were sold to Koç Holding in December for TRY 32 million.

Ultimately, a share transfer agreement was concluded on 13 February 2008 by and between Koç Holding and Moonlight Capital S.A., controlled by the funds managed by BC Partners, an international private equity firm, for the sale of shares representing 50.83% of the capital of Migros held by Koç Holding, to Moonlight Capital for a price of TRY 1,977,365,405.44.

Although the Koç Group, through a strategic decision, disposed of its controlling share in Migros, I am fully confident that Migros will maintain its success in the sector, drawing on its new capital structure. I believe the innovation and leadership inherent in the culture of Migros will set the stage for new achievements in the coming period. It is my sincere conviction that Migros will spearhead the development and growth of the Turkish retail sector in the years to come, as it has been doing for 53 years.

I would like to take this opportunity to thank all of you for participating in our Annual General Assembly Meeting.
Sincerely,



Rahmi M. Koç
Chairman of the Board


Cips
Cips
Cips
Migros Club
2,99
1,79

BOARD OF DIRECTORS' REPORT

Board of Directors

Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman
Semahat Sevim Arsel	Member
Dr. Nusret Arsel	Member
Ömer M. Koç	Member
Dr. Bülent Bulgurlu	Member
Y. Ali Koç	Member
Uğur Çatbaş	Member
Oktay Irsıdar	Member

Senior Management

Levent Çakıroğlu	General Manager
A. Fuat Yanar	Assistant General Manager (Investment)
Erkin Yılmaz	Assistant General Manager (Finance)
Demir Aytaç	Assistant General Manager (Sales)
Ö. Özgür Tort	Assistant General Manager (Human Resources& Industrial Relations)
Cem Rodoslu	Assistant General Manager (Category Management)

Statutory Auditors

Ali Yavuz	Auditor
Serkan Özyurt	Auditor
Ahmet Sönmez	Auditor

Board of Directors

The Board of Directors consisted of nine members in 2007, with Rahmi M. Koç as Chairman, K. Ömer Bozer as Vice Chairman and Semahat Sevim Arsel, Dr. Nusret Arsel, Ömer M. Koç, Dr. Bülent Bulgurlu, Y. Ali Koç, Uğur Çatbaş and Oktay Irsıdar as Members.

Pursuant to the resolution adopted at the Migros' Annual General Assembly convened on 05 April 2007, members of the Board of Directors were paid a gross monthly salary of TRY 1,265.

The Board of Directors is authorized to decide on all matters, apart from those for which the General Assembly is exclusively authorized, pursuant to the Turkish Commercial Code (TCC) and the Company's Articles of Association.

According to Article No. 9 of the Articles of Association, members of the Board of Directors are elected to serve a term of office of three years unless a shorter term is determined at the General Assembly Meeting where they are elected. However, members whose terms of office expire may be re-elected and the General Assembly may replace Board members at any time, if it so deems necessary. We thereby submit for your approval the election of members to seats on the Board of Directors to succeed the members who were elected for 2007 and whose terms of office have expired.

Senior Management

The Senior Management consists of a team of six individuals, with Levent Çakıroğlu serving as the General Manager, and A. Fuat Yanar, Erkin Yılmaz, Demir Aytaç, Ö. Özgür Tort and Cem Rodoslu as Assistant General Managers.

The Company's Senior Management is elected and appointed by the Board of Directors in accordance with the Articles of Association.

At the Board meeting held on 18 June 2007, the Board of Directors decided to appoint Levent Çakıroğlu as the General Manager with effect from 1 July 2007, to fill the position vacated by the retirement of the General Manager, Aziz Bulgu, as of 30 June 2007.

Statutory Auditors

The relevant provisions of the Turkish Commercial Code (TCC) govern the duties, obligations and responsibilities of the statutory auditors and other matters related to audit.

The provisions of Article 275 of the TCC are reserved. Pursuant to Article 14 of the Articles of Association, statutory auditors are elected by the General Assembly to serve for a maximum term of three years.

As per the resolution passed at the Ordinary General Assembly convened on 5 April 2007, statutory auditors were paid a gross monthly salary of TRY 460.

The terms of office have expired for Ali Yavuz, Serkan Özyurt and Ahmet Sönmez, who were elected to function as statutory auditors for a term of one year at the General Assembly held in 2007. We hereby submit the election for the replacement of statutory auditors, whose terms have expired and the determination of their terms of office for approval of the General Assembly.

Audit Committee

Uğur Çatbaş and Oktay Irsıdar have been elected by our Board of Directors as members of the Audit Committee formed pursuant to the Capital Markets Board of Turkey (CMB) Communiqué Serial: X No:19.

The Audit Committee reviewed and examined the audit conducted and the independent auditors' report as of 31 December 2007. Based on this review, pursuant to the provisions of the CMB Communiqué Serial: XI No: 25, the Committee communicated their opinion to our Board of Directors that

the post-consolidation financial statements drawn up in accordance with the accounting principles as published by the CMB fairly and accurately present the Company's financial status on the date and the operating results for the period.

Modifications to the Articles of Association

No changes were made to the Articles of Association during the reporting period.

Capital

The registered capital of the Company is TRY 190,000,000. The names, shareholding amounts and percentages of those shareholders holding more than 10% of the existing paid-in capital of TRY 178,030,000 are presented below:

Migros Türk T.A.Ş.

Shareholder	Share (%)	Amount (YTL)
Koç Holding A.Ş.	50.83	90,497,273
Publicly Held	49.17	87,532,727
Total	**100.00**	**178,030,000**

Changes in the Paid-in Capital during the Year

At the meeting of the Board of Directors held on 20 September 2007, it was decided to increase the Company's issued capital from TRY 176,266,866 to TRY 178,030,000, which is within its authorized capital of TRY 190 million, through a bonus issue of 1.000264%. It was decided to cover the bonus capital increase of TRY 1,763,134 through the following steps:

- TRY 1,003,247.86 from the gain in sales of associates arising from the disposal of the shares in Ece Türkiye Proje Yönetimi A.Ş. to the Ece Group, the amount of which was added to the capital according to a decision taken by the Company's Board of Directors in a resolution dated 25 April 2006,
- TRY 331,994.77 from extraordinary reserves corresponding to other income from 2003 fiscal year, and
- TRY 427,891.37 from extraordinary reserves corresponding to other income from 2004 fiscal year.

Accordingly, bonus shares amounting to 1.000264% of the total shares were distributed to each nominal share of Ykr 1. The distribution of shares issued by reason of the capital increase started from 9 November, 2007.

Shareholding structure before the 1.000264% capital increase:

Migros Türk T.A.Ş.

Shareholder	Share (%)	Amount (YTL)
Koç Holding A.Ş.	50.83	89,601,026
Publicly Held	49.17	86,665,840
Total	**100.00**	**176,266,866**

Shareholding structure after the 1.000264% capital increase:

Migros Türk T.A.Ş.

Shareholder	Share (%)	Amount (YTL)
Koç Holding A.Ş.	50.83	90,497,273
Publicly Held	49.17	87,532,727
Total	**100.00**	**178,030,000**

Position of Migros in the Sector and Investments in 2007

Operating in the food and consumer goods sector, Migros Türk T.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 associates.

The Company merged with Tansaş, a strong supermarket chain in the Turkish retailing sector, through the acquisition of Tansaş as a whole on 30 June 2006, upon which Tansaş stores were incorporated into the Company's network. With the integration of Tansaş stores into its structure, the Company commanded a store network of 953 stores in total at the end of 2007: of these 89 M, 91 MM, 40 MMM, 460 Şok, three "5M", 247 Tansaş stores and 8 Macrocenter stores in seven geographical regions throughout Turkey, as well as three Ramstores in Azerbaijan, nine in Kazakhstan, two in Macedonia and one in Kyrgyzstan operated through its associates abroad. Drawing on half a century of experience, Migros sustains its leadership in the sector.

During 2007, Migros Türk T.A.Ş. opened 23 Migros, 22 Tansaş, 1 Macrocenter, and 114 Şok stores under:

M format: Söke Çarşı in Aydın, Bilecik FRC in Bilecik, Cumhuriyet in Bursa, Osmangazi in Eskişehir, Mersin Kızkalesi in İçel, Ethemefendi in İstanbul, Hisarcık in Kayseri, Fethiye Hisarönü in Muğla, Bafra in Samsun;

MM format: Esentepe in Adana, Uncalı in Antalya, Ayvalık 2 in Balıkesir, Kınıklı in Denizli, Iğdır in Iğdır, Mardin in Mardin, Osmaniye in Osmaniye, Atakum in Samsun, Tokat in Tokat;

MMM format: Beysupark in Ankara, Balıkesir FRC in Balıkesir, Mersin Forum in İçel, İstinye in İstanbul, and Espark in Eskişehir;

Mini Tansaş format: Altınkum Didim in Aydın, Adatepe, Ümraniye İstiklal, Maltepe Çarşı, Karagümrük, and İçerenköy in İstanbul, Kırıkkale in Kırıkkale, Yatağan in Muğla;

Midi Tansaş format: Akbük Didim, and Kuşadası Çevreyolu in Aydın, Subayevleri in Balıkesir, Beşevler in Bursa, Kanatlı in Eskişehir, Gaziosmanpaşa in İstanbul, Dikili Salihleraltı in İzmir, Bosna in Konya;

Maxi Tansaş format: Yenişehir Mersin, and Göçmen in İçel, Bahçeşehir, and Bakırköy Capacity Shopping Center in İstanbul, Manavkuyu Adliye in İzmir, and Yalıkavak in Muğla;

Macrocenter format: Acarkent in İstanbul;

Şok format: 114 stores in total.

5M: In addition, the Company converted its large stores which did not fall into the M, MM or MMM classification located in Antalya, Beylikdüzü and Ankara into the 5M format. Work on store refurbishments also continued during the year.

Investments abroad continued with two new Ramstores opened in Kazakhstan.

In addition, four new Ramstores were launched in Russia. Ramenka Limited Şirketi (Ramenka) operating in Russia was sold to Enka Holding Investment S.A. on 9 November 2007 and its stores were removed from the Migros portfolio.

FINANCIAL STRUCTURE, DIVIDEND DISTRIBUTION PROPOSAL AND CONCLUSION

Financial Structure

The Company's financial results are prepared on a consolidated basis and in accordance with the Capital Markets Board (CMB) accounting and reporting principles (CMB Accounting Standards). In its Communiqué Serial: XI No: 25 "Accounting Standards in Capital Markets", the CMB published an extensive set of accounting principles. The Communiqué stipulates that adherence to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) will also constitute compliance with the CMB Accounting Standards. The financial statements and related notes are presented within the scope of the alternative practice allowed by the CMB as mentioned above and in accordance with the formats, adherence to which were made compulsory by the CMB effective with its announcement dated 20 December 2004. The income and expenses of Ramenka, a subsidiary, were consolidated until 9 November, 2007 when the share transfer took place in line with the disposal, employing the proportionate consolidation method as stated in the notes to the financial statements.

The Company's consolidated sales increased 12% Year on Year (YoY) in 2007 to reach TRY 4,793 million, with the Company's consolidated gross profit also rising by 10% YoY to TRY 1,195 million, while the gross profit margin stood at 24.9% (with a domestic gross profit margin of 24.2%). Migros expanded its geographical reach within national borders with new store openings, with 15% growth registered in domestic sales, taking sales volume up to TRY 4,252 million. The number of customers served in Turkey (the number of transactions) increased when compared to the previous year to reach 259 million. The strong margins attained by Migros represented a significant achievement in the face of the challenging conditions in the national retail market, which is still largely dominated by the unregistered economy. The Company's consolidated operating profit also climbed by 4% to exceed TRY 213 million, representing an operating profit margin of 4.5%. Supported by the impact of the gain in the sales of the subsidiary Ramenka, Migros' consolidated pre-tax net profit grew by a significant 312% YoY to TRY 639 million, with a pre-tax profit margin reaching 13.3%. Migros net profit for 2007 stood seven times higher than the 2006 bottom line, at TRY 553 million. In parallel with this, the net profit margin jumped from 1.8% in 2006 to 11.5% in 2007.

The ratio of short and long-term liabilities within total liabilities was 48%. 57% of total assets were allocated to current assets and 43% to non-current assets. The corresponding ratios for 2006 were 67%, 36% and 64%.

Dividend Distribution Proposal and Conclusion

The Company posted a consolidated net profit of TRY 552,875,145.12 in 2007.

After setting aside 5% of this amount for legal reserves (totaling TRY 14,555,409.28) in accordance with Article 466 of the TCC, and after deducting TRY 14,437,227.51 which is the profit of associates and subsidiaries whose General Assemblies have not passed decisions to distribute profits, the Company's distributable profit was TRY 523,882,508.33 in line with the Capital Markets Law and the CMB regulations. With the addition of TRY 3,592,265.22 in donations made during the fiscal year to tax-exempt foundations and associations to this amount, the first dividend base was determined as TRY 527,474,773.55 and legal records show a distributable profit for the current year of TRY 276,552,776.24. On the basis of these figures, we hereby submit for your approval our proposal that:

- in accordance with the CMB communiqués, the following be set aside out of the computed consolidated profit for the current period:
  - TRY 14,555,409.28 as 5% for the first legal reserve
  - TRY 105,494,954.71 as gross dividends to the shareholder
  - TRY 9,659,345.47 as 10% for the second legal reserves and

the balance as extraordinary reserves;

- If the dividend distribution proposal above is approved by the General Assembly, we further propose that, on the basis of our legal records,

The first and second legal reserves, as well as the distributable profit totaling TRY 105,494,954.71 be totally covered from the current year's other income,

The dividend distribution should be completed by the end of May in accordance with CMB regulations.

If this proposal is approved, the Company will distribute:

- A Ykr 59.25684 gross=net cash dividend per share with a nominal value of TRY 1 representing a ratio of 59.25684% to resident corporate shareholders and shareholders who are entitled to dividends through a company or a permanent representative in Turkey,

- A Ykr 59.25684 gross cash dividend (Ykr 50.36832 net) per one share with a nominal value of TRY 1 to other shareholders, which represents a ratio of 59.25684%.

Dear Shareholders,

We have presented the 2007 operations and results for your information.

The consolidated balance sheet and the income statement for the period ending 31 December 2007 are presented for your approval.

Yours Sincerely,

BOARD OF DIRECTORS

CONSOLIDATED STATUTORY AUDITORS' REPORT

Consolidated Statutory Auditors' Report

To the General Assembly of Migros Türk T.A.Ş.

The results from the audit of the Company's 2007 fiscal year are presented below for your perusal:

1. The Company had a successful period in the fields of operation carried out within the framework of the Capital Markets Law and applicable legislation.

2. The required books and records pursuant to the Turkish Commercial Code and applicable legislation were duly kept and all documentary evidence was properly maintained.

3. In our opinion, the attached consolidated financial statements for the period ending 31 December 2007 correctly represent the Company's financial status on the said date and the operating results for the said period; they were prepared in accordance with the accounting principles issued by the CMB.

4. Decisions regarding company management were entered into the book of resolutions that is duly kept.

Consequently, we hereby present for your perusal that the Company's activities summarized in the Board of Directors' report, the consolidated financial statements issued in accordance with the Capital Markets Law and the Board of Directors' proposal regarding the distribution of profit be approved and that the Board of Directors be discharged.

İstanbul, 07 April 2008

Yours sincerely,

Ali Yavuz

Ahmet Sönmez

Serkan Özyurt

We aimed to make life easier for our customers...

We have done even better than that.

Today we address all customer segments with six different brands; we stand close to people from all walks of life with our service.

2007 ACTIVITIES

Economic overview and the retail sector

2007 was a politically active year for Turkey, with both a general election and the selection of a new president. The general election held in July produced a continuation of the single-party government and the resulting political stability injected trust into the markets. Domestic interest rates, which had risen during the volatility seen in the summer of 2006 in international financial markets took a downturn in 2007. The Turkish lira continued to gain value against foreign currencies, and the national economy, while signaling deceleration, sustained its growth. Inflation, on the other hand, continued to edge down, although food prices proved an exception to this trend.

The Turkish economy sustained the growth which has continued, uninterrupted, since 2002. After the stellar 9.4% growth in 2004 and 8.4% growth in 2005, GDP growth slowed to 6.9% in 2006 and further slowed to less than 4.5% in 2007. The relatively weak environment in the global economy and international markets has also had an impact in Turkey.

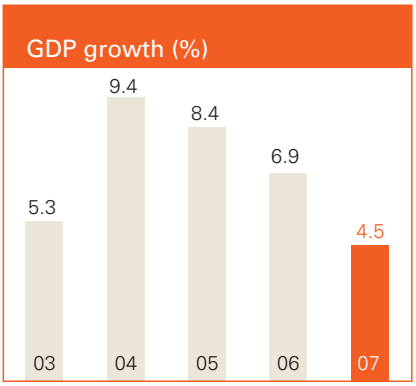
On the inflation front, the Central Bank of the Republic of Turkey (CBRT) and the government failed to meet the target for Consumer Price Index (CPI) inflation in 2006 and 2007, which had been achieved through the 2002-2005 period. Even though there was a slight decline in the rate of CPI inflation in 2007 when compared to 2006, the annual rate of CPI inflation at 8.4% in 2007 remains well above the target which had been set at 4%. The segment to see the steepest increase in CPI inflation on an annual basis was alcoholic beverages and tobacco with an increase of 17.20%. Food and soft beverages (12.03%), housing (11.48%), and restaurants and hotels (10.87%) also saw sharp increases. Energy prices were also a factor thwarting the achievement of the CPI target inflation target in 2007. Indeed, if food, energy and tobacco products are excluded, the annual rate of CPI inflation was a more reasonable 4.8%.

With respect to interest rates, the cuts which kicked off with a 0.25 percentage point rate cut by the Monetary Policy Committee (the Committee) in its September 2007 meeting were followed up with further rate cuts in the last quarter and in early 2008. The Committee stated that the current levels of short-term interest rates supported the decline in inflation, even after the recent rate cuts. Still, the risk that the recent surge in global food and energy prices will be reflected to overall pricing behavior, and the intransigence of inflation expectations, were noted and the pace of rate cuts slowed down in the first meeting of 2008. As a result, the CBRT interest rates were reduced by a total of 200 basis points to the period to the end of February 2008.

On the other hand, the budget deficit and current deficit continue to pose risks for the national economy. In 2007, the current deficit expanded by 18% YoY to reach USD 37,996 million, from USD 32,193 million in 2006. In parallel with this, import outlays including gold increased by 21.8% from their 2006 level to reach USD 169,987 million; export revenues climbed by 25.3% to reach USD 107,154 million, whereas the shuttle trade contracted by 6.3% to USD 6,002 million.

According to data prepared by the Turkish Statistical Institute (TURKSTAT), tourism receipts grew by 9.7% YoY to USD 18,487 million in 2007, while

In 2007, Migros further reinforced its leadership position in the sector, adhering to its strategy of growing domestically. On the international front, particular emphasis was placed on its Kazakhstan operations.



tourism spending by Turkish citizens increased by 18.8% YoY to USD 3,260 million. As a result, net tourism income rose by 7.9% to reach USD 15,227 million.

Net capital inflows in 2007 were also up by 18.8% YoY to reach USD 38,411 million. The highlights of the reporting period are outlined below:

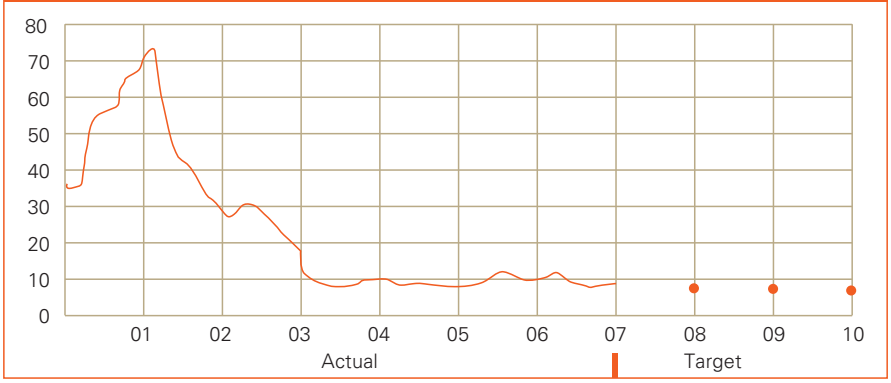
- USD 19,918 million of net investments were realized in Turkey in 2006 by foreign residents. This amount include loans utilized by companies backed by foreign capital operating in Turkey from their shareholders abroad , while property purchases in Turkey by foreign residents under the direct investments item rose by 9.8% to USD 21,873 million. Having attracted a net inflow of USD 18,984 million in 2006, direct investments drew a net inflow of USD 19,766 million in 2007, a YoY increase of 4.1%. On the other hand, net portfolio investments, which had reached a stellar USD 7,373 million in 2006, registered a net inflow of just USD 717 million in 2007.

- In terms of marketable securities, purchases of securities by people residing in foreign increased significantly increased, rising from USD 1,939 million in the January-December 2006 period to USD 5,138 million in 2007. On the other hand, foreign residents registered a total of USD 3,281 in total net sales in the government debt instruments market.

- The net inflow of commercial and cash loans and deposits more than doubled from USD 12,099 million in 2006 to USD 25,960 million in 2007. Comprising the final item of the financial accounts, legal reserves covered under reserve assets increased by a total of USD 8,032 million in 2007, compared to the growth of USD 6,114 during 2006.

The economic outlook in the world started to worsen in the final quarter of 2007 and in the first months of 2008, the primary reason being the spread of the crisis from the US housing sector to the US financial sector and eventually to the overall economy. While signals of significant deceleration were observed in the growth of the US economy, the economy is faced with the threat of

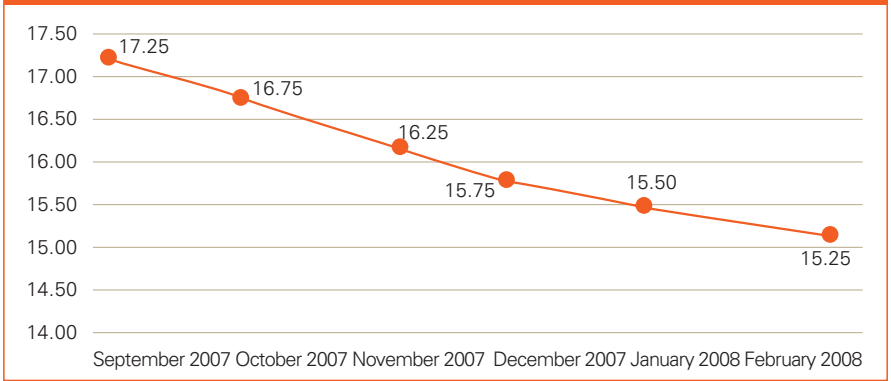
CPI (%)



Target	35.0	20.0	12.0	8.0	5.0	4.0	4.0	4.0	4.0
Actual	29.7	18.4	9.3	7.7	9.6	8.4	-	-	-

Source: Central Bank of the Republic of Turkey

CBRT interest rates (overnight borrowing)



Source: Central Bank of the Republic of Turkey

recession. To avert this, the FED slashed interest rates despite the rising inflation, and adopted a series of measures aimed at reviving the economy. There has been some fear in the markets that this crisis could spread throughout the world and across Europe and Japan. In the event that the outlook for the global economy continues to deteriorate, the demand side will weaken in 2008, to the detriment of the Turkish economy, which recorded a significant increase in exports during the reporting period, yet continues to suffer from an expanding current deficit. In this sense, the continuation of the European Union alignment and convergence process, as well as economic reforms, are of paramount importance in minimizing the impact of these negative global developments. If risk perceptions continue to deteriorate, continued fiscal discipline and structural reforms stand out as areas which will need to be focused on to preserve the resilience of the economy. Developments in structural reform, which are geared towards enhancing the quality of fiscal discipline and continuity of increased productivity, are closely monitored with respect to macroeconomic consistency as well as price stability.

There was no marked revival in private sector consumption demand, an indicator which closely concerns the retail sector. Jointly conducted by the CBRT and TURKSTAT in relation to demands and expectations, the Consumer Confidence Index displayed some increase, particularly during the summer, but continued at the end of 2007 to float at levels close to those of 2006, and as such, did not point at a revival on the demand side.

According to TURKSTAT data, domestic food, alcohol and tobacco expenditures of resident and non-resident households in 2007 reached TRY 163 billion, displaying just 3.5% growth in real terms. Having registered 7.0%, 3.7% and 3.6% growth in real terms in the first, second and third quarters respectively, food, alcohol and tobacco expenditures increased by just 0.2% in the last quarter. Accordingly, the increase in food, alcohol and tobacco expenditures lagged behind the growth in GDP.

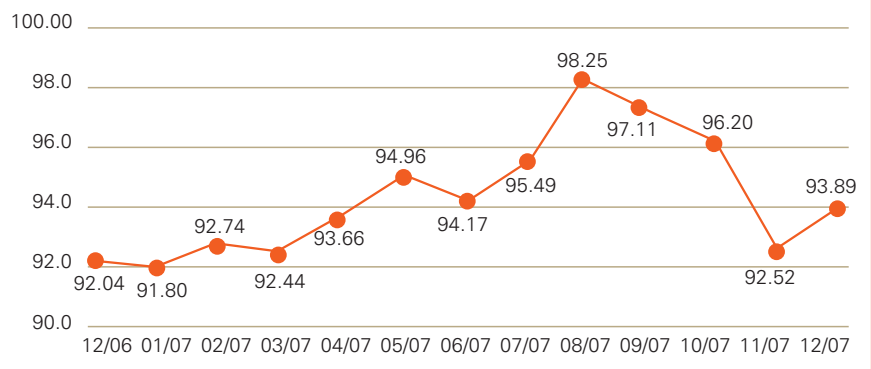
Based on data provided by the Trade Council of Shopping Centers and Retailers (in Turkish: the AMPD), the Turkish organized retailing sector's turnover registered 10% growth on a YoY basis in 2007 over the volume of USD 137 billion in 2006. While the number of stores in the overall retailing sector increased by 24%, there was 50% growth in employment in the sector over the last two years, including new investments.

Data provided by Nielsen shows that the retail sector for fast moving consumer products (FMCG) achieved nearly 25% growth in dollar terms, with activity in the sector approaching USD 31 billion. Total trade grew by 4% in 2007 in real terms on a Turkish lira basis, while the expansion in the sector in volume terms was in parallel with this figure at 4%. The annual price increase in food and retail, excluding cigarettes, was 7.2%.

After the 2006 mergers between Migros-Tansaş and CarrefourSA-Gima, the food-retail sector lacked any large-scale mergers or acquisitions in 2007; still, organized retailers sustained their rapid organic growth through new store investments. The key highlight of 2007 for the sector was the decision taken by the Koç Group to dispose of its majority holding in Migros and the announcement of its intention to discontinue its activities in the retail sector. At the beginning of 2008, a share transfer agreement was signed concerning the sale of 50.83% of the shares in Migros, owned by Koç Holding, to BC Partners.

As our country's economic growth is sustained, consumers' level of disposable income level will increase, reflecting positively on the economy and the retail sector. In this framework, the standard of living of the Turkish public will be enhanced through a series of structural steps to be taken to resolve the scourge of unemployment, which stood at 9.9% in 2007 (2006: 9.9%), as well as measures to be adopted aimed at increase the production of goods and services in the economy. In this sense, the rapid growth of the organized retail sector presents a crucial opportunity to reach a solution to the unemployment issue.

Consumer confidence index



Source: TURKSTAT

Migros' Investments in 2007

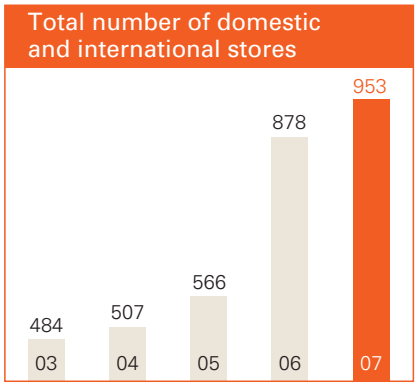
Migros offers its customers a modern shopping experience at its stores organized under different formats including Şok, Tansaş, Macrocenter, Ramstore, 5M, and wholesaling stores, as well as Virtual Market-Kangurum online shopping facility, in addition to its Migros stores. In 2007, Migros further reinforced its leadership position in the sector, adhering to its strategy of growing domestically. On the international front, particular emphasis was placed on its Kazakhstan operations.

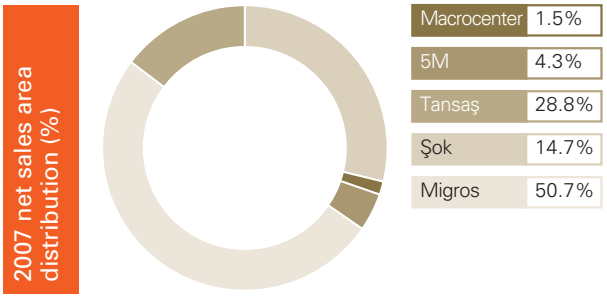
During 2007, Migros opened 23 Migros (9 M, 9 MM and 5 MMM), 22 Tansaş (8 Mini, 8 Midi and 6 Maxi), 1 Macrocenter and 114 Şok stores in Turkey. The Company also set up two Ramstores in Kazakhstan, with a total of 162 new stores opened in 2007 (2005: 64, 2006: 113). At the end of 2007, Migros' total store network had reached 953, consisting of 89 M, 91 MM, 40 MMM and three 5Mstores, 460 Şok stores, 123 Mini, 76 Midi, 48 Maxi and 8 Macrocenter outlets throughout the seven geographical regions in Turkey. Internationally, Migros boasted three Ramstores in Azerbaijan, nine in Kazakhstan, one in Kyrgyzstan and two in Macedonia.

In addition to these investments, Migros launched four new Ramstores in Russia through its associate, Ramenka. Following the authorization of J.P. Morgan plc investment bank in January in relation to a number of subjects including the disposal of Migros shares by its principal shareholder Koç Holding, a "Share Transfer Agreement" was executed on 11 September 2007 for the sale of the subsidiary Ramenka in Russia, in which Migros held a 50% stake, to Enka Holding Investment S.A. The deal was sealed on 9 November 2007, upon which the stores owned by Ramenka were transferred to Enka and thus removed from the Company's portfolio.

Migros manages 5 shopping malls in Turkey and one in Kazakhstan and another in Macedonia. With the inclusion of the newly opened stores, Migros' net domestic sales area expanded by 12.3% YoY to reach 576,525 square meters in 2007. If Migros' international stores are included, this total rises to 603,769 square meters.

New Migros stores opened their doors to customers at a number of strategic locations in 2007. While the Company continued to launch stores in big cities like Ankara, İstanbul, İzmir and Bursa, it also increased its presence in tourist resorts such as Antalya, Muğla, Manisa and İçel. In keeping with the responsibility imposed by being a national retail chain, the domestic network was expanded with investments made in the Anatolian cities such as Osmaniye, Tokat, Bartın, Iğdır and Mardin. Serving in 42 provinces at the end of 2005 and in 52 as of 2006, Migros expanded its far-reaching domestic network through a series of investments made in 2007, and started to provide services in 57 cities with stores under various formats.





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2006 -2007 Net sales area

	2007 (m^2)	2006 (m^2)	Change (%)
Turkey	576,525	513,406	12.3
5M*	24,633	23,115	6.6
MMM	110,752	96,416	14.9
MM	137,189	127,851	7.3
M	44,459	41,159	8.0
Şok	85,072	68,052	25.0
Mini	38,904	35,609	9.3
Midi	55,038	52,068	5.7
Maxi	71,975	61,797	16.5
Macrocenter	8,503	7,339	15.9
International	27,244	179,883	-84.9
Russia**	-	151,918	-
Kazakhstan	18,805	15,162	24.0
Azerbaijan	3,007	3,007	-
Bulgaria	-	4,364	-
Macedonia	3,973	3,973	-
Kyrgyzstan	1,459	1,459	-
Total (Domestic and international)	603,769	693,289	-12.9

Number of stores and net sales area

	2007	2006	2005	2004	2003
Türkiye	938	798	505	463	450
5M*	3	3	3	3	3
MMM	40	34	33	33	33
MM	91	84	79	72	68
M	89	84	79	72	73
Şok	460	357	311	283	273
Mini	123	115	-	-	-
Midi	76	72	-	-	-
Maxi	48	41	-	-	-
Macrocenter	8	8	-	-	-
Domestic net sales area (m^2)	576,525	513,406	343,040	330,448	324,280
International	15	80	61	44	34
Russia**	-	64	49	32	25
Kazakhstan	9	7	5	5	3
Azerbaijan	3	3	3	3	3
Bulgaria	-	3	3	4	3
Macedonia	2	2	1	-	-
Kyrgyzstan	1	1	-	-	-
International net sales area (m^2)	27,244	179,883	138,957	93,024	72,020

*The large stores which did not fall into the M, MM and MMM classifications were completely revamped into the new 5M format.

**Ramenka Limited Şirketi (Ramenka) operating in Russia was sold to Enka Holding Investment S.A. on 9 November 2007 and its stores were removed from the Migros portfolio.

In 2007, Migros put into service:

A total of 23 Migros stores
- under the M format (9 stores); Söke Çarşı in Aydın, Bilecik FRC in Bilecik, Cumhuriyet in Bursa, Osmangazi in Eskişehir, Mersin Kızkalesi in İçel, Ethemefendi in İstanbul, Hisarcık in Kayseri, Fethiye Hisarönü in Muğla, Bafra in Samsun
- under the MM format (9 stores); Esentepe in Adana, Uncalı in Antalya, Ayvalık 2 in Balıkesir, Kınıklı in Denizli, Iğdır in Iğdır, Mardin in Mardin, Osmaniye in Osmaniye, Atakum in Samsun, Tokat in Tokat
- under the MMM format (5 stores); Beysupark in Ankara, Balıkesir FRC in Balıkesir, Mersin Forum in İçel, İstinye in İstanbul, Espark in Eskişehir

22 Tansaş stores in total
- under the Mini Tansaş format (8 stores); Altınkum Didim in Aydın, Adatepe, Ümraniye İstiklal, Maltepe Çarşı, Karagümrük, and İçerenköy in İstanbul, Kırıkkale in Kırıkkale, Yatağan in Muğla
- under the Midi Tansaş format (8 stores); Akbük Didim, and Kuşadası Çevreyolu in Aydın, Subayevleri in Balıkesir, Beşevler in Bursa, Kanatlı in Eskişehir, Gaziosmanpaşa in İstanbul, Dikili Salihleraltı in İzmir, Bosna in Konya,
- under the Maxi Tansaş format (6 stores); Yenişehir Mersin and Göçmen in İçel, Bahçeşehir and Bakırköy Capacity Shopping Center in İstanbul, Manavkuyu Adliye in İzmir, Yalıkavak in Muğla

1 Macrocenter store
- Acarkent in İstanbul

114 Şok stores
- Toros, Seyhan and Çınarlı in Adana; Doğu Lojmanları, Plevne, Kırkkonaklar, Dörtyol Subayevleri, Dikmen Çarşı and Necatibey in Ankara; Dokuma, Alanya Saray and Subaşı in Antalya; Söke İstasyon, SSK, Kuşadası and Kuşadası Davutlar in Aydın; Altınova, Gömeç, Edremit Altınkum, Burhaniye Öğretmenler, Altınoluk, Avşa Yiğitler and Erdek Merkez in Balıkesir; Bartın in Bartın; Bolu in Bolu; Güzelyalı Merkez, Altıparmak, Kaplıkaya, İznik and Yeşilyayla in Bursa; Sungurlu and Çorum in Çorum; Akçakoca Merkez in Düzce; Şahinbey and Gazi Muhtarpaşa in Gaziantep; İskenderun Feneryolu and Antakya Emekevleri in Hatay, Yalvaç and Halıkent in Isparta; Yemişkumu and Anamur in İçel; Büyükçekmece Yakuplu, Fatih Kıztaşı, Bakırköy Zuhuratbaba, Üsküdar Barbaros, Bostancı Değirmenyolu, Kurtköy Şeyhli, Mimaroba, Arıköy, Acıbadem Kuruçeşme, Tozkoparan, Sinanoba, Cihangir Bakraç, Kozyatağı Sarıkanarya, Kumburgaz, Ömerpaşa Cadde, Eminalipaşa Cadde, Lemi Atlı (Şenesenevler), Fatih Sarıgüzel, Kamiloba, Küçükçekmece İstasyon, Güngören Cadde, Avcılar Üniversite, İçerenköy Merkez, Kurtköy Kiptaş and Yenibosna Radar in İstanbul; Dikili, Selçuk, Ulukent, Urla Çeşmealtı, Susuzdere, Çeşme Liman, Karaburun, Foça Liman and Gümüldür in İzmir; Kral Sitesi and İnönü in Kastamonu; İldem in Kayseri; Çarşı, Kefken, Akarca, and University in Kocaeli; Akşehir in Konya; Hükümet Konağı, Soma, Salihli Merkez, Demirci, Akhisar Hürriyet, Salihli Çınaraltı, and Alaşehir in Manisa; Köyceğiz, Merkez, Ortaca, Dalaman, Marmaris Beldibi, Marmaris Turunç, Fethiye, Marmaris Merkez, Milas, and Fethiye Taşyaka in Muğla; Ordu in Ordu; İstasyon in Osmaniye; Kırkpınar in Sakarya; Bulvar and Mimar Sinan in Samsun; Şarköy Sahil and Baykallar in Tekirdağ; Tanjant and Kalkınma in Trabzon, Kozlu, Alaplı Merkez, Zonguldak, Devrek and Çaycuma in Zonguldak

2 Ramstores
- Chimkent and Mega Astana in Kazakhstan

In addition, 4 new Ramstores were opened in Russia: Krasnoyarsk-2 Samolet, Ekatrerinburg, Ufa-2 and Orohevo-Zuyevo. Ramenka was sold to Enka Holding Investment S.A. on 9 November 2007, and its stores were removed from the Company's portfolio.

The Hyper discount era of the 5Ms, the new format for Migros

The Company's flagship trademark, Migros, completely revamped its large stores located in Antalya, Beylikdüzü and Ankara which did not fall into the M, MM and MMM classifications, into its new 5M format. Following Tansaş, Şok, Macrocenter and Kangurum formats, Migros created independent shopping areas addressing all customer segments with hyper discount shopping. Developed on the basis of an extensive research and preparation process which took almost a year to complete, the 5M Migros hypermarket format was introduced in September. In the creation of Migros' new hypermarket format, larger space, greater product versatility and the hyper discount criteria were all taken into consideration, and independent shopping areas were set up. The first 5M store opened in Antalya on 8 September, while the second and third followed in Beylikdüzü on 18 September and in Ankara on 22 September. The 5M stores distinguish themselves crucially with the materials used in the stores to their product portfolios, organizational structure to service policy, personnel uniforms to communication strategy.

Customers benefit from easy payment options at payment points set up at various locations of the independent shopping area within the stores. After paying for groceries, customers may consume newly purchased products in the cafeteria situated in the same location. Customer buying products from the technology section is able to pay for their products at a specific checkout for this department without queuing.

Opened during Ramadan, the 5M stores offer Turkey's prominent local and national tastes and exported products under a single roof in İstanbul, Ankara and Antalya. The 5M Migros stores also include a number of visually appealing novelties. All sections in the store, and the shelves and aisles in particular, were redesigned in line with the shopping style of Turkish consumers.

The 5M format started to present its customers with a host of distinctive implementations in Turkey. One of the central sections for hypermarket customers, the fresh produce section is one that best exhibits these new and modern implementations. A novelty that will turn fresh produce shopping into an enjoyable experience at 5M Migros stores is the "choose your own salad" option. Under this heading, produce selected by a customer wishing to create their own mixed salad are cleaned, chopped and packed. 5M customers visiting the fresh produce section also have the chance to benefit from activities carried out during the day. Cooks prepare dishes using different products in the kitchen located in this section, give recipes to customers, and cook them together with the shoppers, while tasting goes on throughout the day. Targeting all income groups, 5M stores also offer a large product portfolio through the Bütçem brand, an own-label that has proved its success at Migros stores.

Special training activities were carried out for personnel working at 5Ms, the new format of Migros. To offer service for a broad product range, staff are trained to be able to handle independent self-service at aisles and offer keen attention at the fresh produce section upon request.

The 5M Migros format was born out of the innovative corporate culture of Migros. As a result of Migros' constant focus on growth and innovation, 5Ms are planned to acquire a wider presence over time, following in the footsteps of other formats. Migros takes pride and delight in having introduced this new format to Turkish consumers.

A result of Migros' innovative corporate culture, the 5M format started to present its customers with a host of distinctive implementations in Turkey.

The Sales Process at Migros

On 18 June 2007, the Company's principal shareholder, Koç Holding A.Ş., authorized J.P. Morgan plc investment bank to assess all kinds of strategic alternatives including the disposal of shares in Migros. A share transfer agreement was entered into by and between Koç Holding and Moonlight Capital S.A., controlled by funds managed by BC Partners, an international private equity company, for the sale of shares representing a 50.83259% stake held by Koç Holding in the Company's capital of TRY 178,030,000 for a consideration of TRY 1,977,365,405.44 on 13 February 2008

Sales of Subsidiaries and Associates

During 2007, Migros sold all of its shares held in its associate in Russia, Ramenka Limited Şirketi, and in Harranova Besi ve Tarım Ürünleri A.Ş. and Koç Finansal Hizmetler A.Ş. which represent two of its domestic associates. Detailed information on the sales of associates is presented below.

Ramenka Limited Liability Company

A "Share Transfer Agreement" was executed on 11 September 2007 for the sales of Ramenka Limited Şirketi (Ramenka), the subsidiary in Russia in which Migros held 50% of the shares, to Enka Holding Investment S.A. The company value of Ramenka was deemed to be USD 1,365 million through negotiations based on figures computed employing various valuation methods. Upon deducting Ramenka's net financial liabilities, calculated as USD 280 million, from this amount, the price for the shares, corresponding to 50% of the Company's capital held by Migros, was fixed at USD 542.5 million.

It was decided that USD 25 million of this amount would be paid in cash on 11 September, 2007 which is the execution date of the "Share Transfer Agreement", with USD 362.25 million to be paid on 9 November 2007, the closing date, and the balance - amounting to USD 155.25 million - to be paid on 11 June, 2008. Due to the adjustment made in line with the changes in the Company's net financial liabilities and net working capital, the balance, calculated as USD 155.25 million, was revised to USD 127.40 million.

In compliance with the provisions spelt out in Ramenka's articles of association, Enka Holding Investment S.A. and Entrade GmbH enjoy preemption rights for the acquisition of shares. In this process, the Company's shareholder, Enka Holding Investment S.A., exercised its preemption right.

The permission of the Russian Competition Board was obtained for transfer of shares and upon fulfillment of other prerequisites, the share transfer took place on 9 November 2007. Migros has no shareholding left in Ramenka after the share transfer transaction.

Harranova Besi ve Tarım Ürünleri A.Ş.

The decision was taken in the Migros Board of Directors meeting held on 28 September 2007 to proceed with the sale the Company's entire 50% shareholding in Harranova Besi ve Tarım Ürünleri A.Ş. from its domestic associates to Tat Konserve Sanayii A.Ş. for a price of TRY 5.5 million.

The company value of Harranova Besi was determined on the basis of the valuation report dated 10 September 2007 prepared by Deloitte Danışmanlık A.Ş. After the sales, Migros controls no shares in Harranova Besi.

The payment was collected in cash on the date of share transfer.

Koç Finansal Hizmetler A.Ş.

At the Migros Board of Directors meeting held on 28 December 2007, it was decided to sell all of Migros' shares representing 0.37% of the capital of its domestic associate Koç Finansal Hizmetler A.Ş. to Koç Holding for a price of TRY 32,014,439.81 the fair value as set out in the financial statements dated 30 September 2007 drawn up in accordance with IFRS standards. The sales transaction was completed on the same date. After the sales transaction, Migros controls no shareholding in Koç Finansal.

As a result of the disposal of shares, TRY 18,417,603.81 was registered as a gain on the sale of associates according to IFRS-based accounting principles.

Marketing and Sales Activities

Migros Club and CRM

The Migros Club Card, still Turkey's largest card program in the retail sector, was used by nearly 4.7 million customers during 2007. Purchases made using Migros Club Cards accounted for 77% of total sales.

Activities conducted by the Customer Relations Management (CRM) with certain suppliers since 2002 were transformed into a systematic CRM platform in 2007. Firms included in this platform were provided with detailed statistical profile analysis of their own customers. Separately, firms were able to present special personalized offers to their customers redeemable at Migros, utilizing various communication channels made available to them by the Company. Covering more than 800 suppliers, the CRM Platform allowed Migros to further increase the productivity of its CRM activities. This facility offered by Migros to its suppliers was selected the most successful CRM project in 2007 among the Koç Group companies and Migros was named the Koç CRM champion.

Personal offers and organizations offered by Migros Club to its customers in addition to general campaigns also continued in 2007. Conferences focusing on the theme "Health Begins at Supermarkets" were held in 4 other cities in addition to İstanbul, aiming to communicate essential tips relating to healthy eating. Included among the classical initiatives of Migros, vintage trips and film galas were also organized last year. Furthermore, organizations were staged to explain Migros and Migros Club program to foreign customers residing in Turkey, while also seeking their opinions and suggestions. The English menu was installed on kiosks placed in stores, in line with the development carried out in view of the feedback provided, facilitating the use of kiosks by foreign customers.

Also in 2007, Migros Club continued to offer advantages to its customers in various businesses. Using their Migros Club Cards, customers earned points at various companies including Opet, Arçelik, Aygaz, Koçtaş and Setur, and redeemed these points at Migros stores. In addition, with the incorporation of the Paro features in Worldcards launched in March, the bank offered Worldcard clients Migros Club Cards, thus enabling customers to benefit from the advantages of the Migros Club Card.

Migros B2B system continues to improve...

Offering service on a 24/7 basis, the B2B system has become an indispensable platform in the productive and efficient management of Migros' supply chain operations in conjunction with its business partners. At the end of 2007, a total of 1,370 firms were managing the entire order flow throughout the Migros B2B system, compared to 1,100 in 2006. These firms account for nearly 85% of Migros' total procurement. Supplier firms monitor the sales, inventory, current account, invoice, returns and shipment data on this system and are also able to deliver their invoice records electronically to Migros. The necessary infrastructure is now prepared to enable suppliers to forward their new product proposals over the B2B system. Other income invoices were migrated to B2B at the end of last year.

Migros inflation

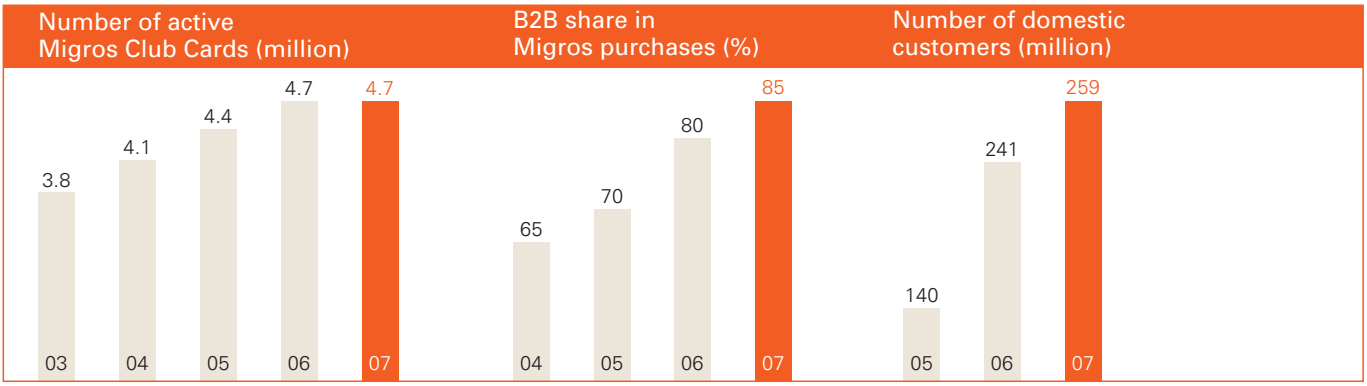
Following suit of the last six years, the price increases at Migros also remained below the inflation rates last year. With the impact of discounts and campaigns, the average price increase at Migros once again lagged behind the rate of inflation in 2007. The average CPI inflation announced by TURKSTAT for 2007 was 8.76%.

Migros Category Management

Having redefined the position of the Assistant General Manager for Marketing as Assistant General Manager for Category Management in 2006 within the scope of reorganization activities undertaken following the Tansaş merger and having revised all related business processes so as to improve their efficiency, Migros remained loyal to brand positioning, as well as to new brand and pricing strategies, and continued to move forward with its customer-focused management and competition-focused pricing.

As in previous years, contracts with suppliers were also reviewed in 2007 and renewals were conducted accordingly.

With a view to respond better to evolving competitive conditions and customer expectations, the product portfolios of Migros stores located in the Antalya Shopping Mall, the Beylikdüzü Shopping



Mall and Ankara Shopping Mall were all reviewed. These stores were later revamped and introduced in the 5M concept, resulting in nearly 30% increase in their turnover upon the transition to the hypermarket format.

The Company also launched new practices aimed at more effective management of valuable sales areas and moved to the seasonal valuable sales area implementation.

Initiated in 2006, the Price Competition Regions were increased in number during 2007.

The Shelf Management System was also introduced at Migros, Şok and 5M formats, thus enabling the stores to stick to their product portfolios and keep up-to-date at all times.

Automatic ordering, which has been an ongoing process at Tansaş stores, was also launched at Migros and Şok stores, bringing savings in time for store personnel and reducing inventory ratios of the stores.

2007 was a year of intensive promotional activity at Migros. The ongoing catalogues and weekend discounts were continued, and very attractive campaigns were organized such as "Crazy Days", particularly towards the end of the year, with 50% discounts on the second product for private labels, along with discounts specific to the categories.

Sales efficiency of stores continues to improve...

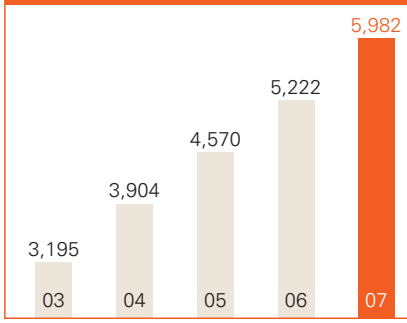
Thanks to campaigns and enhanced customer satisfaction, the Company's store efficiency improved for all formats. Sales per square meter rose by 87% from USD 3,195 in 2003 to reach USD 5,982 in 2007, with an increase of around 15% YoY in 2007. Sales per basket at Migros increased to USD 18.4 in 2007 from USD 16 in 2006 and USD 12 in 2003. On a Turkish lira basis, sales per customer reached TRY 24.28 in 2007 from TRY 22.57 in 2006, representing a rise of 7.6%.

Same-store sales (i.e. excluding those stores which opened during the year) for Migros, Tansaş and Şok stores registered a 6% increase in TRY terms on a nominal basis. The number of customers grew by 7.5% YoY in 2007 with the number of customers visiting Migros, Tansaş, Şok and Macrocenter stores in Turkey during the year exceeding 259 million, versus 241 million in 2006 and 140 million in 2005.

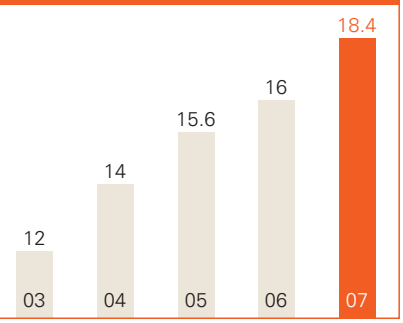
Domestic sales with Migros Club Card in 2007 (%)

Club Card	77%
Others	23%

Domestic sales per square meter (USD)



Domestic sales per customer (USD)



Migros Call Center

Attracting 259 million customers over the course of the last year, Migros continues to grow and attract outstanding interest. Aiming to offer a pleasant shopping experience to its customers, Migros carefully evaluates customers' post-shopping feedback and aims to improve all of its processes according to advancing standards by offering constantly improving its services.

In the framework of the "customer focus" core value espoused by the entire company, the target is to concentrate not on meeting expectations, but on "exceeding" customer expectations and needs. Giving customer satisfaction the utmost priority, Migros set up the Customer Care Line on the phone number 444 10 44, which has individual options for all formats, so as to handle customer complaints and suggestions, to which the Company places utmost importance.

In this process, all feedback received is assessed and necessary measures implemented. The Call Center responds to an average of 216,000 calls per year, with varying themes such as complaints, wishes, suggestions and compliments.

87% of the calls were resolved within 48 hours and customers are called back with relevant responses. Thanks to the systematic infrastructure installed, all incoming calls are automatically referred to the manager of the relevant unit depending on the subject matter and are forwarded to the next management level until customer satisfaction is achieved, if the Company fails to respond within the 48-hour response time. In addition, Migros announces the names and email addresses of all executives and managers on its corporate website under the section "Who is Who? Head Office" section within the scope of its transparency principle.

kangurum
www.kangurum.com.tr
One stop shopping

Kangurum and Virtual Market

www.kangurum.com.tr

Kangurum and Migros Virtual market operations are organized under Sanal Merkez T.A.Ş. ("Sanal Merkez"), an associate of the Company. Sanal Merkez has been offering remote sales services under the Kangurum brand since 2000. Providing its services through the internet, by telephone, kiosks, catalogues and mobile phones, Kangurum is a virtual shopping center covering various stores in different categories. Over 100,000 types of products of elite stores, which have proven themselves with their brands and quality, are offered to customers at Kangurum around the clock through the year.

One of the leading websites in online shopping in Turkey, Kangurum received an average of 200,000 hits per month in 2007, with an average of 20,000 orders received per month.

Sanal Merkez increased its turnover from TRY 25 million in 2006 to TRY 37 million in 2007, translating into a YoY growth rate of 48%.

2007 marked the 10th year of service for the Migros Virtual Market, which was launched in 1997 and has been pursuing its operations under the Kangurum brand since 2000. Responsible for a large proportion of the sales revenues generated by Kangurum, the Migros Virtual Market expanded its service sphere in 2007 and extended its operations to 7 cities and 23 stores. In the same vein, the number of delivery trucks used for Virtual Market orders rose to 30 and the number of delivery personnel to 108.

Kangurum allowed Migros to diversify its alternative shopping channels in addition to its stores. Customers are provided with the facility to place their orders by telephone, through kiosks, mobile phones and catalogues in addition to the internet.

Based on the principle of customer-centric marketing, and recognizing that it is a provider of service rather than merchandise, Kangurum always gives the foremost importance to service quality and expends the greatest effort to increase customer loyalty in each and every purchase. The Customer Care Service department exercises the utmost care and diligence in responding to incoming calls and emails received 7 days a week. The compliments received endorse the success achieved in this respect.

Revamping its online visual design in April 2007, Kangurum has also renewed and upgraded its shopping functions. The English version of the website also went online in June 2007.

2007 also saw new additions to stores covered under Kangurum, including HP Store, Toshiba, Lexmark, Medion, Targus, Baymak, Nintendo, Tariş-Taze and Megavizyon.

Sales of sacrificial animals were successfully carried out in 2007, as in previous years, during December and January ahead of the Feast of Sacrifice. All orders received through Migros and Şok stores, the internet and the Call Center were consolidated by Kangurum and then either donated to charitable organizations or delivered via the Migros Virtual Market delivery team to the specified addresses in line with customer preferences.

Expanding its coverage throughout the summer and also offering services in summer resorts, Migros Virtual Market started to provide deliveries to yachts berthed in marinas. In addition to existing delivery regions, Bodrum, Marmaris, Kuşadası, Didim, Çeşme, Fethiye and Göcek were added to the list of delivery regions during the summer.

Throughout 2007, purchases made in certain product groups from Kangurum using Worldcard, Maximum, Bonuscard and Shop&Miles credit cards were granted 6 or 12 monthly installment options on the cash price.

As a result of extensive efforts aimed at improving security during 2007, the Kangurum system was brought into full compatibility with the PCI data safety standards and successfully passed the periodic MasterCard network and web application audits. An important security system introduced during 2007 was the option of payment through the 3D Secure system. A system developed for offering increased security for online purchases made using credit and debit cards, 3D Secure brought further security both to cardholders and the member merchants. In the 3D Secure system, the bank requires the cardholder to submit the payment password, known only by the specific individual, during the virtual payment, thus verifying the identity of the cardholder. This application prevents unauthorized individuals from using credit cards in the internet environment. Kangurum is one of the first websites to have made the transition to the 3D Secure application in Turkey. Another development was the introduction of the Garanti CepBank Shopping service during the reporting period. Enabling payments by providing only the mobile phone number without having to share credit card or account information in online shopping, this application also paves the way for bonus points and installments for credit cards, bonus point redemption and cash payment for debit cards, and full cash payment on demand deposits.

Technological Advancements and Projects

In an environment characterized by intense competition, Migros has introduced a number of pioneering implementations in the sector by maintaining a solid technological infrastructure and investing in information technology.

Information Security

During the reporting period, the Information Security unit was set up under the Information Technology Department to define and coordinate all of the Company's information security processes. In the process, documentation was prepared to establish information security priorities and policies.

Information Technology Audits by PCI, PWC and the Holding

Biannual IT audits performed by Koç Holding's Information Technology Department and annual audits by PWC were completed in 2007, as well as the PCI audit which forms part of the credit card payment systems.

Migros Business Information Warehouse System

In view of the data volume and number of users increasing in parallel with the Company's growth, the Migros Business Information Warehouse system was upgraded in the second quarter of 2007 to Teradata 5500 running on 2-node 64-bit technology with a magnitude of 13TB, which is the latest version produced by NCR-Teradata. This has resulted in 220% increase in performance and capacity compared with the previously used system.

Over 1,000 internal users run the decision support reports, CRM analysis and tactical queries daily on the Migros Business Information Warehouse system, while more than 1,000 suppliers use the B2B interface to conduct analysis, queries and reports which will fulfill their business needs.

ETL (Extract, Transform, Load) project

The IBM Web Sphere Data Stage ETL tool was also purchased in the second quarter of 2007, upon which numerous internally developed software programs used in business processes related to inter-system data transfer were consolidated, and the extraction, transformation and loading management systems were centralized. This has accelerated data transfer business processes, while also facilitating the management of business processes. The tool manages almost 500 data transfer programs including operational systems, the B2B system, the intranet portal system and the CRM and business information warehouse systems.

Migros Supplier CRM Portal

The CRM module, which was developed for suppliers, was added to the existing Migros B2B site in January 2007. On this site, supplier companies are able to analyze the demographics and profiles of consumers through the CRM applications performed over the business information warehouse and thus devise customer-centric campaigns. The Migros Supplier CRM portal serves as an information platform enabling suppliers to obtain more meaningful information by adding the customer aspect to suppliers' sales analysis and supporting the creation of brand loyalty.

Oracle Siebel as a Campaign Management Tool

"Oracle Siebel" was selected as the CRM campaign management tool in the second half of 2007. With this software, Migros aims to more easily and more professionally manage the CRM campaigns designed especially for individuals and for the segment. Corporate users will easily be able to select their target audience through a graphic interface and be provided with various management functions, such as campaign and rule definitions, inception, monitoring and discontinuation.

Electronic Journal - Thermal Printer

With this project rolled out in 2006, the journals of nearly 4,300 cash registers started to be retained on electronic recording units instead of paper rolls. The accompanying improvements introduced to the cash receipt design paved the way for savings of 65% on paper per receipt. While daily average of 2,500 rolls had been archived, this initiative provided cost savings as well as reducing the amount of space which needed to be set aside for archiving space, representing an additional step in the Company's environmentally-friendly practices.

The software upgrades and conversion of printers to a thermal structure resulted in increased performance in cash register systems. More than 99% of all cash registers now have an online connection with the head office. This has helped alleviate the operational burden on cashiers, thus enabling savings in training costs.

Blade Server and Virtual Technology Transition

Blade server and virtualization technology was integrated during 2007, offering numerous advantages in the areas of server management, performance, costs, space utilization and operational facilities. The combination of servers of various models and of various producers on a uniform server platform reduced the costs associated with maintenance agreements and enabled rapid replacement of malfunctioning hardware.

Backup can be performed through a single backup management program for all servers, enabling rapid retrieving.

Risks which might arise during the cabling process are minimized when launching a new server and cable chaos is eliminated. The response time for new server demands is reduced to 5 to 10 minutes. Securing savings of nearly 50% on power and 80% on space, Migros takes one more step in the efficient use of limited energy resources, a critical issue in our day and age.

In the event of a physical failure of any blade server, or if any server requires instant additional capacity, servers continue to run on another physical machine in the virtual environment without intervention and without suffering interruptions. Hardware costs were reduced by 50% owing to the simultaneous sharing of the existing blade server hardware by a number of servers via virtual technology.

Migros Wide Area Network (WAN) backup, sound and data phone revision project

Running all applications such as POS transactions, B2B, the order system, operational systems, the SAP system, promotions, kiosks, data transfers, phone calls, e-mail and e-fax, Migros derives the following key benefits from this project, which covers all locations:

- The existing data lines leased from Turk Telecom are backed up by a different technology for all locations. Effective management of the newly introduced backup systems has gained importance with the increased number of stores. Auxiliaries of all existing lines are also made online, and are now controlled on a continuous basis. This system minimizes instances of stores, warehouses and branch offices being unable to access systems at the head office due to failures in lines.

- Measures implemented to further reduce telephone costs will bring an estimated 40% saving for 2008. These measures include;

  - the structure was established which will place employees' phone calls from the lowest-costing system, and eliminate the need for employees to dial a code,
  - the project has eliminated the need for thousands of phone lines,
  - all calls can be monitored and reported centrally.

- Firewalls that can be managed centrally and that are in line with the global security standards are installed at all locations.

- Models and software of WAN equipment were standardized and maintenance costs with faster response times in the event of failures.

- The local area network infrastructure, which had occasionally caused problems at branch offices, warehouses and 5M stores, was renewed with a transition to a dataphone system. In this manner, the performance of phones and online applications was improved and downtimes were virtually brought down to zero.

The Transition to Exchange 2007

The transition to new technology in the e-mail system was successfully completed without any data loss and in an uninterrupted manner. While contributing significant performance increase with its 64-bit architecture, the system is vested in a centralized and more easily manageable structure. This transition has enabled a reduction in the number of servers being managed. Exchange 2007 encrypts e-mails before transmitting them, while also employing new security features. The entire e-mail flow can be reported. The system architecture which performs clustering with data replication copies all data instantly onto a different data storage area. If a problem occurs in a server, or if a data sector malfunctions, e-mails can be accessed over the backup system without the need for any intervention.

Thanks to the mobile accessibility of the system, employees are able to monitor their e-mails from their homes, handheld devices such as IPAQs and even mobile phones. Accessing their e-mails from the wide area location, employees are now accessible more quickly owing to the upgraded compaction technology, while lines are now used more efficiently.

Store Automated Ordering System

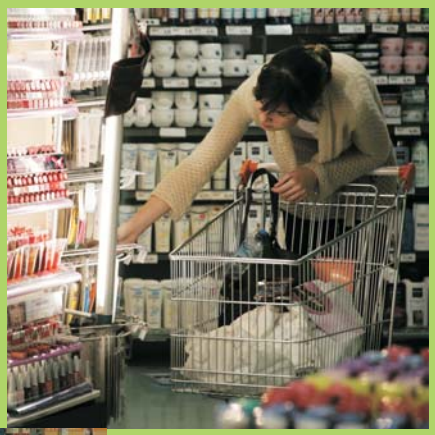
The automated ordering project was launched at Migros and Şok stores for products supplied from warehouse in the FMCG group and which were included in the Apollo system. The automated ordering project has been introduced to 105 stores and has resulted in improvements in inventory management. There project is planned to be expanded to cover all stores in 2008.

Store Call System (Technical, Category)

This is a call system running on the portal in order to fulfill the construction and technical needs of stores. Employed in all stores in the Marmara and Central Anatolia regions, the system classifies calls received according to the severity and financial cost, and refers them either to companies or to relevant departments for approval. The system also evaluates the performances of the companies. The Category call system, on the other hand, provides communication among Category Management.

We aimed to move forward with a team spirit and to be the best in our business...

We have done even better than that.



We proceed sure-footedly with a big team passionately committed to their work and who demonstrate common sense in what they do.

Considered a privileged and strategic factor in maintaining a competitive edge, Migros regards its human resources as the driving force behind rapid adaptation to evolving competitive conditions and leadership.

Human Resources and Training

Considered a privileged and strategic factor in maintaining a competitive edge, Migros regards its human resources as the driving force behind rapid adaptation to evolving competitive conditions and leadership. The Company regards individual competitive strength and the development of each employee as the most important factor in building corporate competitive strength.

The Company's human resources and training strategies are built to structure the organization in line with corporate strategic goals, to develop a fully-equipped, agile, reliable and efficient human resource to best satisfy the Company's current and future needs from within the organization.

During 2007, Migros employed an average of 12,762 staff (12,010 in 2006); with 9,799 of these working full-time and 2,963 on a part-time basis.

The Recruitment and Placement Department was reorganized in line with the Human Resources' growth strategy, which was set up in parallel with corporate strategies, and recruitment and placement functions for store staff and store managers were assigned to two separate departments. In addition, three interviewing offices were set up in İstanbul in order to conduct store staff interviews more effectively and facilitate the process for candidates.

With a view to forming the new human resource identified both qualitatively and quantitatively, cooperations were established with universities in 2007. Accordingly, a joint project was executed with six universities under the heading of the "Retail Store Management Student Development Program".

Negotiations held between the Company and the Tez-Koop-İş Union representing 10,640 blue-collar employees were concluded with the collective bargaining agreement, which will cover the period from 1 May 2007 to 30 April 2009. The talks were finalized on 15 October 2007 and the collective contract was signed and the agreement written into all articles. According to the contract, a decision was taken to raise gross salaries by 11% in the first year, and at the rate of CPI inflation as announced by TURKSTAT (the Turkish Statistical Institute) in the second year, whereas social benefits were agreed to be raised by 6 to 11% on an annual basis.

Directed at the potential human resource need identified on a qualitative and quantitative basis, full competence and potential assessment, Development Planning and Career Management processes were carried out for 1,300 white-collar employees, ensuring extensive participation. White-collar employees have access through their own personal computers to results of their personal assessments through the Company's remote training system, AkadeMig, based on the required profiles for their current positions and the upper level assignments, as well as the development tools offered according to their identified improvement areas.

Launched in 2006 and providing employees access to comprehensive information on human resources processes and systems, along with the chance to monitor their personal information and records, the option to request changes in this information and to participate in the human resource processes, the "Migros Human Resource Portal" can now be used by all Tansaş and Macrocenter stores. Developed using the SAP software infrastructure, the Migros Human Resource Portal is enriched by various new functions directed at employees and managers.

2007 also saw the introduction of the Migros Organizational Chart, marking the first-time that the this software was ever employed in Turkey, allowing fast and easy access to the Company's detailed organizational structure by employees and managers. Running on the Migros Human Resource Portal in full integration with the Migros SAP Human Resources systems, the software provides all employees with simultaneous, visual and functional access to the Company's organizational chart. The program also enables employees to conduct searches on the basis of specified criteria and viewing photographs and various data of employees, as well as their place in the organization. Managers are provided with additional functions, including access to all organizational and personal data of their subordinates, along with

their remunerations, developmental information and performance/potential assessment results.

The SAP Human Resources business information warehouse application also went online during the reporting period. Providing detailed analysis of HR key performance indicators, enabling flexible reporting, and designated as the decision supporting reports for the management, Business Information Warehouse (BW) reports started to be published over the HR Portal. These reports allow detailed analysis of current human resource data from staffing numbers of all units in the organization to their costs and productivity, and the timely execution of action plans.

The Performance Management System employs the Balanced Scorecard approach to spread the Company's strategies and targets across the organization and evaluates employee performance objectively under predefined criteria. The results of these evaluations are used to steer career development/succession, compensation package and personal development policies. In 2007, a "Target Deployment Team" has been established to ensure successful introduction of the Target Deployment across the organization. Target deployment meetings have served to expand corporate strategies and goals to all units ensuring the widespread participation of employees. Within this scope, 1,558 white-collar employees from all levels of the new organization took part in the goal determination and performance monitoring and assessment processes which are conducted annually. The Performance Management System was completed in an electronic environment through the SAP-SEM (Strategic Enterprise Management) module used for the management of these processes.

Store managers of Tansaş, Macrocenter and 5M formats were also included under the scope of the Store Managers Performance Management System in the reporting period. The performance results were monitored and evaluated through the HR portal. The system enables the performance of all organizational units, from stores to the head office and warehouses to be monitored and compared with predefined performance indicators on a monthly basis, as well as enabling annual evaluations, thereby supporting the decision-making processes of concerned managers.

With the completion of the review of the premium systems of Tansaş and Macrocenter stores in 2007, premium systems for store managers of all formats were combined under a common structure.

The Category Performance Management System remained in effect for unionized employees of Migros stores. Through this system, the performance of store staff is evaluated on the basis of the categories they work in and according to the defined indicators, and employees who outperform their targets are awarded performance bonuses on a monthly basis. In an effort to enhance team spirit, employees also receive additional performance bonuses based on the performance of the store and of Migros overall.

In accordance with the Company's "customer-centric" strategy, the Store Employee Service Quality Assessment System was implemented throughout the four quarters of 2007 at Migros, Macrocenter and 5M formats with a view to improving the quality of service offered at the stores, assessing the behavioral competence of employees with respect to customer satisfaction, and rewarding performances which are deemed to make a difference. In this scope, evaluation forms specifically designed for each position were used and the service quality performance of blue-collar employees at the relevant stores were evaluated every three months. Throughout 2007, the service quality performance of over 5,200 employees was evaluated electronically and those employees who had performed successfully were rewarded with bonuses, thus encouraging customer satisfaction and promoting a focus on service quality by employees. Furthermore, those employees whose skills needed improvement were identified and they were given the necessary training programs.

Migros continued to export its accumulation of human resource know-how to the foreign subsidiaries during 2007. The Company took steps towards effective implementation of the Integrated Human Resource processes abroad as well.

The Company took yet another important step in 2007 in relation to the integration of process-based management and Quality Management Systems, the expansion of which have been ongoing since the acquisition of Tansaş in 2006. The relevant preparatory work begun by early 2007, with process development and Quality Management System practices for Şok discount stores certified upon the inspections conducted by the Turkish Standards Institution in November. As a result, Şok stores also hold the ISO 9001-2000 Quality Management System, as well as ISO 22000-2005 Food Safety Management System certifications. Thanks to this development, Migros remains the retail chain to implement quality management systems at the most points in Turkey, and also is the name to carry good quality into discount stores.

The Migros Training Department forecasts the structure that will result from the Company's strategic goals and plans the necessary training and development activities accordingly to organize the human resources which will create this structure. The Company's prime target is to create and implement the requirements imposed by its expansive organization and diverse formats on the basis of locations and individuals through its corporate training portfolio, strategic collaborations and advanced technology solutions.

Training and development activities are predominantly handled through in-house sources and the strategic training partner, Koç University. Giving weight to the retail-based original training programs, training practices cover a broad range including, in particular, store operation, management, the complementary fields of expertise in retailing, quality management in service and foreign language. Concentrated on helping individuals gain a profession, as well as on training education and certification and also on advancing and promoting expertise, these activities are aimed at constantly fulfilling the requirements and needs of the developing organization.

Due to the limited number of vocational schools offering education in retailing, Migros opened the 2nd GATEM Food Technologies and Education Center in İzmir in 2007 in cooperation with the Ministry of Education. The Center offers certification of staff and specialists upon the completion of courses in butchery and cold-cut meat.

The Internal Trainer System was created in 2006 to advance the vocational knowledge of blue-collar employees and to broaden on-the-job training. Rolled out throughout Turkey on a regional basis, internal trainers aimed to enhance vocational knowledge primarily at the service points through on-the-job training sessions carried out at stores, and provided 36,977 hours of vocational training across all formats.

22 middle managers graduated from the MPMT Program in 2007, which was implemented at KÜMPEM, the Koç University Migros Professional Management Training Center. Possessing pre-MBA quality specific to the retail sector, students of the 216-hour program completed the training modules supporting theoretical information in marketing management, financial management, financial accounting, information technologies, retail management, human resources management, supply chain management, strategic management, and the macro and micro economy, with case studies from the sector. The MPMT program ended in a "Management Simulation" through which students applied their knowledge gained from the training modules in a virtual market.

In the reporting period, the "Migros Retailing Associate Degree Certification Program" has been developed in cooperation with the Anadolu University Open Education Faculty for employees who did not complete their undergraduate and/or associate degree education. After completing 15 course modules under the scope of management and organization, general accounting, marketing management, introduction to retailing, and retailing certification programs, employees will be entitled to receive the Migros Retailing Associate Degree Certificate. With the pilot program started in June 2007, the program will be expanded to cover all employees during 2008. The curriculum formulated by lecturers of Anadolu University employs multi-learning components. This program will provide equality of opportunity will be provided to employees who would like to achieve self-improvement in their careers.

Employees across the nation received an average of 20.93 hours of training during 2007 (19.30 training hours per employee in 2006) in order to enhance customers satisfaction and service quality.

Designed to demonstrate the importance of customer satisfaction to employees from a different perspective, 2,674 employees took part in the Key to Excellent Customer Service: Smiling Employees training program. Prepared by Enis Fosforoğlu and his team, scenarios based on actual cases are

Developed to make the most of the creative suggestions by the employees and to collect and process them under a project perspective, the Migros Project Proposal system was restructured to encompass the new organization.

acted out and students become part of the training by role-playing in creative drama-based scenarios.

The training needs of the Company's white-collar employees are determined through the Identification of Potential and Performance Assessment Systems. Employees are offered career support through development plans prepared in response to the identified training needs and potential candidates, based on the organization's needs, are monitored.

Personalized development plans designed with a keen eye on corporate priorities and strategies cover multiple modules such as regular classroom training sessions, e-learning, articles and books, supported by a number of activities including on-the-job training including project assignments, role-playing as assistant administrator.

E-learning emerges as a requirement of modern business life. In parallel with the technological progress, Migros employees can access the "personal development plan" through "AkadeMig", the Company's e-learning portal. The portal encompasses a large learning catalogue consisting of personal and vocational development programs, informative training and articles dealing with company processes.

Serving as a platform where Migros employees are able to participate in e-learning programs, "AkadeMig" allows employees to track their personal development, take on further responsibilities and to monitor their developmental performance electronically. Covering 126 classroom sessions, 74 e-learning modules, 127 articles and 68 book reports in its portfolio, available on a 24/7 basis, the Corporate Development Portal, AkadeMig, provides employees with remote access to development resources contained in its structure.

Emphasizing the vitality of vocational training through its cooperative projects, Migros played an active role in the "Vocational High School: A Matter of National Importance" project executed through the joint efforts of Koç Holding and the Ministry of Education. The Company undertook the running of 17 schools over a wide geographical area from Bergama to Iğdır, and from Erzurum to Giresun. Vocational High School Coaches selected on a volunteer basis will play an active role in schools they are assigned to, starting from the selection of scholarship students, and will monitor students throughout their education and act as their role models in the selection of their vocations.

In addition, to create employment opportunities for young people who graduate from vocational high schools, and to employ individuals which receive education in their respective fields at the Company's stores, Migros was actively involved in efforts towards the establishment of a retailing department under trade vocational high schools. As a result of this initiative, there were a total of 84 schools covering the retailing department in Turkey by the end of 2007.

The Company's strategic training programs include:

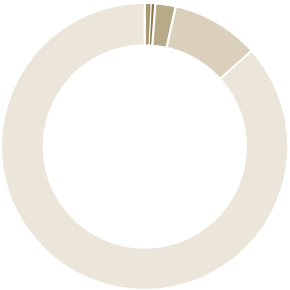
- Programs offered for potential Koç Group Managers at the Koç University - Migros Professional Management Training Center
- The Store Manager Development Program provided by Georgia State University faculty for store managers to increase their knowledge and sharpen their managerial skills
- The Migros Retailing Associate Degree Certification Program designed in cooperation with the Anadolu University Open Education Faculty
- Extended training programs and educational programs on occupational health and safety approved by the Turkish Ministry of Education offered to unionized employees for the purpose of broadening their vocational expertise at the Food Technology and Sales Staff Education Center established in cooperation with the said Ministry

Launched in 2005 to maximize communication quality as required by the corporate culture and strengthen intracompany relationships within the Migros family, the Migros Turuncu (Orange) magazine raised its circulation to 13,000 in 2007.

Developed to make the most of the creative suggestions by Migros employees and to collect and process them under a project perspective, the Migros Project Proposal system was restructured to encompass the new organization. Employees' proposals are regarded as one of the most valuable tools in revitalizing companies and increasing their resilience to the competition. Migros employees share their proposals electronically under seven categories; the selected projects are offered financial support to go live and attain widespread coverage.

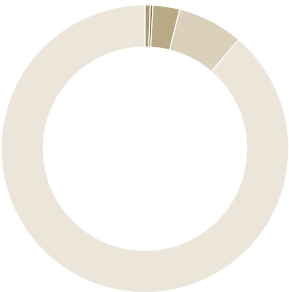
FOREIGN SUBSIDIARIES

Breakdown of sales in 2006



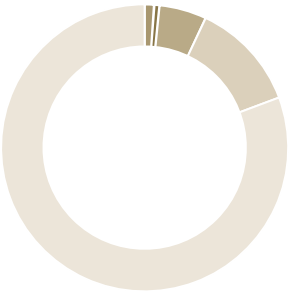
Azerbaijan	0.4%
Bulgaria	0.8%
Kazakhstan	2.3%
Russia	9.9%
Turkey	86.6%

Breakdown of sales in 2007



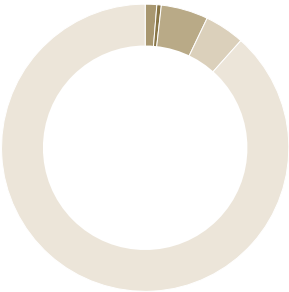
Azerbaijan	0.3%
Bulgaria	0.6%
Kazakhstan	3.0%
Russia	7.4%
Turkey	88.7%

Breakdown of operating profit in 2006



Azerbaijan	0.4%
Bulgaria	1.2%
Kazakhstan	5.4%
Russia	12.6%
Turkey	80.4%

Breakdown of operating profit in 2007



Azerbaijan	0.5%
Bulgaria	1.3%
Kazakhstan	5.3%
Russia	4.5%
Turkey	88.4%

Migros sold Ramenka, its associate in Russia, to Enka Holding Investment S.A. on 9 November 2007, and discontinued its operations in Bulgaria, closing its 3 stores in this country. Migros currently operates with a total of 15 stores in Kazakhstan, Kyrgyzstan, Azerbaijan and Macedonia. An assessment of the financial results of foreign subsidiaries has been provided in the Financial Results and Assessment section of this annual report.

Ramenka (Russia)

Economy and Retail

2007 was a time of a wide range of developments in macroeconomic terms. On one hand, investments were stepped up, coupled with strong economic growth. GDP grew by 8.1%, its steepest increase since 2001.

The rate of CPI inflation rose in the second half-year to reach 11.9% by the year end, representing the highest level ever recorded since 2004 and reversing the gradual downward trend in the rate of CPI inflation which had been seen for eight years. The increase in food prices and record capital inflows, impacting money supply, were behind the high CPI figure.

During 2007, the Russian retailing sector grew by 15.2% in nominal ruble terms and by 22.1% in USD terms. The retail market has accounted for between 32% and 35% of GDP since 2001. Food retail constitutes 44.5% of total retailing and commanded a volume of USD 184 billion in 2007, versus USD 145 billion in 2006. The expansion in retail has arisen from increased income and consumption, structural changes, the relatively low share of modern formats particularly in retail operations and a lack of consolidation in the structure of the retail market. The regional structure of the Russian retail market has shifted significantly towards Moscow and more populous Central regions, and presenting less proper income distribution. Organic growth combined with mergers and acquisitions in the regional retail markets allow leading retailers to further expand their double digit growth rates, leading to gradual decreases in their profit margins.

The positive macro outlook in the Russian food retailing sector in 2008 is projected to continue along with increases in their operating costs such as salaries, rental fees, transportation and advertising. Since leading national and regional retailers will pursue aggressive expansion strategies, the competition will continue to intensify. The consolidation process is also expected to accelerate among national and international retailers in this sector.

Activities of Ramenka

Pursuing operations in Russia, Ramenka Ltd. Şti. (Ramenka) was sold to Enka Holding Investment S.A. on 9 November 2007 and its stores were removed from the Migros portfolio. Before its disposal in 2007, Ramenka had opened three supermarkets and one shopping mall, while closing down 14 stores. At the date of the sale, its net sales area had stood at 129,894 square meters with a

Constantly distinguishing itself from the competition by introducing new products, Ramstore Kazakhstan served 7.1 million during 2007 with 46.5% YoY growth in the number of customers.

total of 54 stores. Approximately half of the total sales area was located in Moscow. As in the past, the Company continued to expand regionally in 2007 and three of the four new stores were opened in provincial cities, with Ekaterinburg being the latest provincial addition. Active in 11 different cities in provinces, Ramenka has six stores in Kazan, five in Saint Petersburg, three in Samara, and two each in Ufa and Volgagrad.

Ramstore Kazakhstan

Economy

The growth in the country's GDP dropped from 10% in 2006 to 8.7% in 2007. Economic growth was affected by the mini crisis in the banking system, as financial services and construction firms, which are the main clients of Kazakh banks, account for almost half of the country's economic growth. Industrial output also grew by 4.5% in 2007 and lagged behind the previous year's 7.2%. Manufacturing industry has been the main driver behind the growth in Kazakhstan. Economic growth is projected to range between 5 to 7% in 2008.

Annual CPI inflation reached 18.8% in 2007, driven to a large extent by food prices which recorded an increase of 26.6%. The government aims to push inflation down to below 10% in 2008.

As of year-end 2007, the foreign currency reserves at the Central Bank stood at USD 17.4 billion. The National Oil Fund also has an accumulation of USD 21.1 billion. The contraction in foreign currency reserves is connected to the continued current deficit in Kazakhstan, coupled with the slowing capital inflow into the country. The global financial crisis made it difficult for Kazakhstan to finance its current deficit by capital inflows.

In October 2007, Standard and Poor's (S&P) downgraded the country's long term foreign currency rating from BBB to BBB- and its long and short-term local currency rating from BBB+/A-2 to BBB/A-3. The downrate reflects funding issues in the Kazakh financial system. Fitch Ratings downgraded the sovereign outlook from positive to stable on 9 October 2007, and from stable to negative on 17 December, 2007 for the BBB rating. The reason behind the change in the outlook in such a short space of time was the continued strict refinancing conditions applied for local banks and worsening expectations relating to growth due to increased prices.

However, the country's long-term foundations are good. The Kazakh government plans to increase oil production from 65 million tons in 2007 to 140 million tons by 2015.

Retail

The retail sector in Kazakhstan grew by 10% in 2007 to reach a size of KZT (tenge) 1,868 billion (USD 14.6 billion). The food and non-food products market in Kazakhstan shrank by 2.8% to USD 6.6 billion in 2007, while Kazakhstan's retail market is projected to reach a volume of USD 200 billion by 2015.

The key players in the organized market in Almaty are Ardager, Russia, City Center, Nurgajina, Darkhan, Madi, Strela, Promenade, Gross Markets, Merey, Silkway City and Skif Sauda. Green Market (Zelyoni Bazaar), Golden Horde, Baraholka, Juldyz and Adem represent the open markets. The Gross, Turkistan, Astikjan and Evrasia covered markets operate in Astana. In the city of Karaganda, Grandstore operates in addition to Gross. A new shopping center named Maxima entered service in Almaty in April.

Activities of Ramstore Kazakhstan

The Company significantly boosted its consolidated sales, including those in Kyrgyzstan, on a YoY basis. A total of 7.1 million customers were served in Kazakhstan during 2007 with 46.5% YoY growth in the number of customers.

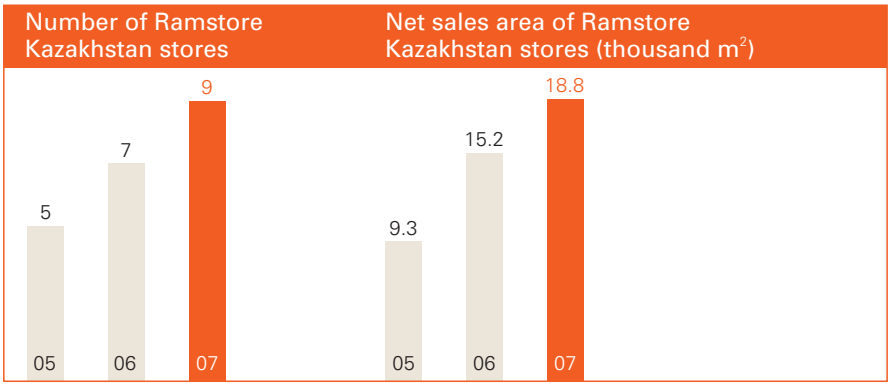
With two new stores opened last year, the number of stores operated by the Company rose to nine and the sales area expanded to 18,805 square meters. The Samal Shopping Mall was one of the new openings. In 2007, the Company sustained its regional growth outside Astana, Almaty and Karaganda and opened a new provincial store in Chimkent.

The Company is constantly distinguishing itself from the competition by introducing new products. Some examples of promotional activities carried out through the year include weekly fresh produce days which cover marginal sales on leading items every week at certain stores; fresh produce discounts every Monday at all stores; "buy more, pay less" campaigns conducted at all stores within the scope of the celebrations for the 8th anniversary of the Company; the "Ramadan Street" event carried out during Ramadan; the "buy one, get one free" campaigns organized specifically for Karaganda and in particular for the newly launched Chimkent and Mega Astana stores during October, which were implemented for the first 15 days following the opening dates of the stores; local appetizers served hot and cold specific to the one-week, so-called "Maslinitsa" religious holiday in February, which were sold at all bakeries in Almaty stores coupled with special displays and personnel in local costume. The competitive pricing which accompanied these campaigns supported the rise in sales as well as customer loyalty.

Although new shopping centers were opened in Kazakhstan, the Samal Shopping Mall did not lose its novelty value. While there were no vacant stores at the Shopping Mall in the last five-year period, all leasable commercial areas are rented out to firms and kiosks for various advertising campaigns and the Shopping Mall sustained its leading position in product versatility and service quality. Activities carried out at the Shopping Mall included merchandise introductions with various companies, various measures and advertising campaigns and the introduction of new motor vehicles and promotional campaigns. To reinforce the leadership position in the sector, contests for the most attractive window display and interior design contests were organized among tenants.

The Company also distributed free Club Cards to the public in all of its stores on 13 and 14 February and held presentations to promote card usage to support CRM efforts. The design of Rampost was revised to match the standards of Migroscope. Due to the summer season, seasonal displays were organized and special offers provided on products imported by Ramstore. In order to add momentum to wholesales, introductory materials, leaflets and price lists were distributed aiming tourist localities.

Exports to Kazakhstan continue on a growing scale. Having been banned by Kazakh authorities for many years, imports of fresh fish from Turkey resumed, while fresh and frozen fish from the Bodrum sea farm and the routine import of delicatessen products continued. The Company continued to import pulses and delicatessen products from Turkey through a new firm. Carried out twice annually, the import of raki continued with the addition of new variants due to the high level of interest shown in the product.



Ramstore Bishkek (Kyrgyzstan)

Economy

Kyrgyzstan achieved some steps towards domestic political stability during the year. Nominal GDP registered rapid growth during 2007 to reach KGS (som) 140 billion (USD 3.8 billion), marking an annual increase of 8.2%, a sharp jump from the 2.7% growth in 2006. Having registered 7.3% growth, industrial output recovered in 2007. The rate of CPI inflation quadrupled from 5.1% in 2006 to 20.1% in 2007, mainly triggered by the increase in global food prices.

A significant portion of the public's income is derived on foreign currency sent into the country by citizens working abroad, predominantly in Kazakhstan. Apart from the workforce, Kyrgyzstan is the primary supplier of agricultural products to Kazakhstan. The potential in growing and developing the country's economy lies in the utilization of national resources including precious metals and expanding hydroelectric capacity.

Retail Sector and the Activities of Ramstore Bishkek

The retail sector grew by 9.1% in the January-November period of the fiscal year with 11.7% growth in the organized retail sector in the same period. Supermarkets or, in other words, the organized market, accounted for 28.6% of the retail sales in Bishkek, the capital city of the country. 52.7% of the products sold in the market consist of food products, whereas the remaining 47.3% is comprised of non-food products; 60% of the products sold in the market are composed of local products and the remaining 40% are imported. Monthly average spending per person is KGS 1,000 (USD 28), 80% of which is spent on food. Some 13.26% of the food sales consist of bakery products, with fish and meat products accounting for 8.18% of sales and confectioneries comprising another 9%.

Ramstore Bishkek served 636,000 customers in 2007.

Some of the promotional activities carried out by the Company last year included the following: "buy more, pay less" and "buy one, get one free" campaigns, a 5% discount on all dairy products every Monday, on all pulses every Tuesday, on all beverages every Wednesday and all cleaning products every Thursday for Ramstore Club Card holders; events and gift draws initiated in July organized for the anniversary of Ramstore Bishkek; the periodical two-week 1+1 campaign; discounts on stationery products displayed for the school terms; the Ramadan street display; the confectionary display for the Ramadan Feast, and the New Year's Eve display.

Ramstore Azerbaijan

Economy

Having posted a significant 25% growth in 2007, the Azeri economy reached a size of USD 29.4 billion. National per capita income reached USD 3,473. The staggering rates of GDP growth, of 34.5% in 2006 and 38% in 2007, are expected to tail off with around 12% GDP growth in 2010. The country is projected to generate USD 30 billion in revenues on oil in 2008.

Led by the hydrocarbon sector, the industrial sector is the key driver of growth. Increased oil production and export volume will continue to propel economic growth going forward. On the expenditure side, domestic demand will continue to increase rapidly. The major increase in public spending and investments will support growth, while private sector consumption will benefit from the rising incomes, in turn boosting export volume.

The rate of CPI inflation in the country climbed from 11.4% in 2006 to 16.7% in 2007. Food prices jumped by 16.2% in 2007. The upward pressure on consumer prices was exacerbated last year by a range of factors including rising global food prices, increased government spending on the back of rising public sector pay and social expenditure, and the sharp increase in foreign currency

In 2007, Ramstore Azerbaijan served 964,000 customers in a market environment in which retail trade grew by 15.3% and reached USD 9 billion.

inflows generated by oil exportation. To prevent the local currency from gaining strength too sharply, the Central Bank withdrew USD 1.7 billion from the market. As a result of monetary sterilization, foreign currency reserves virtually doubled from USD 2.05 billion to USD 4.02 billion, while the local currency gained strength with the average AZN/USD exchange rate decreasing from 0.89 in 2006 to 0.86 in 2007.

Retail

The retail trade grew by 15.3% to AZN (manat) 7.6 billion (USD 9 billion) in the twelve months to the end of 2007. Food accounted for USD 5.83 billion of this total (up 13.1%) and non-food products accounted for USD 3.21 billion (up 20%). A total of 250,000 individuals and organizations provided services in the retail and service sector in Azerbaijan in 2007. Organized retailing commands a 16.2% share of overall trade, whereas open markets and shopping districts account for 47.1% while other retail organizations account for 36.7%.

Affiliated to the Ada Group, Almalı Markets operate 21 supermarkets in Baku and Sumgait.

Activities of Ramstore Azerbaijan

Ramstore Azerbaijan notched up an increase in sales in 2007 when compared to the previous year, with a total of 964,000 customers served during the reporting period. The Company's largest store, Xatai, did not suffer any major loss in customers or sales despite the interchange construction which has been ongoing on both sides of the store for a year.

The Company altered its status from a joint stock to a limited liability company due to the needs identified.

The Company did not open any new stores in 2007 and pursued its operations through its 3 stores in Baku.

In October 2007, the Yasamal store was renovated and the shelving system was implemented for the first time in stocking by installing shelves at the main warehouse.

Display units were replaced with new ones at all stores and lacking elements were complemented. In addition, visual effects and the pricing system were aligned with store standards, significantly changing perceptions. Price-checker devices were procured, while on another wing efforts were spent to achieve hygienic standards which served to achieve differentiation and create customer satisfaction.

The Ramstore Club Card system was revived and a 22% increase was secured in the number of registered cards and a 111% increase in the number of active cards. Ramstorepost was revised, campaigns were launched and the number of variants was increased by 15%. The procurement of goods from the Russia Ramstore was also started during the year.

Mystery shopper implementation was introduced, thus marking the inception of systematic control of irregularities at the stores.

The Company's accounting operation software was upgraded.

Ramstore Macedonia

Economy

The Macedonian economy is currently in the process of integration with the European Union. Real GDP in the country chalked up 5.1% growth in the first three quarters of 2007 and 5.2% growth in the fourth quarter. This growth stems from the improved activities in manufacturing, construction and financial services sectors and from solid fixed capital composition on the expenditure side. In November, industrial output expanded by 4.8% on a YoY basis. The introduction of a flat-rate taxation system and reduction of red-tape by the existing government also contributed to economic improvement.

Inflation has followed a moderate course, drawing on the consistent course of the denar against the euro. The annual average rate of CPI inflation is low at

In 2007, Ramstore Macedonia provided services to 1.5 million customers, up 14.2% over the previous year.

2.2%. However, the cumulative retail price index for the January-December period stood at 5.2%, and the annual rate of CPI inflation rose to 6.1% in December. The cumulative rate of food products inflation for the January to December period reached 13.5%.

The average rate of PPI inflation reached 4.2% on a YoY basis in December, with the 12-month rolling rate of PPI inflation climbing to 4.1%.

In 2007, foreign trade deficit grew by 37.4% YoY to USD 1,871 million. There was a 40% increase in the food and beverage products imported by Macedonia last year, exceeding EUR 300 million, corresponding to 9% of total imports. High oil prices will also keep import costs high in 2008 and 2009. Imports will also be driven by the strong growth in domestic demand triggered by the delayed impact of decreasing interest rates and expanding bank loans.

Calculated on the basis of retail prices, the food and beverage expenditures for a family of four rose by 2.7% in December when compared to the previous month and reached MKD (denar) 11,617 (EUR 188).

Retail Sector and Activities of Ramstore Macedonia

The volume of retail trade for the first nine months of 2007 in Macedonia reached MKD 60.9 billion (USD 992.3 million). This trade is handled through 6,466 stores. The retail trade grew by 10.6% in the second quarter compared with the first three months of the year, and by 9.1% in the third quarter when compared to the second quarter. Food accounted for a 49.8% share of the overall trade.

Operating eight stores throughout the country, Veropoulos of Greece plans to open a 40.000 square meters shopping mall in March 2009 which is being constructed on an area of 10,700 square meters in Skopje.

Ramstore Macedonia provided services to 1.5 million customers and registered 14.2% increase in the number of its customers in 2007.

The occupancy rate of the shopping mall rose to 100% during 2007. In the selection of tenants, priority is given to companies which will contribute brand diversity. Owing to this leasing policy, the fast food court worked at 100% capacity from 12:00 midday to 9:00 p.m. on weekdays and weekends.

The shopping mall organized various events and promotional activities on national holidays, special occasions and on the anniversary of its opening. Special implementations were carried out specific to the Valentine's Day. The 1st Ramstore Conventional Summer Fest was organized and a radio channel aired a children's program live from the shopping mall, marking a first in the country. The inauguration of the program entitled "İstanbul Days in Skopje" was held at the mall, under the joint organization of the metropolitan municipalities of İstanbul and Skopje. Within the scope of the culture days held jointly by the municipalities at the shopping mall, an exhibition named "İstanbul Photographs" was put on show for a period of one week. Customers were offered a packed program for 15 days under the slogan of "Welcome 2008" for the new year. In another pioneering development, the mall staged an interactive drama play covering the entire facility for three weekends. Having attracted high levels of interest and attention, the interactive play served to ensure that children and their parents walked all over the center.

Within the scope of charitable activities during 2007, cooperation was offered in the AIDS awareness campaign, fundraising for the children's hospital of the ID Macedonia organization, and relief action for homeless children in collaboration with the Italian Embassy. As a result of the cooperation established with the Turkish Red Crescent, a blood bank was set up and blood donations were collected with the participation of volunteer customers.

FINANCIAL RESULTS AND ASSESSMENTS

Forging ahead with its investments in Turkey and through its associates abroad, Migros was offering services in a total of 953 stores and on a net sales area of 603,769 square meters at the end of 2007. The assessment of the Company's financial results is presented below and the 2004 figures shown in the tables and charts are inflation-adjusted numbers pertaining to 31 December 2004.
In addition, the Tansaş results for the 1 month period following its acquisition on 10 November 2005 are consolidated into the 2005 results. Tansaş is consolidated on a line-by-line basis in the 2006 and 2007 results. Ramenka Limited Şirketi (Ramenka), Migros' subsidiary based in Russia in which the Company held a 50% stake, was sold to Enka Holding Investment S.A. and the share transfer was completed on 9 November 2007. Ramenka's results for the first ten months of the year are consolidated into the 2007 income statement. This point should be kept in mind in financial assessments and analysis.

Migros' consolidated sales increased by 12% YoY to TRY 4,793 million in 2007, from TRY 4,273 million in 2006, while its gross profit rose by 10% YoY to TRY 1,195 million, with a gross profit margin of 24.9%. The Company managed to increase its consolidated operating profit by 4% to TRY 213 million, with an operating profit margin of 4.5%. Migros' consolidated EBITDA margin came in at 6.8%.

Backed by the gain in sales of associates arising from the sale of Ramenka, Migros' consolidated pre-tax profit for 2007 jumped from TRY 155 million to TRY 639 million, translating into 312% YoY growth. The Company's pre-tax profit margin also rose from 3.6% to 13.3%. Consolidated net profit soared to TRY 552.9 million, seven times its 2006 level of TRY 78.7 million, while net profit margin improved strikingly from 1.8% to 11.5%.

Migros had posted TRY 43 million (USD 30 million) in interest income from deposits and marketable securities in 2006 on a consolidated basis and TRY 33.2 million (USD 23.3 million) in foreign exchange gains; the corresponding figures for 2007 were TRY 50.9 million (USD 39 million) and TRY 86.1 million (USD 66.1 million), respectively. Interest income from deposits and marketable securities rose by 18.5% YoY while foreign exchange gains grew by TRY 52.8 million (USD 42.9 million). The increase in the foreign exchange gains predominantly stemmed from the increased value of the Turkish lira against foreign currencies.

Migros' consolidated net financial liabilities stood at TRY 168 million at the end of 2006. As a result of the 254% increase in marketable securities and 75% decrease in long-term financial liabilities at the end of 2007, Migros ended the year 2007 with a net cash position of TRY 708 million.
The Company's long and short-term financial liabilities declined by 65% in 2007 to TRY 260 million, from the 2006 figure of TRY 752 million, while its total liquid assets and marketable securities, including held-to-maturity deposits recorded under financial assets, grew by 60% from TRY 618 million to TRY 989 million. The fall in payables on loans and increased cash holdings reveal that Migros' financial outlook has improved significantly, alleviating Migros' financial risk at a time when market conditions will grow more challenging due to the credit crisis abroad and the environment of uncertainty. It becomes clear therefore that Migros has positioned itself correctly financially. Furthermore, the Company's assets in terms of foreign currency yield a TRY 33 million surplus over its liabilities in foreign currency as of year-end 2007.

Foreign currency position (TRY thousand)

	2007	2006
Assets	321,421	348,638
Liabilities	-288,743	-911,924
Net foreign currency commitments	32,678	-563,286

Consolidated results

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	4,793,359	100.0	4,272,969	100.0	2,686,100	100.0	2,273,937	100.0
Gross Profit	1,194,898	24.9	1,083,012	25.3	648,462	24.1	511,045	22.5
Net Operating Profit	213,417	4.5	205,086	4.8	106,675	4.0	77,028	3.4
EBITDA	326,000	6.8	311,236	7.3	184,618	6.9	140,072	6.2
Pre-tax Profit	638,592	13.3	155,009	3.6	98,279	3.7	103,949	4.6
Net Profit	552,875	11.5	78,686	1.8	73,705	2.7	74,687	3.3

Domestic results

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	4,251,932	100.0	3,699,282	100.0	2,257,813	100.0	1,901,310	100.0
Gross Profit	1,029,055	24.2	909,725	24.6	526,372	23.3	405,586	21.3
Net Operating Profit	188,567	4.4	164,879	4.5	73,819	3.3	45,821	2.4
EBITDA	282,009	6.6	250,232	6.8	138,362	6.1	98,197	5.2

Financial expenses had amounted to a mere 3.7% of sales in 2006, but this proportion fell to just 1.9% of turnover in 2007, due to decreased in the bank loan interest expenses and more limited foreign exchange losses. Foreign currency losses were whittled down to just TRY 0.5 million (approximately USD 0.4 million) from last year's TRY 41.8 million (USD 29.2 million), due in no small part to the impact of the strengthening of the Turkish lira against foreign currencies during the year.

Migros' consolidated pre-tax profit of Migros outstandingly more than quadrupled from TRY 155 million to TRY 639 million. The Company's consolidated taxation expenses for the current period increased from TRY 10 million to TRY 53 million, while deferred taxation expense shrank by 51%, declining from TRY 66.3 million to TRY 32.3 million. Total taxation expenses remained unchanged on a YoY basis, constituting 1.8% of sales. Migros' net profit multiplied by seven times from TRY 78.7 million (USD 55 million) in 2006 to TRY 552.9 million (USD 424.7 million) in 2007, boosted by the gains written on the sale of associates. Migros' consolidated net profit margin climbed from 1.8% in 2006 to 11.5% in 2007.

Migros posted TRY 4.3 billion of domestic sales in 2007, representing a 15% YoY increase in turnover. The gross profit from domestic sales rose by 13% to exceed TRY 1,029 billion. The Company was able to serve customers with more competitive pricing thanks to the synergies arising from the expanded business volume resulting from the Tansaş merger. As a result, the domestic operating profit climbed by 14.4% YoY. Migros generated a net operating profit of 4.4% from its domestic sales in 2007. In parallel with this, Migros' domestic EBITDA also rose by 12.7% compared to 2006.

Sales in its Russian operations dropped back by 16% in TRY terms and by 7.7% in USD terms with the impact of the closed-down stores and the reflection of figures for the full 12 months in 2006 versus the 10 month period in 2007.

Ramenka - Russia

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	355,387	100.0	423,083	100.0	323,588	100.0	288,719	100.0
Gross Profit	116,745	32.9	131,122	31.0	93,039	28.8	82,765	28.7
Net Operating Profit	9,555	2.7	25,885	6.1	23,343	7.2	25,187	8.7
EBITDA	25,472	7.2	42,623	10.1	33,078	10.2	32,990	11.4

Ramstore - Bulgaria

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	26,965	100.0	33,940	100.0	22,045	100.0	13,086	100.0
Gross Profit	9,726	36.1	10,840	31.9	5,541	25.1	2,491	19.0
Net Operating Profit	2,893	10.7	2,474	7.3	-1,765	-8.0	-2,179	-16.7
EBITDA	4,262	15.8	4,693	13.8	74	0.3	-799	-6.1

Ramstore - Kazakhstan

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	141,971	100.0	100,921	100.0	70,942	100.0	60,527	100.0
Gross Profit	35,039	24.7	27,407	27.2	20,574	29.0	18,066	29.8
Net Operating Profit	11,332	8.0	11,041	10.9	10,482	14.8	8,076	13.3
EBITDA	12,850	9.1	12,479	12.4	11,796	16.6	9,233	15.3

Ramstore - Azerbaijan

Summary (TRY thousand)	2007	%	2006	%	2005	%	2004	%
Sales	17,104	100.0	15,743	100.0	11,712	100.0	10,295	100.0
Gross Profit	4,333	25.3	3,918	24.9	2,936	25.1	2,490	24.2
Net Operating Profit	1,070	6.3	807	5.1	796	6.8	123	1.2
EBITDA	1,407	8.2	1,209	7.7	1,147	9.8	451	4.4

Sales revenues derived on Ramenka operations included in the consolidated sales of Migros made up 7.4% of consolidated sales in 2007, whereas operating profit represented 4.5% of consolidated operating profit.

Ramstore Kazakhstan, now wholly-owned by Migros after the acquisition of 40% of the Butya Group's shares in 2006, operates with nine stores. Furthermore, Ramstore Bishkek, set up as an associate of Ramstore Kazakhstan in 2006, is fully consolidated with Ramstore Kazakhstan. Ramstore Kazakhstan's sales reached TRY 142 million in 2007, translating into an annual growth rate of 40.7% in TRY terms and 54.5% in USD terms. The gross profit of Ramstore Kazakhstan increased by 27.8% to TRY 35 million from TRY 27 million. After the sales of Ramenka, Kazakhstan operations make up the largest part of Migros' operations abroad. Ramstore's Macedonia operations are consolidated into Ramstore Bulgaria, which comprises 0.6% of Migros' consolidated sales.

Ramstore Bulgaria does not now operate any stores in Bulgaria. The closure of its three stores in Bulgaria paved the way for an improvement in operating profit of the Company, which rose by 17% to TRY 2.9 million. With the impact of the rental income derived on the shopping mall in Macedonia's Skopje, Ramstore Bulgaria increased its gross profit margin from 31.9% to 36.1%, its operating profit margin from 7.3% to 10.7%, and its EBITDA margin from 13.8% to 15.8%.

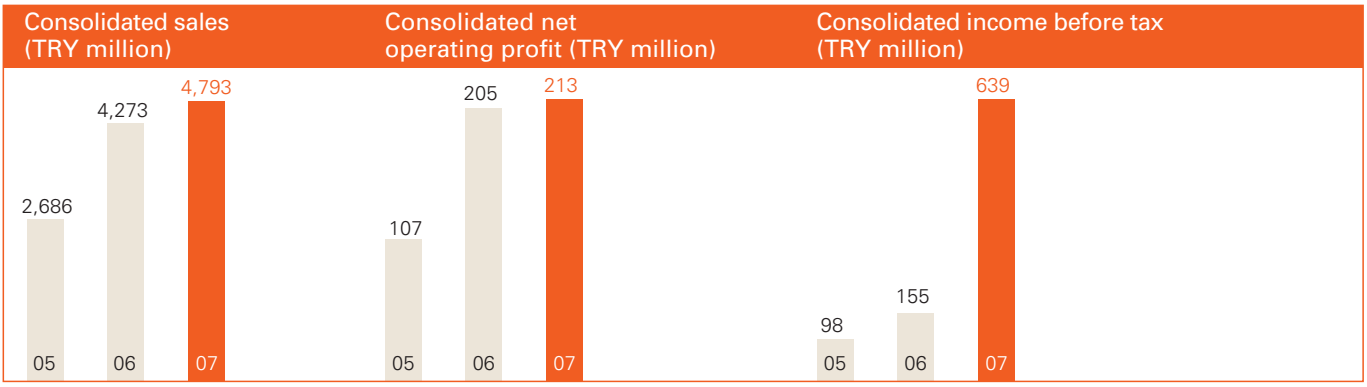
Ramstore Azerbaijan carries out its operations from three stores and accounts for 0.3% of Migros' consolidated sales. Although there were no new store openings during 2007, Ramstore Azerbaijan's sales grew by 9% to USD 17 million. The Company saw an 11% increase in gross profitability and a 33% rise in operating profitability. In parallel with this, the Company's gross profit margin climbed from 24.9% in 2006 to 25.3% in 2007 and operating profit margin inched up from 5.1% in 2006 to 6.3% in 2007. Ramstore Azerbaijan's EBITDA grew by 16% to reach TRY 1.4 million, while its EBITDA margin climbed from 7.7% in 2006 to 8.2% in 2007.

Expectations and targets for 2008

The financial crisis which started in international markets towards the end of 2007 led to downward revisions in growth projections for 2008 on a global scale. The loss of trust and increased liquidity requirement in the markets gave rise to expectations that foreign and Turkish companies may experience some difficulty securing loans to be used in their investments. As such, it is understood that 2008 will prove a more challenging year than 2007. Active in the food retailing sector, Migros is expected to be relatively unaffected by the adverse conditions thanks to the dynamics of the sector it is engaged in.

The retailing sector in Turkey will continue to expand in 2008 while organized retail companies will continue to make investments. Migros opened 93 new stores in Turkey in 2006 and a further 160 in 2007. The Company aims to further expand its extensive reach in the country and open more than 160 stores in different formats in 2008. Migros' new domestic stores, which will require a minimum investment of TRY 150 million, will add nearly 80,000 square meters to Migros' sales area. However, the 2008 investment plans may be reviewed if changes to the economy and market conditions warrant.

Domestic sales are predicted to reach TRY 5.1 billion in 2008 with progressively more cities and customers being served across the nation. Profitability will continue to represent another key factor in Migros' activities.



CORPORATE SOCIAL RESPONSIBILITY (CRS)

Fundamental principles of the CSR concept at Migros Türk T.A.Ş.

Migros' corporate values identified by the employees also set the fundamental principles of corporate social responsibility concept at the Company. These values are spelled out as innovation, sensitivity, reliability, customer-focus, leadership and productivity. Migros builds and implements all of its corporate social responsibility efforts on the principle of responsibility towards individuals, the environment, and future generations as a prerequisite of common values. Pledging to uphold the basic elements of corporate governance-the principles of transparency, accountability, responsibility and fairness in its business conduct - to all its shareholders, Migros sets up and realizes social responsibility projects along the lines of universal elements and criteria. In the projects and practices devised, selected and put into life every year, Migros regards the creation of value, efficiency, sustainability and social benefit as key criteria. The basic principles in Migros' business targets covers furnishing customers with constantly improving services and enhancing all processes in view of advancing standards, and exhibiting its distinction through guidelines relentlessly adhered to with regard to the service and products offered. Migros believes in the notion of total development encompassing of all its social stakeholders and the community which it serves, and encourages the voluntary participation of its employees in the social responsibility projects undertaken by the Company.

Migros' targets in CSR

Under the motto of "Make a Difference", Migros started to offer an experience which surpasses expectations, realizing implementations that make life easier and strived to create a passionate team as part of its internal development process, and focused on making a difference in its business objectives, all of its shareholders and the community in pursuance of this roadmap. Targeting to make a difference in departments supporting social development in line with its business processes and principles, Migros allocates funds for implementations and for the realization of corporate social responsibility projects.

Migros adheres to a strategy targeting the maximization of satisfaction of all of its stakeholders in achieving its business objectives. Maintaining its commercial relationships with its business partners on the basis of mutual trust and observing ethical rules, Migros remains loyal to the principle of transparency in its relations with investors, ensuring a continuous and reliable flow of information. Migros recognizes the added value contributed by its employees to this achievement. Migros is an organization which under no circumstances compromises its "good employer" identity and closely respects all of its employees' legal and human rights, never allowing undue sponsorship and favors in recruitment and employment processes, while supporting personal development of its employees and investing in their future. Selling products which meet all quality and hygiene standards and aiming at surpassing customers' expectations and making their lives easier, Migros designs and sets its business conduct and rules so as to maximize customer satisfaction. As a result of the importance attached to quality and the respect for the consumers' right to be informed, customers at Migros are dealt with by the most comprehensively trained, qualified and expert personnel in their respective fields. In this framework, the Company internalizes the "responsible employer, responsible brand, responsible corporation" qualities. A believer in the significance of social development for corporate development, the Company aims to create value for the future by making a difference through its activities designed to promote social responsibility. While constantly investing in advancing processes based on the recognition of its responsibility for human health and food hygiene, it also displays due sensitivity on social priorities in various fields including education and health. Migros fulfills its responsibilities in this department by carrying out artistic, cultural and athletic projects which support the continuous development of children and youngsters who represent our future. Encouraging the efficient use of environmental resources in light of sustainable development principles, Migros creates awareness in order to instill environmental consciousness through the projects it takes on.

Allowing strengthened perception of the Company by all the shareholders, the brand power is born out of its constant presence for all of its customers, pre-empting their demands and needs

Under the motto of "Make a Difference", Migros started to offer an experience which surpasses expectations, realizing implementations that make life easier and strived to create a passionate team as part of its internal development process.

and therefore responding quickly and effectively, and its responsible approach before its social stakeholders and the community.

CSR Projects of Migros

Regarded as an indispensable element of its corporate values, "sensitivity" has enabled Migros to undersign exemplary initiatives not only in its sector, but also in the Turkish business world. Migros carries out a number of projects as a corporation and also with the voluntary contributions of its employees in all necessary areas for the development of the society, principally education, healthcare, the environment, culture and the arts, sports and social assistance. Migros collaborates with various foundations, associations and non-governmental organizations working for the benefit of the community, as well as by striving to propagate social sensitivity awareness through projects conducted with its business partners, customers and employees.

In 2007, Migros' social benefit donations to various foundations and associations totaled TRY 3,592,265.22.

Education

Migros formulates and implements pioneering projects that will support extracurricular as well as curricular development of our children and youngsters who represent our future, and who will contribute to their development as individuals efficiently functioning for themselves, their families and the community. Allocating funds for projects carried out by non-governmental organizations working in the educational arena, Migros undertakes the necessary contributions to help create better physical environments at educational institutions and ensure that students receive education in improved conditions.

- Migros continued to donate a proportion of the revenues derived on original brands in its stores to the Educational Volunteers Foundation of Turkey (TEGV).

- Support was given to the MUSEUMBUS project launched with the collaboration of the Ministry of National Education and the Rahmi M. Koç Museum, an initiative which contributes to the personal and social development of primary school students deprived of the possibility and the means to visit museums. The project helps underprivileged children throughout Turkey to receive education through creative tools and methods.

- Support was given to the Traditional Sports Fest organized by İstanbul High School for Boys in order to instill a fondness of sports, promote social bonding and build a bridge between participating local and foreign students.

- The Company maintains its support for the Koç Primary School built by Migros in Silopi with the "Build, Transfer, Support" motto. The initiative offers students in this region the chance to study in a modern and well-equipped school.

- Within the scope of the Koç Fest organized throughout 13 cities in 2007, Migros worked together with university students to offer them a range of activities, including the chance to ride the Ginger transportation devices, the product of a distinctive technology, on Migros tracks offering a dynamic and amusing environment. All students who visited the highly popular Migros track received Migros Club discount coupons.

Health

Constantly keeping all quality and hygiene assurance processes for all products sold at its stores under control until they are placed on the shelves and guaranteeing the utmost hygiene and quality standards for each product sold, Migros is committed to continuously improving its business processes as part of its efforts to offer a comfortable and healthy shopping environment through its expert and trained personnel. Migros continually invests in its "kitchen" in a bid to exceed customer expectations. Working closely with associations and foundations pursuing activities in healthcare, Migros introduces or supports a number of projects, including those aimed at ensuring widespread awareness of healthy living and the integration of handicapped individuals with the community.

Basing its activities on the notion that "Quality is the pursuit of perfection", Migros meticulously implements Food Safety and Quality Management requirements. Consolidating the importance given by Migros to customer

satisfaction and food safety are the ISO 9001 Quality Management System and ISO 22000 Food Safety certifications earned in 2005 and 2006, respectively.

While the Company uses every opportunity to keep customers informed based on the principle of transparency within the scope of 'Responsible Business Practice', Migros' products remain within the safety chain from production until they reach the consumers.

Some key activities;

- Progressing on the infrastructural work launched late in 2005, Migros further expanded its "Controlled Agriculture" practice in 2007.

- Migros continued with the project, which was initiated for the first time in Turkey in cooperation with competent independent institutions and aims to develop a method to determine the hormone levels in fruits and vegetables sold in its stores. Periodic analysis of the hormones and agricultural chemical residues serve to raise awareness on the part of producers while guaranteeing healthy products for consumers.

- Samples of each product planned to be put on sale are first subjected to quality control, followed by the inspection of their production sites. This guarantees the safety of the product from its purchase until it is presented to consumers.

- Utmost care is taken to ensure that the cold chain remains unbroken in product admission and storage phases.

- In order to eliminate any fault, product admission is performed through PTC devices loaded with standard data. During admission, the products are automatically checked on the basis of various criteria such as technical properties, temperature and packaging, and records are entered into the system.

- The expiry dates of the products on display in the stores are checked on a regular basis.

- Utmost attention is given to the cleanliness of all work surfaces in which products may come in contact with, as well as the materials used for these surfaces. Cross-contamination is prevented through the use of different colored knives and cleaning clothes in different store sections. Section staff periodically replace the special gloves they wear during product preparation stages with new ones during the day.

- Members of staff are given periodic training sessions on the use of a variety of methods in relation to all procedures to be implemented.

- Constant checks are undertaken, while proper performance of activities is controlled by vets and food engineers.

- In 2007, Migros included the Şok discount stores within the scope of ISO 9001 Quality Management System and the ISO 22000 Food Safety system and certifications. This represents full expansion of the corporate culture geared towards the establishment and development of Migros Quality Management Systems throughout the entire organization. With the Migros quality management system in place at Migros, Tansaş, 5M, Macrocenter and Şok stores adhere to the same principles, with the aim of ensuring maximum customer satisfaction and safety.

- With the help of LÖSEV's donation boxes placed at the stores, Migros has been instrumental in channeling its customers' support to this Foundation for Children with Leukemia, in order to support the needs of children suffering from leukemia and other blood diseases, and their healthcare and education requirements in particular. Donation boxes are also placed in the stores to raise funds for the Cancer Society.

- Donations to the Turkish Society for Early Diagnosis of Autism (TOHUM), which operates under the premise that autistic children can live as independent individuals in society through early diagnosis and proper education, continued in 2007 and the Company financed one-year caring expenses of a child.

- Following suit from previous years, Migros employees donated blood to the Turkish Red Crescent Society.

• A sponsor of the Special Olympics Turkey Organization for the past four years and having contributed to the development of 1,500 mentally handicapped athletes over the last three years, Migros again supported the development of another 500 handicapped athletes in 2007 through a campaign jointly organized with P&G. Within the scope of this campaign, part of the revenues generated on P&G products sold at Migros stores were allocated to the Special Olympics, thus offering sensitive consumers an opportunity to support special athletes to keep a hold on life and have a chance to succeed, despite all obstacles.

• Discussing healthy living conditions and eating habits in order to establish and further an awareness on healthy living, the "Health Begins at the Supermarket" initiative was organized in 2007, led again by Dilara Koçak, an eminent dietician. The program attracted the participation of 300 people in İzmir on 28 April, 150 in Ankara on 5 May, 350 in Adana on 12 May, 165 in İstanbul on 2 June and 250 in Antalya on 9 June.

• As part of Migros' increased efforts to promote healthy and balanced nutrition, the Company has started to offer booklets to its customers. These booklets provide information on the usage and cooking under various product headings, such as bread, fish, meat and fruits.

The Environment

As part of the UN Millennium Development Targets, Migros spearheads efficient use and saving of environmental resources, and undertakes significant campaigns aimed at furthering environmental consciousness and creating awareness. Migros organizes comprehensive informative campaigns to trigger social consciousness in various topics from the global warming threat to the danger of depletion of water and energy resources.

• In an effort to create common social consciousness and awareness, Migros locked hands with its staff within the scope of the "For My Country" project carried out across Koç Holding and organized one-day events that highlighted the fact that individuals can be part of the solution by taking small actions under the "Don't Waste Your Water" campaign, an initiative designed by Tema Foundation for economical use of water resources. The initiative has been staged in a total of 29 stores across 10 cities that covered İstanbul, Kocaeli, İzmir, Ankara, Konya, Adana, Antalya, Van, Erzurum and Mersin. Customers visiting the stores were distributed flyers which discussed simple measures relevant to the subject and magnets symbolizing the campaign. In addition, all Migros checkout staff wore badges specifically designed for the occasion for a period of 1 week.

Drawing attention to our rapidly dwindling water resources, the "Don't Waste Water" campaign aims to raise awareness of this situation which becomes a bigger threat to the world and our country with each passing year, and is aimed at promoting sensitivity on this crucial issue. Another intention was to make use of the facility to reach a wide geographical area and large masses of people through our stores. Over 100,000 customers have been contacted on a one-on-one basis by community volunteers, thus supporting the project.

• Climate change and the environment are increasingly critical topics in today's world, calling for most vital initial action, which is to achieve awareness on this issue in society in a bid to drive people to give priority to this issue in their lives. Tansaş took a concrete step in 2007 in environmental issues and brought completed its Urla Forest plantation by planting 100,000 saplings on behalf of its customers, while also initiating the most comprehensive and effective awareness campaign undertaken in Turkey on global warming. Throughout the campaign, Tansaş stores throughout the country aimed to promote awareness on global warming, using informative banners and in-store designs as well as informative messages on the back of cash receipts, reaching thousands of people every day to inform customers of the problem global warming and reminding them of the actions that can be taken individually. Within the scope of its "Be the Solution for Global Warming, Plant a Sapling" campaign, simple measures were printed on the reverse sides of receipts given to

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Tansaş shoppers, offering advice on ways individuals can combat global warming, as well as providing a fire reporting hotline. Tansaş customers demonstrated a great deal of sensitivity to the campaign, providing massive support to the initiative by adding new saplings through the "Friend of Nature" stickers made available for purchase at checkouts. In this manner, our customers donated 79,000 saplings. These efforts have now literally taken root with 100,000 saplings in Urla and 79,000 saplings in Dikili, adding to 179,000 young trees on the Aegean soil.

- As a member of ÇEVKO (the Environmental Protection and Packaging Waste Recovery and Recycling Foundation), Migros has led the efforts regarding the recycling and recovery of waste in nature by funding such efforts. A total of 2,500 tons of branded packaging waste was collected as part of such efforts and the funds raised were allocated to ÇEVKO.

- Donation boxes are placed in stores so customers can support the Society for Protection of Wildlife in Turkey (DHKD).

- Acting on its principle of environmental awareness, Migros collects waste for recovery at its facility. During 2007, a total of 20,500 tons of paper, cardboard, packaging and metal waste was collected from Migros stores and administrative units, and sent to be recycled.

- With a view to ensuring efficient use of energy resources, computer-aided lighting and heating controls are implemented in the Company, stores and administrative units, thus guaranteeing energy savings. The Company continues to take great strides to maintain an ecological balance and efficient use of resources.

- On the basis of a pilot initiative launched in January 2007 to develop environmentally friendly technology, and reduce the volume of paper receipt rolls, cash registers started to be replaced with electronic recording units. In addition, barcode rows printed on the slips were removed, resulting in shorter cash slips. These two initiatives precipitated a 65% saving in the use of paper receipt rolls from cash registers.

Culture & the Arts

Migros believes that there is a significant correlation between a society's level of development and closer involvement of the younger generation through the culture and the arts. Hence, the Company as a key principle the Company works to ensure continuity in the cultural and artistic events to which it extends its support, and thereby reach all segments of society. With the support it has long extended to performing arts and children's theaters in particular, Migros has secured a privileged place for itself both in the sector and the Turkish business world.

- Organized since 1994, the April 23rd Theater Festival continues to attract growing interest from every segment of society and from different regions. This interest guides Migros in its efforts to create awareness in this field. During the festival held with the cooperation of Migros and the State Theaters over the last 13 years, State Theaters across the country have opened their doors to children free-of-charge during the week of April 23rd. A total of 250,000 children have been introduced to the colorful and lively world of theater with the contributions of Migros. The children's day is also celebrated through various activities and entertainment events held at the stores.

- Based on its sensitivity towards the community and its commitment to social responsibility, Migros believes in the importance of messages shared and communication established during live performances for the development of children. Opening its curtains with a new play every year with a view to instilling appreciation of the theater among children, the Migros Children's Theater staged 88 plays in eleven cities during 2007. Directed by Enis Fosforoğlu, the plays focused on the importance of love and friendship. Approximately 32,000 children were offered the opportunity to watch the plays free-of-charge, advancing awareness in this field.

- Support has been given to theater plays written and staged by the Positive Non-Handicapped Center for Culture, Arts and Education (PEKSEM) to draw attention to traffic-related issues and prevent accidents, on the premise of contributing power to enable a positive view of life.

- Historical trips to Mürefte, Tekirdağ on 25-26 August 2007, and to Kavaklıdere,

Ankara on 1 and 2 September 2007 were organized for customers keen on gourmet tastes. Our customers, who attended this highly appreciated event, had the chance to gain access to full details about all phases from the harvesting of grapes to the production process and their presentation on our tables.

- Migros brought film-lovers together at the gala of the film "No Reservations" on 4 September 2007 in Ankara, on 5 September 2007 in İzmir and Trabzon, and on 6 September 2007 in İstanbul. Some 760 people enjoyed the free-of-charge showing at the gala, feeling the privilege of watching the film before its opening in movie theaters.

Sport

As a firm believer in the positive contribution of sport to the physical, spiritual and intellectual development of children and young people, Migros allocated funds to various athletic disciplines and, in particular, to chess and basketball. Migros Sports Club Association set up by Migros employees is an important contributor to the improvement of sports in Turkey via the athletes it trains.

- In 2007, teams consisting of Migros employees took part in the 19th Koç Sports Festival, in competitions held in football, basketball, volleyball, table tennis and chess in İstanbul, İzmir, Ankara and Adana. The Migros basketball teams took first and third place the games held in İzmir and İstanbul, respectively. The Migros table tennis team, the runner-up in 2006 in İstanbul, competed in the İzmir region last year to win the championship. Migros also hosted its chess competition in 2007.

Migros Sports Club Association

- Founded and joined as members by Migros employees, the Migros Sports Club Association stands out with the special importance it attaches to women's basketball in Turkey. Making infrastructure one of its top priorities, Migros had the honor of contributing players to the National Basketball Team in various categories on several occasions. The Company continues to exhibit its sensitive approach to engage youngsters in sport.

- Competing in the Women's Premier Basketball League, the Migros Women's Basketball Team completed the 2006-2007 seasons in sixth place and thus qualified for the Turkey Cup held in İzmir. The Migros stars team qualified for the Turkey Championship in Kastamonu in the elementary teams segment and for the Turkey Championship in Samsun in the juniors category.

Social Assistance

Migros took on social assistance initiatives which will promote social responsibility and solidarity in Turkish society. Walking hand in hand with its employees, business partners and customers in these projects, Migros acts with due sensitivity commensurate with its leadership mission.

- Within the scope of the project jointly held by Tansaş and P&G, second-hand clothes were collected in boxes placed during the weekends in 122 Tansaş stores in midi and maxi formats in 25 cities between 30 June and 22 August 2007. A total of 100,000 pieces of clothing were collected before being washed with Ariel powder and sent to the Southeast Anatolia Region and distributed to those identified as being in need by Multi-Purpose Community Centers (ÇATOM). This collective effort enabled thousands of people to experience the joy of sharing.

- During the Feast of the Sacrifice, an opportunity was provided for customers to make donations through Migros stores and the Virtual Market to Educational Volunteers of Turkey (TEGV), the Child Protection Agency (ÇEK), the Turkish Red Crescent (Kızılay), Almshouse (Darülaceze), the Children's Home Society (Darüşşafaka), the Foundation for Children with Leukemia (LÖSEV) and the İstanbul Foundation for Training and Consultancy for the Mentally Handicapped.

- Various educational and entertaining toys donated were delivered to the Uşak Municipality for use in the children's room set up in the municipality's Counseling and Cooperation Center for Women.

- Support was given to the activity traditionally organized by the Physically Challenged Association as part of the April 23rd Children's Day festival, sharing the joy with children.

We aimed to be a trusted brand...

We have done even better than that.

We present our unstinting market leadership continual as an institutionalized, transparent and financially robust retail chain.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Migros Türk T.A.Ş., as a matter of principle, adheres to Corporate Governance Principles that were adopted by the Capital Markets Board of Turkey (CMB) Resolution No. 35/835 dated July 4, 2003 and announced to the public in July 2003. Migros is aware of the benefits that the implementation of these principles will bring to the Company, its stakeholders and ultimately the country. Deficiencies in implementation are reviewed with a view to continuous improvement and efforts are underway to fix these shortcomings in order for Migros to be an exemplary role model.

The Company adopted the main principles of Corporate Governance which are:
a) Fairness
b) Transparency
c) Responsibility
d) Accountability

During the year, business processes regarding intra-company reporting and business conduct were improved and made more effective. In 2007, the Company set up the Corporate Governance Committee within the framework of compliance with the Capital Market Legislation and Corporate Governance Principles. At the Board of Directors meeting of 07 May 2007, it has been decided to elect Aziz Bulgu, Erkin Yılmaz and Ömer Özgür Tort as members of the committee. At the Company's Board of Directors meeting held on 18 June 2007, Levent Çakıroğlu has been appointed effective 01 July 2007 to the office and the Corporate Governance Committee membership vacated by our Company's general manager Aziz Bulgu's retirement as of 30 June 2007. The developments and improvements realized within the scope of the Company's Corporate Governance Practices during the year are presented in the relevant sections of the Corporate Governance Principles Compliance Report.

In an effort to keep the shareholders informed, the Company renewed its corporate website in 2005 and enriched its substance and content during 2007, thereby allowing the shareholders to have access to more information about the Company.

The Company's Corporate Governance Principles Compliance Report can be accessed at the corporate website (www.migros.com.tr) in the Investor Relations section, in addition to the annual report.

PART I-SHAREHOLDERS

2. Investor Relations – Shareholder Relations Department

As a matter of corporate policy, Migros attaches great importance to relationships with shareholders. A unit that reports to the Assistant General Manager for Finance was created to respond to the shareholders' requests for information about the Company. The unit manages the processes related to the Company's general assembly, capital increases and dividend payments. This unit handles all demands and transactions of the shareholders regarding capital increases and dividend payments.

In addition, the unit represents and acts as the contact center of the Company in its relations with various institutions including the CMB, İstanbul Stock Exchange (ISE), Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc). Among the unit's other activities are keeping records of the Board of Directors meetings and material disclosures to the ISE in compliance with the CMB Communiqué Serial: VII No: 39. Within the scope of the Public Disclosure Platform (in Turkish: KAP) of the CMB, these material disclosures and other announcements are also posted on the electronic environment using software developed by TÜBİTAK. Migros' Investor Relations Unit monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

The unit also responds to the information requests about the Company. Using all available means of communication (one-on-one meetings, conference participations, meetings, corporate website, phone, email, investor bulletins, investor presentations, etc.), the unit informs Migros shareholders and brokerage analysts about the Company. The unit is responsible for the preparation of the annual report as well as the coordination of Corporate Governance operations and activities. It identifies the improvement areas, and based on continuous improvement philosophy, supports the Company's senior management to make Migros a role model in this department.

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

Assistant General Manager for Finance: Erkin Yılmaz
Address: Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir Kadıköy / İSTANBUL
Phone: 0216 579 30 00 (ext. 3214)
E-mail: erkiny@migros.com.tr

Investor Relations Manager: Dr. Affan Nomak
Phone: 0216 579 30 00 (ext. 3142)
E-mail: affann@migros.com.tr

A structure has been set up that makes it possible for Migros shareholders who have not used the new share coupons or dividend coupons on the shares of stock they own and have not yet exercised their bonus stock options and/or claimed their dividend entitlements to perform these transactions quickly and securely. Pursuant to the relevant CMB communiqués, compliance with the transition to the dematerialized system in stocks was achieved; the Company met all requirements on the subject. Yapı Kredi Securities Inc. on behalf of Migros is undertaking the dematerialization transactions.

A total of 155 Migros and 7 Tansaş shareholders who had not exercised their bonus stock options in due time and/or claimed their dividend entitlements subsequently did so at the Company's headquarters. In addition, 490 Migros and Tansaş shareholders who phoned with information requests about the current and prior year transactions were provided with the necessary information and referred to Yapı Kredi Bank branches to exercise their rights.

Shareholders who hold printed stock certificates and have not already received bonus shares issued by the Company in previous years and/or exercised their dividend rights should apply first to the Company headquarters if the new share coupons on their certificates are numbered 11 or below.

If the coupon numbered 11 on their certificates has been used but those numbered 12 and 13 have not, shareholders may exchange these certificates and receive their bonus shares of stock at Yapı Kredi Bank İstanbul-Harbiye branch or at any other branch of Yapı Kredi Bank as announced on the Company’s corporate website. Dividends for year 2001 and thereafter may also be collected by presenting dividend coupons to the Yapı Kredi Bank Harbiye branch in İstanbul or any other branch of Yapı Kredi Bank as announced on the Company’s corporate website.

During the year, Migros made a capital increase through bonus shares. The Company’s issued capital of TRY 176,266,866, which is within the TRY 190 million authorized capital, was raised to TRY 178,030,000 through issuance of bonus shares worth TRY 1,763,134 (1.000264%) by covering

- TRY 1,003,247.86 from the gain on sales of subsidiaries generated by disposal of the shares in Ece Türkiye Proje Yönetimi A.Ş. to Ece Group, which was decided to be added to the capital,
- TRY 331,994.77 from extraordinary reserves corresponding to year 2003 other earnings, and
- TRY 427,891.37 from extraordinary reserves corresponding to year 2004 other earnings.

The shares issued for the capital increases were started to be distributed from 09 November 2007. New share acquisition transactions have been carried out in dematerialized form as per the relevant CMB communiqués. There is no time limitation applicable for acquiring bonus shares.

In Turkey, dematerialization of the shares of public companies and their oversight by the Central Registry Agency (CRA) in dematerialized form as per the relevant CMB communiqué was introduced on 28 November 2005.

Within this context, shareholders who hold printed stock certificates and would like to participate in the November 2007 capital increase need to apply to Yapı Kredi Bank branches announced on the Company's website and have their certificates registered and converted into tradable stock status and into dematerialized form. The Company will under no circumstance print physical shares in this and subsequent capital increases. Tansaş shareholders who would like to swap their Tansaş shares for Migros shares due to the merger can perform this transaction again in dematerialized form via the relevant Yapı Kredi Bank branches.

3. Shareholders' Exercise of Their Right to Obtain Information

Disclosure

The Investor Relations Unit responds to all information requests about the Company. During the reporting period, shareholders requested information about the prior years' dividends in terms of amount and the manner and place of their payment, participation to the Ordinary and Extraordinary General Assembly Meetings and how to exercise their rights arising from the Company's capital increase. There were also information requests from the investors regarding the dividend distribution and capital increase through bonus shares carried out during the year. Announcements regarding all such processes and matters were made through material disclosures, as well as in newspaper ads and on the Migros corporate website. Over the course of the year, shareholders also requested information about the number of stores, net sales areas, the number of stores scheduled to open during the year, year-end sales targets, etc. in post-balance sheet period. The Investor Relations Unit keeps Migros shareholders and brokerage analysts informed using all available communication means such as one-on-one meetings, conference participations, meetings, Internet, telephone, information bulletins, etc.

Auditing

According to Migros' Articles of Association, "three statutory auditors are to be elected from amongst shareholders and/or non-shareholders to serve a maximum term of office of three years" by the General Assembly. In practice, Migros' statutory auditors are elected by the General Assembly every year.

In addition and as required by the CMB Regulation concerning Independent Auditing in Capital Markets, a firm is also appointed as the Company's independent auditor every year by the General Assembly. For 2007, the General Assembly decided to appoint Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent auditor, which was selected by the Board of Directors and submitted for the General Assembly's approval.

In addition, the Migros Board of Directors has formed a two-person Audit Committee. Uğur Çatbaş and Oktay Irsıdar were appointed to this committee to serve until the General Assembly Meeting to be convened to discuss the Company's 2007 results.

The internal audit activities of the Company are discussed in the relevant sections of the Corporate Governance Principles Compliance Report.

4. Information about General Assembly

a) Annual Ordinary General Assembly Meeting

The Ordinary General Assembly Meeting for the year 2007 where the activities and accounts of Migros Türk Ticaret Anonim Şirketi for the year 2006 were reviewed was held at Divan Hotel located at Cumhuriyet Caddesi No. 2, Elmadağ, Şişli/İstanbul at 11:30 on 05 April 2007 under the supervision of Nurgün Örs, a Ministry of Industry and Commerce observer appointed for the duty by letter 19182 dated 04 April 2007.

As per the law and the Company's Articles of Association, announcement of the General Assembly Meeting and its agenda were promulgated in the Turkish Trade Registry Gazette issue 6759 dated 06 March 2007. It was also announced in the 06 March 2007 national edition of the Radikal newspaper. In addition, the date and location of the General Assembly Meeting were announced to shareholders on the Company's website.

To prevent traffic congestion in shareholder registrations, the announcement also asked that the shareholders who intended to take part in the meeting or send a proxy to represent them at the meeting where the agenda would be deliberated and decided upon obtain their meeting passes at least two days before the meeting date. In practice, all requests for passes were honored even on the eve of the meeting. Shareholders who made their request on the General Assembly date were admitted to the meeting as observers. Passes continued to be handed out until the time at which the General Assembly was scheduled to start. Shareholders who wished to have themselves represented at the General Assembly by a proxy were instructed to submit their proxy form to the Company, which was to be prepared according to the form provided by the Company and duly notarized as specified in CMB Communiqué Serial: IV No: 8 published in the Official Gazette dated 09 March 1996. The sample proxy form was posted on the Company's website in addition to the newspaper announcements.

The Company's 2006 balance sheet, income statement, Board of Directors' annual report, statutory auditors' and independent auditors' reports and the proposal on the distribution of the annual profit were made available to shareholders for their examination at the Company's headquarters beginning on 20 March 2007.

According to the General Assembly's attendance roster, a total of 9,814,243,638.6 shares out of 17,626,686,600 for the Company's total capital of TRY 176,266,866 were represented at the meeting, of which 9,810,942,535.5 shares corresponding to TRY 98,109,425.355 were present in person and 3,301,103.1 shares corresponding to TRY 33,011.031 were represented in proxy. A number of media representatives also attended the meeting. During the meeting, the presiding officer gave the floor to shareholders wishing to address the General Assembly and express their views and opinions about the Company and its activities. Migros General Assembly Meetings are open to all stakeholders.

The General Assembly minutes and attendance roster were reported to the ISE the same day immediately after the meeting. In addition, the minutes of the General Assembly were published in the Turkish Trade Registry Gazette issue 6788 dated 16 April 2007 and also sent to the shareholders via facsimile and e-mail upon request. The agendas, attendance rosters, proxy forms and minutes of the last five years' General Assembly meetings are available to the shareholders on the Company's website.

5. Voting Rights and Minority Rights

The Company merged with Tansaş in 2006. Prior to its merger with Migros, Tansaş' Articles of Association contained privileges in article 6 about the capital, article 7 about the transfer of shares, article 8 about company shares, article 10 about the Board of Directors, article 16 about statutory auditors and their responsibilities, and article 17 about the General Assembly. None of these privileges were carried into the Migros' Articles of Association.

As stipulated in Migros' Articles of Association, none of the Company's shares enjoy privileged voting rights. All votes are equal. Every shareholder is entitled to one vote for each share of stock he holds at the General Assembly meetings. There are no shareholders with cross shareholding interest.

6. Dividend Payment Policy and Timing

There are no privileges regarding participation in the Company's profit. Dividends are paid within the legally prescribed periods of time and the payment date is determined by the General Assembly.

Migros has successfully reported a net profit every year since it was first quoted on the stock market in 1991. In parallel, the Company has uninterruptedly paid a dividend over the last sixteen years in different percentages of its capital depending on the net profit. Dividends have always been paid in cash, except in 2005 when it was added to the capital and paid in bonus shares. Paying a dividend is a matter that Migros has always regarded as important from the standpoint of its shareholders'

interests and our dividend payment policy reflects that principle. The crucial balance between the Company's growth strategies and its dividend payment policy is managed conscientiously.

In line with the Company's long-term strategies, investment and financing plans and profitability, dividends corresponding to at least to 20% of the attributable profit, 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. This is the Company's policy for the next three years. Any change in this policy will be publicly disclosed.

Pursuant to the CMB communiqués Serial: XI No: 25 and Serial: IV No: 27, profit of an associate, a subsidiary or an investment is not included when calculating the attributable profit, unless their general assemblies decided to distribute profit to the shareholders, even if this profit is reflected in the parent company's consolidated financial statements.

7. Transfer of Shares

The Company's Articles of Association contain no provisions restricting transfer of shares. According to the Articles of Association, the Board of Directors is authorized to make decisions on issuing shares of stock priced above their nominal value and to impose restrictions on existing shareholders' rights to acquire new shares.

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company's public disclosures are made in an accurate and timely manner pursuant to the CMB Communiqué Serial: VIII No: 39 on Principles Governing Disclosure of Material Events. In addition, public disclosures are also made on all important issues that might impact the decisions of shareholders as well as other stakeholders.

Whenever questions are directed to the Company by shareholders, the Investor Relations Unit makes every effort to respond to them accurately, completely, and mindful of the principle of equality in line with the Company's public disclosure policy.

Migros' public disclosure policy requires it to share any and all information upon demand unless such information is a commercial secret or would engender a competitive advantage for third-party individuals or entities to Migros' disfavor and reflect adversely on the Company's operations were it to be divulged.

9. Disclosure of Material Events

In 2007, the Company made a total of 138 material disclosures, excluding announcements about Migros made by Takasbank, CRA and other publicly held companies, within the framework of CMB Communiqué Serial: VII No: 39 on Principles Governing Disclosure of Material Events. In cases where the ISE requested additional explanations relating to news that appeared in the press, the Company urgently fulfilled these requests. Within the scope of the Public Disclosure Platform of the CMB, material disclosures and all other public announcements are also made available in the electronic environment.

10. Company Website and its Content

Migros launched its website at www.migros.com.tr for its shareholders and customers in 1997.

The corporate website was redesigned in 2005 in line with the increasing needs and its content was enriched in 2006 and 2007. The Migros website contains sections entitled About Migros, Customer Relations, Migros Club, Campaigns, Stores, Migros Own-Label Goods, Investor Relations, Press Room, and Human Resources, plus various subsections under these main headings and many more issues including those stipulated in Article 1.11.5 of section II of CMB's Corporate Governance Principles.

On the Company website, the Investor Relations heading covers the main sections of "Migros, Corporate, Financial Reports, Information on Capital Increases and Dividends, Information on General Assembly Meetings, Material Disclosures, FAQ and Contact Us". The subsections under these main sections offer detailed information about Migros to our investors. The Investor Relations webpage is updated as necessary, thus ensuring our investors to have easy access to current data.

11. Disclosure of Non-Corporate Ultimate Shareholder(s) Who Have a Controlling Interest:

The shareholding structure of Migros Türk T.A.Ş. is presented below.

Shareholder	Share (%)	Amount (TRY)
Koç Holding A.Ş.	50.83	90,497,273
Publicly Held	49.17	87,532,727
Total	100.00	178,030,000

There are no privileged shares.

The changes that occurred in the shareholding structure in the reporting period are discussed in the relevant sections of the 2007 annual report.

Pursuant to the CMB Communiqué Serial: VIII No: 39, the Company's chairman and the members of the Board of Directors, general manager and assistant general managers, other persons with significant decision-making authority and responsibilities in the partnership and shareholders directly or indirectly owning more than 5% of the Company's shares or parties acting together with such shareholders are required to make material disclosures when they buy or sell Migros shares.

12. Public Disclosure of Those Who Have Access to Insider Information

Names of the members of the Company's Board of Directors, statutory auditors and of those in senior management as well as any changes that took place in senior management during the year are presented in the annual report.

Rahmi M. Koç	Chairman of the Board of Directors
K. Ömer Bozer	Vice Chairman of the Board of Directors
Semahat Sevim Arsel	Member of the Board of Directors
Dr. Nusret Arsel	Member of the Board of Directors
Ömer M. Koç	Member of the Board of Directors
Dr. Bülent Bulgurlu	Member of the Board of Directors
Y. Ali Koç	Member of the Board of Directors
Uğur Çatbaş	Member of the Board of Directors
Oktay Irsıdar	Member of the Board of Directors
Ali Yavuz	Statutory Auditor
Ahmet Sönmez	Statutory Auditor
Serkan Özyurt	Statutory Auditor
Levent Çakıroğlu	General Manager
A. Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Ö. Özgür Tort	Assistant General Manager
Cem Rodoslu	Assistant General Manager

At the Company’s Board of Directors meeting held on 18 June 2007, it was decided to appoint Levent Çakıroğlu as General Manager effective 01 July 2007 to succeed Aziz Bulgu, who has retired on 30 June 2007.

PART III-STAKEHOLDERS

13. Keeping Stakeholders Informed

Corporate governance practices of Migros guarantee the rights to which stakeholders are entitled by laws, regulations and mutual agreements. The Company's employees, shareholders, and investments, and third-party individuals and entities with which the Company has business relationships may submit suggestions or report violations on such issues directly to the Company's management. Such direct submissions and reports are evaluated and responded as appropriate. Migros publishes the names and contact information of the Company's department heads on its corporate website thus making it possible for stakeholders to directly contact the manager in charge of a particular issue and direct their questions and opinions on any issue to the relevant person first-hand. The objective of this model is to enable a more transparent and a more effective communication between the Company and its stakeholders.

Stakeholders are kept informed on matters related to the Company that are of interest to them. Potential investors who are considering buying the Company's stock can request information by directly contacting our Investor Relations Unit. The Migros Investor Relations Unit responds to their questions about the Company by e-mail or telephone or in one-on-one meetings.

The aspects of Migros Code of Conduct concerning employees are presented under the heading "Ethics Rules". Other principles are presented below.

Responsibilities of Migros towards other companies

1. Migros abides by the law in all of its activities.
2. Migros does not derive improper benefit from any person or entity under any circumstance. Migros makes all of its goods and services procurement decisions based on established and publicly disclosed criteria.
3. It is important for Migros that its business partners refrain from tarnishing the image and reputation of Migros in their own business activities and that they give importance to Migros' proven business values.
4. Migros checks to ensure that the services it obtains on a continuous basis from other organizations are provided in compliance with the requirements of law and it takes necessary action accordingly.
5. Migros does not divulge private information it receives from a company that serves it to third parties without that company's permission.

Responsibilities of Migros towards the Community

1. Migros strives to reach the service standards that its customers expect of it.
2. Migros seeks to fully and timely fulfill all of its tax and other obligations and to set an example for the community.
3. Migros does not make derogatory, derisory, or offensive statements about other companies, organizations, products, or individuals.
4. Migros takes care in all its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores, and traditions and it complies with all the requirements of law on such matters.
5. Migros advocates business ethics in its sector and strives for establishment, furtherance, and adoption of these principles.

Responsibilities of Employees towards the Company

1. Migros employees strictly reject any offers of material or moral benefits from third parties made to influence their conduct of activities falling within the areas of their individual responsibility.
2. Migros employees inform their immediate managers whenever entering into a one-on-one business relationship with any company which a close relative works for, has a partnership interest in, or is the owner of.
3. Migros employees exhibit maximum attention and care when fulfilling the duties assigned to them and they make every effort so that the work they perform is of higher quality, faster, and more economical.
4. Migros employees refrain from any act or behavior that would damage the Company's image and reputation. During working hours they remain within the dress and behavior codes that have been established by the Company management or are generally accepted.

5. Migros employees do not remain indifferent or unresponsive in any situation that is contrary to the Company's interests and they notify the appropriate company units.
6. Migros employees avoid waste and use all of the Company's fixtures, tools, and equipment for their intended purposes. They do not use the Company's resources and facilities for their own private benefit.
7. Migros employees do not divulge any confidential or private information outside the Company that they become aware of as a consequence of their position or the work that they perform. They do not give interviews or make statements of any kind to any media organization without the prior consent of the Company management.

Responsibilities of Employees towards Employees

1- Migros employees do not share the private information about other company employees that they become aware of as a consequence of their jobs except where it is a requirement of their jobs.

In General

The Migros Business Ethics Committee set up within the Company is responsible for dealing with and clarifying any issues that are not addressed by the principles set forth above.

14. Stakeholder Participation in Management

Article 7 of the Company's Responsibilities toward its Employees of the Migros Code of Conduct states: "In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are concerned with the Company's future."

In line with this, Migros management exhibits all due sensitivity on this matter. As part of the Company's business conduct, Migros employees are included in the decision-making process in their area of work. Migros employees have the opportunity to communicate their suggestions and demands to the Company's senior management and the members of the Board of Directors directly or electronically through the intranet.

15. Human Resources Policy

The Migros Human Resources Department aims to develop systems that will ensure the constant improvement, motivation and management of human resources to create competitive advantages in the execution of the Company's strategies and to implement them in line with the Company's corporate principles. As our founder, the late Vehbi Koç, once so rhetorically said "Our most important capital is our people. The quality of our products and services begins with the quality of our employees. Attracting the best and most competent people and employing them in our Company, taking maximum advantage of our people's abilities, strengths, and creativity, increasing their individual productivity, giving them opportunities to progress, and creating a working environment in which cooperation and solidarity flourish is the way we have chosen to ensure that our Company will survive generation after generation."

Our Principles

Strategic Importance of Human Resources

Human resource management at Migros focuses on the importance given to people by recognizing their strategic value; it creates awareness for human resources to be treated as a privileged factor. Human resource strategies are structured in order to create and develop a reliable, agile and proactive organizational structure so that Migros is able to maintain its leadership in the sector within a competitive environment. Employees are treated as a strategic resource out of the belief that their experience and creativity will be the driving force in the Company's adaptation to changing competitive conditions and newly-penetrated markets while establishing leadership in them.

Superior Business Ethics and Honesty

In all dealings with employees, it is the Company's fundamental principle to act fairly, in good faith and considerately; to abide by the laws and the rules of ethics.

Workplace Safety

Migros assures its employees that it will fulfill all of its obligations toward them within the framework of laws and regulations.

To enable employees to perform their jobs safely at Migros Türk T.A.Ş., the Company complies not only with all of the requirements of the labor law and associated laws, regulations, and administrative provisions but also with sector standards concerning ergonomics and the improvement of the working environment. In the case of civil defense activities, which are of great importance in our country, theoretical and practical training is also provided in cooperation with the public authorities concerned.

Equality of Opportunity

In its Turkish and foreign subsidiaries, Migros provides service through employees who have tremendous diversity in terms of language, religion, race and nationality. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. Through the human resource evaluation systems it has developed, Migros monitors and assesses the competencies, skills and performances of its employees objectively within the framework of common principles. Based on evaluation results, Migros provides equal opportunity to its employees for training, promotion, career development and compensation through the Company's Integrated Human Resource systems.

Human Resources and Industrial Relations

The management of human resources processes and of 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 and is clearly defined and committed to in the Company regulations and in the Company’s business ethics principles.

Participation and Transparency

Managers and employees are inseparable elements of human resource practices at Migros. Employees are kept informed about their roles and responsibilities in human resources policies, and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are continuously shared with employees by means of the Company's communication resources (intranet, e-mail, e-learning and meetings). Employees have access to all of their evaluations and are able to obtain training and information on practices, and can view their individual results.

Competitiveness

Migros plans and manages the professional development of its employees not only to keep them competitive within the Company but also on all professional platforms so as to enable the creation of positive values for the economy, the environment and the community.

Commitment to common values

Values shared in common make up the foundation of our corporate culture. These values are:
1- Reliability
2- Leadership
3- Sensitivity
4- Customer-focus
5- Productivity
6- Innovation

Actions of employees contradicting with the Company's common values are dealt with appropriately and impartially through warning systems and discipline committee procedures. Conducting relations with employees at Migros is the primary function of the Company's Recruitment, Placement and Industrial Relations Department. The objectives of this department are to ensure that all laws and regulations are fully complied with by the Company, to oversee the rights of the employees arising from laws and contracts, and to manage employee rights so as to maintain labor peace and fulfill all legal obligations.

16. Relations with Customers and Suppliers

Underlying more than half a century of Migros' leadership in its sector is a dynamic corporate culture infused with experience and the ability to pioneer under changing conditions. Important elements of Migros' innovative style include a thorough familiarity with both customers and the market, an ability to keep abreast of developments, and act proactively, and spearheading change. For this reason, a number of firsts took hold in the sector only after they were introduced at Migros, such as consumer rights launched as early as in the 1960s and 1970s. In 1998, Migros introduced the Migros Club system, designed to enable the Company to become better acquainted with its customers and provide them with better and diversified service. Analysis of customer data makes it possible to approach customers not merely collectively but also individually. In addition to its modern and contemporary supermarkets, Migros expanded and diversified its formats tailored according to the changing customer needs such as the discount outlets introduced in 1995 and the e-commerce platform Migros Virtual Market introduced in 1997. As a result of the Company's merger with Tansaş Perakende Mağazacılık T.A.Ş. in 2006, Tansaş and Macrocenter stores also joined the Migros family. A new format introduced by Migros to its customers in 2007 has been the 5M stores. The target is to fulfill customer expectation through different formats.

In the retail sector, anything seen in the stores can be imitated quickly; however, differentiation that cannot be imitated so quickly in customer relations is warranted by experience combined with a deeply-rooted innovation concept in the corporate culture, as well as investments in technology to back them up.

In the 1990s, Migros was the first to introduce the barcode system and electronic cash registers that have dramatically reduced waiting time at the checkout as well as the Company's operating costs. The same pioneering spirit led the Company to set up a B2B system for its suppliers. By reducing operating and logistical costs while providing savings and gains for all sides, this system benefits all stakeholders and especially the customers.

Since 1994, Migros has utilized its Customer Satisfaction Survey to identify customer expectations in advance and has acted proactively to self-improve. With the addition of Tansaş stores to the portfolio in 2006, a Customer Satisfaction Survey was given to 7,500 customers for both stores in 2007. Data from these surveys are analyzed to determine existing levels of customer satisfaction and to develop models to spot future trends in customer expectations. Occasional surveys conducted from kiosks inside the stores on specific issues give customers a chance to make themselves heard and express their expectations. The feedback from these activities helps the Company understand customer expectations not just about the present, but about the future as well and to review and revise objectives.

Our objectives include launching pioneering practices targeting new trends and expectations based on the findings derived from Customer Relations Management (CRM) practices resulting from the analysis of Migros Club data and from the mystery shopper survey aimed at improving the employees' attitudes. Mystery shopper surveys are a unique Migros quality-based performance tool that employs scientific methods to measure and benchmark the quality of service provided at points of sale within the framework of our corporate culture and company rules, from the standpoint of physical standards and customer relations, and in line with customers' views and evaluations.

Some other important activities undertaken to achieve customer satisfaction include the following:

• In August 2005, Migros earned the ISO 9001-2000 Quality Management System certification as an outcome of integrating its long-standing process analysis and process-based documentation and Quality Management System established in accordance with the ISO 9001:2000 standard.

• Migros was certified in December 2006 for the TS EN ISO 22000 Food Safety Management System by the Turkish Standards Institution (TSI) after detailed inspections. The scope of the certificate is 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 added to the scope of the TS EN ISO 9001-2000 certificate that had been previously earned. In 2007, Migros Türk T.A.Ş. included Şok discount stores under the scope of ISO 9001 and ISO 22000 certifications. This signifies introduction of good quality by Migros Türk T.A.Ş. to discount store management.

• Migros carefully selects each one of it suppliers, which are also audited at regular intervals by competent independent organizations. The products are also subjected to periodic quality control analyses. Migros-labeled products are included in the same quality control process.

• Every new product that is put up for sale at Migros undergoes a preliminary quality control process.

• Before the products purchased from suppliers are admitted to Migros warehouses, food engineers subject them to sensory, chemical, physical and microbiological quality control tests; products that do not meet the quality standards are rejected.

• Products in Migros stores, warehouses and shelves are regularly checked by veterinarians to ensure food safety.

• Personnel employed in all Migros stores attend training programs about hygiene in order to ensure food safety.

• In the Company's promotional program Aksiyon, products are offered for sale at discount prices for fifteen days, with the guarantee that there will be sufficient stock for the duration of the sale.

• All customer suggestions received at the stores or at the Call Center are evaluated and the results are communicated to the 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 directed to the management at every level.

17. Social Responsibility

Migros' responsibilities toward the community are spelled out in Migros Code of Ethics:

1. Migros strives to reach the service standards that its customers expect of it.
2. Migros seeks to fully and timely fulfill all of its tax and other obligations and to set an example for the community.
3. Migros does not make derogatory, derisory, or offensive statements about other companies, organizations, products, or individuals.
4. Migros takes care in all its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores, and traditions and it complies with all the requirements of law on such matters.
5. Migros advocates business ethics in its sector and strives for establishment, furtherance, and adoption of these principles.

Migros believes that corporations are as equally responsible as are the governments, non-governmental organizations, and national and international standards for sustainable development of a contemporary way of life, improved standards of living and efficient use of limited resources both in Turkey and in other countries in which it is active.

The corporate culture that Migros has developed for more than half a century include concern for public health and hygiene, sensitivity toward identifying and satisfying the needs of society, 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 and one that is sensitive to the environment.

As a requirement of its approach to corporate social responsibility, Migros acts in compliance with laws, moral standards and human rights in all services that it offers to consumers, fulfilling the responsibilities incumbent upon it to combat the unrecorded economy and contribute to employment by protecting legal employee rights. The Company also shares its sense of social responsibility with its social stakeholders - employees, suppliers, subsidiaries, investors and customers – as well as with the public at large. Great importance is given to supporting and encouraging pioneering value-creating practices on behalf of economic and social growth and development.

In its actions, Migros is guided by the awareness that a good reputation can be lost in a single moment. It adheres to ethics and honesty in everything it does knowing that trust cannot be gained easily, that it is a bond that grows and develops slowly

over a long period of time between a company and its customers and once broken, cannot be mended through quick-fix concepts or by slogans. Since 1954, Migros has been safeguarding the health and rights of its customers; many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became standards in the sector and some have even been embodied in the law.

Adopting the philosophy that quality is the quest for perfection as its starting point, Migros seeks to achieve the highest possible level of customer satisfaction through control mechanisms set up to monitor quality at every stage - from procuring the goods sold on the shelves to their consumption by customers.

Specific details of the Company's activities within the scope of social responsibility are presented in the relevant sections of the Annual Report.

PART IV-BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors and Independent Members

Migros Board of Directors consists of nine members elected by the General Assembly.

Board of Directors	
Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman-Executive Member
Semahat Sevim Arsel	Member
Dr. Nusret Arsel	Member
Ömer M. Koç	Member
Dr. Bülent Bulgurlu	Member
Y. Ali Koç	Member
Uğur Çatbaş	Member
Oktay Irsıdar	Member

According to the allocation of duties made among the members of the Board of Directors, Rahmi M. Koç serves as the chairman and K. Ömer Bozer serves as the vice chairman. Currently, K. Ömer Bozer is the executive member on the Board of Directors.

19. Qualifications of Board Members

All members on the Board of Directors possess the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of section IV of CMB's Corporate Governance Principles. They are also professionals whose knowledge, experience, and educational backgrounds are exemplary both in our sector and in the business world.

20. Mission, Vision and Strategic Goals of the Company

The Company's vision is to be as close to the consumer as possible by serving in different formats in modern retailing, utilizing a strategy that involves an extensive reach in Turkey and its neighboring countries as well as always keeping ahead of consumer expectations.

Migros' mission is to strengthen its leadership in the Turkish retailing sector and to become a strong and exemplary regional retail chain by ranking first or second in countries in which it operates.

In line with this mission, Migros Türk T.A.Ş. structures its strategies to achieve sustainable quality and earn respect as the sector leader through an approach to customer satisfaction that raises the standards of retailing in the countries in which it is active.

The Company's senior management develops strategies to achieve these objectives in light of the vision defined by the Board of Directors. To this end, the basic strategy is to provide customers with high quality service that is contemporary, dependable and economical. Targets are set to achieve these strategies and these targets are made known to all 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 oversight.

Board members are informed of the progression and direction of the Company's business via meetings where the annually updated long term five-year plan is presented and reviewed, annual budget and review meetings and quarterly meetings at which the latest quarter's results are presented and the board's feedback is sought. Detailed monthly progress reports are prepared and submitted to the Board allowing the Board members to monitor the Company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

21. Risk Management and Internal Control Mechanism

The purpose of internal control system at Migros is to provide the Company management with independent information on the functional, operational and financial performances of audited processes or units, thus enabling the management of identified or predicted risks, and systematic establishment and operation of necessary control mechanisms. For this purpose, the Internal Control Department has started functioning at the Company in 2005 and completed its structuring in 2006. The Department continued to work at an increasing pace in 2007 and contributed to improved productivity and more effective management of business processes across the Company by means of the reports and recommendations submitted. In the scheduled financial and operational audits carried out, the Migros Internal Control Department investigates and reviews:

- The degree of effective and economic utilization of the Company’s resources,
- Whether any abuse or fraud is committed over the Company’s resources;
- Efficiency and effectiveness of operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,
- Efficiency of the internal control mechanisms designed for operations and activities,
- Reliability of financial statements,
- The extent to which predetermined and reported operations and transactions posing a risk have been eliminated or taken under control through suggestions endorsed by the management.

Within this framework, the Internal Audit Department performed both financial and operational audits in 2007 in line with the risk analysis conducted and the annual internal audit schedule. The assessment and recommendations resulting from the audits have been presented to the Company’s senior management by means of the audit reports produced, which also pointed improvement areas based on constant improvement philosophy. In addition to financial and operational audits, the Internal Audit Department also controls various predetermined issues that have also been reported to the senior management, with regard to which necessary action steps have been agreed upon. The Department also targets maximum utilization of the Company’s entire technological infrastructure and cooperates with the Information Technology Department for provision of data that will be used in audits or will in general serve to improve the audit environment.

In conclusion, the efforts of the Internal Audit Department in 2007 concentrated on maintaining risk management effectively and developing control mechanisms in accord with the current conditions across Migros Türk T.A.Ş. Contributing to the Company’s efficiency in this sense, the Internal Audit Department supports the enhancement of business processes through constant self-improvement.

22. Authorities and Responsibilities of Board Members and Executives

The duties and authorities of the members of the Board of Directors are clearly stipulated in the Company's Articles of Association, which can be accessed on the Migros corporate website at www.migros.com.tr.

The Migros Board of Directors is authorized to decide on all matters with the exception of those for which responsibility cannot be delegated by the General Assembly as per the Turkish Commercial Code and the Company's Articles of Association.

23. Operating Principles of the Board of Directors

During 2007, the Board of Directors passed 44 resolutions on various matters. At least six (6) members attended each of the meetings. Pre- and post-meeting activities are organized by a secretariat responsible for such matters. At these meetings, views are freely expressed and if there are dissenting votes against any decision, the same is entered into the minutes of the meeting along with the reasons therefor. There were no dissenting opinions entered into the minutes of any Board meeting held in 2007. In addition, questions raised by board members at the meetings are entered into the meeting minutes along with responses given.

Each member of the Migros Board of Directors controls one vote. No members have weighted voting rights or veto rights.

24. Prohibition on Doing Business or Competing With the Company

Migros has a leasehold relationship in a total of seven stores with its chairman Rahmi Koç and with board members Y. Ali Koç, Ömer M. Koç and Semahat Arsel. During the reporting period, Board members were involved in no other business transactions with the Company and none were involved in any competition with the Company.

25. Code of Ethics

Migros' principles of business ethics are grouped under the following five headings:

- Responsibilities of the Company towards its employees
- Responsibilities of employees towards the Company
- Responsibilities of the Company towards other companies
- Responsibilities of the Company towards the community
- General responsibilities

The Company's responsibilities towards its employees are described under the main headings below. Information about the other categories of business ethics principles is presented in other sections of this Corporate Governance Compliance Report.

The Company regards its employees as one of the greatest assets it possesses in today's difficult market conditions. One of the Company's greatest competitive advantages is its business expertise and qualities that employees have and are continuously improving upon.

Responsibilities of Migros towards its employees
1- Migros completely fulfills all of its legal obligations toward all employees. In situations where the requirements of law are not sufficiently clear, Migros consults those who have specialized knowledge on the matter.
2- Migros observes employee rights within the framework of its business ethics rules in situations where the laws are insufficient.
3- In all hirings, promotions and appointments, the only criteria to be taken into account are the qualifications for the position. Migros creates equality of opportunity among its employees.
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 provides training opportunities for its employees, helping them to improve professionally and personally.
6- In its dealings with employees, Migros does not discriminate in any way on the basis of sex, age, ethnic origin or faith.

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 Company's future.
8- Migros provides healthy and safe working conditions as dictated by the requirements of law and circumstances, and seeks to improve them to the utmost.
9- Migros holds in strict confidentiality and does not divulge any private information (such as medical records, shopping habits, economic data, etc.) about its employees that it may receive through any means.

26. Numbers, Structures, and Independence of Committees within the Board of Directors

A two-person Audit Committee has been formed by the Migros Board of Directors. For the current period, Uğur Çatbaş and Oktay Irsıdar have been elected as members to serve until the General Assembly at which the Company's 2007 activities are to be discussed. The Audit Committee meets four times a year.

Within the scope of compliance with the Capital Markets Legislation and Corporate Governance Principles, the Migros Board of Directors set up a Corporate Governance Committee. At the Company's Board of Directors meeting on 07 May 2007, Aziz Bulgu, Erkin Yılmaz and Ömer Özgür Tort have been named as the members of this committee. By the Board of Directors resolution of 18 June 2007, Levent Çakıroğlu has been appointed effective 01 July 2007 to the office and the Corporate Governance Committee membership vacated by our Company's General Manager Aziz Bulgu's retirement as of 30 June 2007.

27. Remuneration of the Board of Directors

At the General Assembly Meeting for year 2006 convened on 05 April 2007, the General Assembly decided to pay the chairman and the members of the Board of Directors a gross monthly salary of TRY 1,265.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have audited the accompanying consolidated financial statements of Migros Türk Ticaret Anonim Şirketi and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the related consolidated statement of income, consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing independent audit techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The techniques selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained in sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Migros Türk Ticaret Anonim Şirketi as of 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for US Dollar and Euro convenience translation

5. As explained in Note 2 to the consolidated financial statements the supplementary information in US Dollar ("USD") and Euro ("EUR") amounts presented in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and have been translated from New Turkish Lira ("TRY"), as a matter of arithmetic computation only, at the official USD and EUR bid rates announced by the Central Bank of the Republic of Turkey at 31 December 2007. Such translation should not be construed as a representation that the TRY amounts have been converted into EUR or USD pursuant to the requirements of International Financial Reporting Standards ""IFRS" or Generally Accepted Accounting Principles in the United States of America or in any other country.

Additional paragraph for convenience translation into English:

6. The accounting principles described in Notes 2 and 3 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

Nas Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Adnan Akan, SMMM
Partner

Istanbul, 7 April 2008

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MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated)

		*31 December 2007			
	Notes	EUR	USD	2007	2006
ASSETS					
Current assets					
Cash and cash equivalents	4	247,224	363,015	422,803	325,476
Marketable securities (net)	5	331,089	486,158	566,228	159,881
Trade receivables (net)	7	16,261	23,877	27,810	34,263
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	24,145	35,454	41,293	11,595
Other receivables (net)	10	346	507	591	1,783
Biological assets (net)	11	-	-	-	-
Inventories (net)	12	234,326	344,075	400,744	394,213
Construction contract receivables (net)	13	-	-	-	-
Deferred tax assets	14	-	-	-	-
Other current assets	15	97,799	143,604	167,256	75,595
Total current assets		951,190	1,396,690	1,626,725	1,002,806
Non-current assets					
Trade receivables (net)	7	427	631	733	777
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	22,450	32,965	38,394	179,853
Goodwill/negative goodwill (net)	17	137,099	201,310	234,466	235,480
Investment property (net)	18	-	-	-	102,963
Property, plant and equipment (net)	19	434,327	637,749	742,786	1,048,927
Intangible assets (net)	20	105,032	154,225	179,626	180,823
Deferred tax assets	14	-	-	-	-
Other non-current assets	15	4,090	6,006	6,995	38,303
Total non-current assets		703,425	1,032,886	1,203,000	1,787,126
Total assets		1,654,615	2,429,576	2,829,725	2,789,932

These consolidated financial statements pertaining to the fiscal period between 1 January-31 December 2007 were approved for publishing by the Board of Directors on 7 April 2008.

(*)US Dollar and Euro amounts presented above were translated from New Turkish Lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey for 31 December 2007 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated)

		*31 December 2007			
	Notes	EUR	USD	2007	2006
LIABILITIES					
Current liabilities					
Financial liabilities (net)	6	-	-	-	8,510
Current portion of long-term financial liabilities (net)	6	68,897	101,166	117,828	171,528
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	12,105	17,775	20,702	33,546
Trade payables (net)	7	509,583	748,252	871,489	907,535
Due to related parties (net)	9	31,963	46,933	54,663	62,397
Advances received	21	-	-	-	-
Construction progress billings (net)	13	-	-	-	-
Provisions	23	25,236	37,055	43,158	7,268
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15	42,221	61,996	72,207	72,681
Total current liabilities		690,005	1,013,177	1,180,047	1,263,465
Non-current liabilities					
Financial liabilities (net)	6	83,419	122,489	142,663	572,060
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	-	-	-	-
Trade payables (net)	7	2,106	3,093	3,602	12,237
Due to related parties (net)	9	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23	8,224	12,076	14,065	11,757
Deferred tax liabilities	14	11,703	17,185	20,015	7,444
Other liabilities (net)	15	-	-	-	-
Total non-current liabilities		105,452	154,843	180,345	603,498
Total liabilities		795,457	1,168,020	1,360,392	1,866,963
MINORITY INTEREST	24	155	228	265	199
SHAREHOLDERS' EQUITY					
Share capital	25	104,099	152,855	178,030	176,267
Adjustment to share capital	25	-	-	-	-
Capital reserves	26	128,145	188,164	219,155	209,477
Share premium		11,024	16,188	18,854	18,854
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve		14,351	21,072	24,543	14,865
Shareholders' equity restatement differences		102,770	150,904	175,758	175,758
Profit reserves	27	49,095	72,089	83,962	61,816
Legal reserves		10,810	15,873	18,487	13,410
Statutory reserves		-	-	-	-
Extraordinary reserves		42,061	61,760	71,932	78,608
Special reserves		-	-	-	-
Investment and property sales income to be added to the capital		-	-	-	-
Translation reserve	2	(3,776)	(5,544)	(6,457)	(30,202)
Additional contribution to shareholders' equity related to the merger	27	69,829	102,535	119,422	119,422
Net income for the period		323,281	474,693	552,875	78,686
Retained earnings	28	184,554	270,992	315,624	277,102
Total shareholders' equity		859,003	1,261,328	1,469,068	922,770
Total liabilities and shareholders' equity		1,654,615	2,429,576	2,829,725	2,789,932
Commitments, contingent assets and liabilities	31				

(*)US Dollar and Euro amounts presented above were translated from New Turkish Lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey for 31 December 2007 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated)

		*31 December 2007			
	Notes	EUR	USD	2007	2006
OPERATING REVENUE					
Sales (net)	33,36	2,802,806	4,115,531	4,793,359	4,272,969
Cost of sales (-)	33,36	(2,104,117)	(3,089,603)	(3,598,461)	(3,189,957)
Service income (net)	36	-	-	-	-
Other operating income	36	-	-	-	-
Gross operating profit		698,689	1,025,928	1,194,898	1,083,012
Operating expenses (-)	37	(573,898)	(842,690)	(981,481)	(877,926)
Net operating profit	33	124,791	183,238	213,417	205,086
Other income and gains	38	332,248	487,860	568,210	123,019
Other expenses and losses (-)	38	(31,314)	(45,980)	(53,553)	(10,179)
Financial expenses (net) (-)	39	(52,427)	(76,981)	(89,660)	(159,871)
Operating profit		373,298	548,137	638,414	158,055
Share of gain of associates	16	126	185	216	709
Monetary gain/loss	40	-	-	-	-
Minority interest	24	(22)	(33)	(38)	(3,755)
Income before tax		373,402	548,289	638,592	155,009
Taxes on income	41	(50,121)	(73,596)	(85,717)	(76,323)
Net income for the period		323,281	474,693	552,875	78,686
Weighted average number (000's) of shares with face value of YKr 1 each	42			17,803,000	17,803,000
Basic and diluted earnings per share (YKr)	42			3.11	0.44

(*) US Dollar and Euro amounts presented above were translated from New Turkish Lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey for 31 December 2007 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated)

	Share capital	Share premium	Financial assets fair value reserve	Shareholder's equity restatement differences	Legal reserves	Extraordinary reserves	Translation reserve	Additional contribution to shareholder' equity related to merger	Net income/ loss for the period	Retained earnings	Total shareholders' equity
Balances at 1 January 2006	137,700	18,854	11,829	175,758	11,157	56,449	(47,017)	-	73,705	268,495	706,930
Transfers	-	-	-	-	2,253	42,814	-	-	(73,705)	28,638	-
Dividends relating to 2005	20,655	-	-	-	-	(20,655)	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	16,815	-	-	-	16,815
Financial assets net fair value gain, net of deferred tax	-	-	3,036	-	-	-	-	-	-	-	3,036
Transfer from minority interest to shareholders' equity due to merger with the subsidiary (Note 24)	-	-	-	-	-	-	-	137,334	-	-	137,334
Increase in share capital due to merger with subsidiary (Note 1)	17,912	-	-	-	-	-	-	(17,912)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	(20,031)	(20,031)
Net income for the period	-	-	-	-	-	-	-	-	78,686	-	78,686
Balances at 31 December	176,267	18,854	14,865	175,758	13,410	78,608	(30,202)	119,422	78,686	277,102	922,770
Balances at 1 January 2007	176,267	18,854	14,865	175,758	13,410	78,608	(30,202)	119,422	78,686	277,102	922,770
Transfers	-	-	-	-	5,077	-	-	-	(44,602)	39,525	-
Capital increase	1,763	-	-	-	-	(760)	-	-	-	(1,003)	-
Dividends relating to 2006	-	-	-	-	-	(5,916)	-	-	(34,084)	-	(40,000)
Currency translation differences	-	-	-	-	-	-	23,745	-	-	-	23,745
Financial assets net fair value gain, net of deferred tax	-	-	9,678	-	-	-	-	-	-	-	9,678
Net income for the period	-	-	-	-	-	-	-	-	552,875	-	552,875
Balances at 31 December	178,030	18,854	24,543	175,758	18,487	71,932	(6,457)	119,422	552,875	315,624	1,469,068

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated)

		*31 December 2007			
	Notes	EUR	USD	2007	2006
Operating activities					
Net income for the period from continuing operations		327,013	480,173	559,257	78,686
Net loss for the period from discontinued operations		(3,732)	(5,480)	(6,382)	-
Adjustments to reconcile net income for the period to net cash provided by operating activities:					
Minority interest	24	22	33	38	3,755
Share of profit of associates	16	(126)	(185)	(216)	(709)
Depreciation and amortisation	18, 19, 20	64,481	94,681	110,275	104,537
Employment termination benefits	23	5,713	8,388	9,770	4,572
Taxation expense	41	50,121	73,596	85,717	76,323
Interest income		(36,336)	(53,355)	(62,142)	(64,700)
Interest expense		51,337	75,382	87,797	117,636
Loss from sale of associate	38	987	1,449	1,688	-
Profit from sale of available-for-sale financial assets	38	(10,770)	(15,814)	(18,418)	-
Profit from sale of joint-venture	38	(222,191)	(326,257)	(379,991)	-
(Gain)/loss on sale of property, plant and equipment-net	38	(2,400)	(3,524)	(4,104)	(946)
Impairment loss of property, plant and equipment	19,38	748	1,099	1,280	4,289
Unrealized foreign currency (gain)/loss		(50,326)	(73,897)	(86,068)	41,791
Cash flows from operating activities before changes in operating assets and liabilities		**174,541**	**256,289**	**298,501**	**365,234**
Change in operating assets and liabilities-net					
Trade receivables		3,490	5,125	5,969	(1,594)
Due from related parties		1,354	1,988	2,316	(3,954)
Inventories		1,845	2,710	3,156	(127,824)
Other current assets and other receivables		45,670	67,059	78,104	(14,341)
Short and long-term trade payables		(53,307)	(78,273)	(91,165)	258,289
Due to related parties		(4,522)	(6,640)	(7,734)	29,658
Other current liabilities		(2,024)	(2,972)	(3,461)	(27,303)
Other non-current assets		25,572	37,549	43,733	(5,498)
Interest paid		(56,078)	(82,342)	(95,904)	(111,380)
Income taxes paid		(5,545)	(8,142)	(9,483)	(20,068)
Employment termination benefits paid		(4,363)	(6,407)	(7,462)	(6,597)
Net cash provided by operating activities		**126,633**	**185,944**	**216,570**	**334,622**
Investing activities:					
Purchase of property, plant and equipment	19	(127,100)	(186,628)	(217,366)	(225,685)
Proceeds from sale of property, plant and equipment		37,055	54,411	63,372	3,000
Acquisition of associate	16	-	-	-	(4,982)
Purchase of available-for-sale financial assets		(826)	(1,212)	(1,412)	-
Cash provided from sale of associate		3,216	4,722	5,500	-
Decreases in financial assets-net		(168,074)	(246,793)	(287,440)	(60,509)
Additional purchase of subsidiary shares		-	-	-	(37,557)
Cash provided from sale of joint-venture		263,192	386,461	450,111	-
Purchase of other intangible assets	20	(1,058)	(1,553)	(1,809)	(2,232)
Interest received		31,895	46,833	54,546	57,402
Net cash used in investing activities		**38,300**	**56,241**	**65,502**	**(270,563)**
Financing activities:					
Decrease in bank borrowings		(105,775)	(155,316)	(180,896)	(381)
Dividends paid		(23,389)	(34,344)	(40,000)	-
Net cash used in financing activities		**(129,164)**	**(189,660)**	**(220,896)**	**(381)**
Effects of exchange rate differences		9,678	14,211	16,552	(39,026)
Net increase in cash and cash equivalents		45,447	66,736	77,728	24,652
Cash and cash equivalents at the beginning of the period	4	**202,088**	**296,738**	**345,611**	**320,959**
Cash and cash equivalents at the end of the period	4	**247,535**	**363,474**	**423,339**	**345,611**

(*)US dollar and Euro amounts presented above were translated from New Turkish lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey for 31 December 2007 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by the Capital Market Board ("CMB") (see Note 2).

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Türk Ticaret Anonim Şirketi ("Migros" or the "Company") was established in 1954 and is registered in Istanbul, Turkey under the Turkish Commercial Code.

The Company is mainly engaged in the retail sales of food and beverages, and consumer and durable goods through its Migros, Şok, Tansaş and Macrocenter stores, shopping centres, Ramstores abroad and on-line sales. The Company also rents floor space in the shopping malls to other trading companies. The average number of people employed in Migros, its Subsidiaries and its Joint-venture (altogether referred to as the "Group") in 2007 is 13,659 (2006: 17,567). The Group is operating in 953 (2006: 878) supermarkets with a net retail space of 603,769 (2006: 693,289) square meters as of 2007. Retail is the main business segment of the Group and constitutes almost 96.2% (2006: 95.7%) of gross sales. Therefore, due to the International Accounting Standard 14 ("IAS 14"), "Segment Reporting", retail is the sole reportable segment.

The address of the registered office is as follows:

Migros Türk T.A.Ş.
Turgut Özal Bulvarı No: 6
Ataşehir 34758 Kadıköy
İstanbul

The main shareholder of the Company is Koç Holding A.Ş. (Note 25 and Note 34) and the shares of the Company are publicly traded on the Istanbul Stock Exchange (ISE).

The Company and the main shareholder Koç Holding A.Ş, acquired the majority the shares of Tansaş Perakende Mağazacılık Ticaret A.Ş. ("Tansaş") on 10 November 2005 and Tansaş became a subsidiary of the Company. Tansaş was incorporated on 15 December 1986 and has been operating in the retail and shopping sector with Tansaş and Macrocenter brands through 227 stores on 30 June 2006 and 18.29% of Tansaş shares were publicly listed on the Istanbul Stock Exchange. As it is stated below, Tansaş merged with Migros and was dissolved as of 30 June 2006.

Permission was obtained from the Capital Markets Board on 23 May 2006 for the merger which was realised by the acquisition of Tansaş by Migros with its assets and liabilities as a whole as of 31 December 2005 in accordance with articles 37-39 of Corporate Tax Law, and article No 451 and other relevant articles of the Turkish Commercial Code and Capital Markets Board legislation. Shareholders of Migros and Tansaş resolved for a merger as stated above in the Extraordinary General Assembly Meeting held on 26 June 2006 and Tansaş was dissolved as of 30 June 2006 and merged with Migros on 1 July 2006. Through this merger, the share capital of Migros increased by YTL17,912 from YTL158,355 to YTL176,267. This increased capital, registered as of 1 August 2006, was covered by restricting the rights of current Migros shareholders' to buy new shares and by the equity capital acquired from Tansaş. After the capital increase, Koç Holding's share in the Company fell from 51.06% to 50.83%. The exchange transactions which were carried out through a share swap of 0.1569 Migros shares for each Tansaş share began on 3 August 2006; Tansaş was delisted from the ISE as of the same date.

The Group sold all of it shares in its joint-venture, Limited Liability Company Ramenka, where it held 50% controlling interest in 2007. (see Note 1 – Interests in Joint-ventures)

Subsidiaries:

The Company has the following subsidiaries (the "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 (see also Note 2 Basis of Consolidation):

Subsidiary	Country of incorporation	Geographical segment	Nature of business
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore Azerbaijan")	Azerbaijan	Azerbaijan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria") (**)	Bulgaria	Bulgaria	Non-active (2006:Retail)
Ramstore Kazakhstan LLP ("Ramstore Kazakhstan") (***)	Kazakhstan	Kazakhstan	Retail
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retail
Ramstore Bishkek LLP ("Ramstore Bishkek")	Kyrgyzstan	Kazakhstan	Retail
Şok Marketler Ticaret A.Ş. ("Şok Marketler")	Turkey	(*)	Trade (Non-active)
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	Turkey	(*)	Trade

(*) Not included in the scope of consolidation on the grounds of materiality.
(**) Ramstore Bulgaria closed down its three stores and stopped its retailing operations in the first half of 2007.
(***) As of 18 September 2006, the name of the Limited Liability Company Rambutya was changed to Ramstore Kazakhstan LLP.

The addresses of the registered offices of the Subsidiaries within the scope of consolidation are as follows:

- Ramstore Mahdud Mesuliyyetli Cemiyeti
Babek Prospekti 1129.cu Mehelle 1025
Baku, Azerbaijan

-Ramstore Bulgaria E.A.D.
33, Layosh Koshut Str., fl.5, apt. 26,
Region Krasno selo

- Ramstore Bishkek LLC
Gorkiy Str. 27/1, Pervomaisky District
Bishkek, Kyrgyzstan

- Ramstore Macedonia DOO Skopje
Mito Hadzivasilev Jasmin B.B.,
1000 Skopje, Macedonia

- Ramstore Kazakhstan LLC
226 Furmanov St.,
Almaty 050059, Kazakhstan
Sofia, Bulgaria

Interests in Joint-ventures:

The Group signed a share transfer agreement dated 11 September 2007 with Enka Holding Investment S.A. regarding the sale of all its shares in Limited Liability Company Ramenka ("Ramenka"), a joint-venture where the Group held 50% controlling interest, against USD 542.5 million, and the transfer of shares was completed on 9 November 2007 once the conditions precedent were fulfilled (Note 35). The activity results of Ramenka were included in the consolidated financial statements until the date of sale.

The nature of business of the Joint-venture and for the purpose of the consolidated financial statements, its respective geographical segment is as follows:

Joint-venture	Joint-venture Partner	Country of incorporation	Geographical segment	Nature of business
Limited Liability Company Ramenka ("Ramenka")	ENKA Holding Investment S.A., Entrade GmBH	Russian Federation	Russian Federation	Retail Sales and Shopping Mall Management

The address of the registered office of the Joint-venture is as follows:

19/1 Yartsevskaya St. 121351 Moscow, Russian Federation.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Financial reporting standards

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards". The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 "The Accounting Standards in the Capital Markets". In the aforementioned Communiqué, it has been stated that the application of the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform to the CMB Financial Reporting Standards.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its consolidated financial statements for the accounting period starting 1 January 2005. These consolidated financial statements and the related notes have been presented in conformity with the alternative application stated above and in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The Company and its Subsidiaries and Associates registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the principles and obligations published by the CMB, Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign Subsidiaries and Joint-venture maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation and measurement in accordance with CMB Accounting Standards. Consequently, the consolidated financial statements are prepared in YTL under the historical cost convention, other than financial assets and liabilities which are presented by their fair values.

Translation of financial statements of foreign Subsidiaries and the Joint-venture

The foreign Subsidiaries and the Joint-venture maintain their books of accounts in accordance with the laws and regulations in force in the countries in which they are registered and necessary adjustments and reclassifications have been made for fair presentation in accordance with the accounting policies applied in the consolidated financial statements of the Group. The assets and liabilities of the foreign Subsidiaries and Joint-venture are translated into New Turkish Lira at the closing rate for the period. The results of foreign Subsidiaries and the Joint-venture are translated into New Turkish Lira at average rates for the period. Exchange differences arising on the retranslation of the opening net assets of the foreign Subsidiaries and the Joint-venture and differences between the average and period-end rates are included in the translation reserve under shareholders' equity.

Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Migros, and its Subsidiaries, the Joint-venture and its Associates on the basis set out in sections (b), to (g) 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 Accounting Standards applying uniform accounting policies and presentation. The

results of Subsidiaries, Associates and Joint-venture are included or excluded from their effective dates of acquisition or disposal respectively. Positive goodwill arising on the acquisition of Subsidiary undertakings and the Joint-venture is reported as net in the balance sheet.

b) Subsidiary undertakings are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations.

The table below sets out all Subsidiaries and shows their shareholding structures:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	2007	2006
Ramstore Azerbaijan (1), (4)	100.00	100.00
Ramstore Bulgaria (1), (5)	99.99	99.99
Ramstore Kazakhstan (1), (4)	100.00	100.00
Ramstore Macedonia (1)	99.00	99.00
Ramstore Bishkek (1), (2)	100.00	100.00
Şok Marketler (3)	99.60	99.60
Sanal Merkez (3)	69.99	69.99

(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 shareholders' 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 shareholders' 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 for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Ramstore Bishkek was established on 22 May 2006, its capital is owned 100% by Ramstore Kazakhstan and through opening its first store in the Kyrgyzstan capital of Bishkek on 4 August 2006, it commenced operations.

(3) Şok Marketler and Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. These Subsidiaries have been classified and accounted for as financial assets in the consolidated financial statements (Note 16).

(4) Migros' share in Ramstore Kazakhstan and Ramstore Azerbaijan rose to 100% as of 14 July 2006 and 17 July 2006, respectively.

(5) Ramstore Bulgaria closed down its three stores and stopped its retailing operations as of March 2007.

c) Joint-ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and its Subsidiaries and one or more other parties. The income and expenses of the joint-venture "Ramenka" were consolidated until November 9, 2007, the date of said transfer of the shares using the proportionate consolidation method, as laid out in Note 1, in accordance with the disposal transactions.

The table below sets out the Joint-venture and shows its shareholding structure:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	2007	2006
Ramenka	-	50.00

d) Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or the significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as a cost thereafter. (Note 16)

The table below sets out all Associates and the proportion of ownership interest:

	Proportion of ownership interest (%)	
Associate	2007	2006
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	-	32.00
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	-	50.00

The Group sold all of its shares in Harranova Besi, an associated company where the Group held 50% interest, to Tat Konserve Sanayi A.Ş. on 28 September 2007 against YTL 5,500 (Note 16).

e) Investments in which the Group has an interest of below 20%, or over which the Group does not exercise a significant influence are considered as available-for-sale investments and presented by their fair values in the financial statements. However, if the fair values cannot be measured reliably, they are presented by their purchasing cost after deducting impairment, if applicable (Note 16).

f) The results of foreign Subsidiaries and the Joint-venture are translated into New Turkish Lira at average rates for the period. The assets and liabilities of foreign subsidiaries and the Joint-venture are translated into New Turkish Lira at the closing rate for the period. Exchange differences arising on the retranslation of the opening net assets of foreign Subsidiaries and the Joint-venture and differences between the average and period-end rates are included in the translation reserve.

g) 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 minority interest and income or loss attributable to minority interest, respectively.

Comparative information and restatement of prior period's financial statements

In order to determine the financial status and performance trends, the financial statements of the Group have been prepared in comparison with the financial statements of previous periods. The Group prepared its consolidated balance sheet as of 31 December 2007 in comparison with the consolidated balance sheet prepared as of 31 December 2006; prepared the consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement pertaining to fiscal period between 1 January-31 December 2007 in comparison with the fiscal period between 1 January-31 December 2006. There is not any restatement for the financial statements of the comparative period that could affect the profit and loss or retained earnings.

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.

US dollar and Euro convenience translation
US dollar ("USD") and Euro amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey's official YTL exchange rate of YTL 1.1647=USD 1.00 for purchases of USD and YTL 1.7102=EUR 1.00 for purchases of Euro for 31 December 2007. Therefore, USD and Euro amounts do not form part of the consolidated financial statements prepared in accordance with CMB Accounting Standards for 31 December 2007. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into USD and Euro at this or any other rate.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns, discounts and commission (Note 36).

Retail sales are made in exchange for cash or credit card receipts. Recorded sales represent gross amounts including credit card transaction fees.

Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of goods sold.

Other revenues earned by the Group are recognised on the following bases:

Royalty and rental income-on an accrual basis.
Interest income-on an effective yield basis.
Dividend income-when the right to receive a dividend is established.

Inventories
Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. Net realisable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 12).

Property, plant and equipment
Property, plant and equipment are carried at the beginning 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 value (Note 19). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis.

The Group has reviewed the useful lives of the property, plant and equipment and revised them as at 1 January 2006. The depreciation period for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	New Useful Lives (Years) effective from 1 January 2006	Prior Useful Lives (Years) until 31 December 2005
Buildings	25-50	10-50
Leasehold improvements	Over period of lease (*)	Over period of lease (*)
Machinery and equipment	4-10	4-10
Furniture and fixtures	5-12	5-10
Motor vehicles	4-8	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.

Depreciation is provided for assets when they are ready for utilisation. Depreciation continues to be provided on assets when they become idle.

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Intangible assets

Intangible assets, other than goodwill and intangible assets with indefinite useful lives, comprise acquired intellectual property and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from the date of acquisition. Intangible assets (such as trademarks) with indefinite useful lives are not amortised.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. Intangible assets with indefinite useful lives are tested annually for permanent impairment (Note 20).

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has been recognised as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. In business combinations, the acquirer recognises identifiable assets (such as deferred tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary. Within the context of IFRS 3 - "Business Combinations" amortisation accounting is not applied for goodwill related to acquisitions after 31 March 2004, and the carrying value of goodwill is reviewed annually and adjusted for impairment where it is considered necessary. The carrying amount of negative goodwill related to acquisitions after 31 March 2004 has been reviewed and accounted for as income in the related period. In accordance with IFRS 3, the Group ceased to amortise the negative goodwill associated with the transactions before 31 March 2004 at the beginning of the first annual period beginning after 31 March 2004 (1 January 2005). The carrying value of goodwill is reviewed annually for permanent impairment and the impairment provision, if any, is immediately recognised in the consolidated statements of income.

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.

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. Borrowing costs are charged to the income statement when they are incurred. However, 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, in accordance with the allowed alternative treatment in IAS 23-"Borrowing Costs". Besides, UMS 23 was re-drawn up by IASB on 29 March 2007. The revised UMS 23 shall be effective as of 1 January 2009, but the right of voluntarily putting it into force early is reserved. As per revised UMS 23, if they are associated with the acquisition or construction of the qualifying assets, the financing costs stemming from the loans are included in the cost of the qualifying assets. Other credit costs are entered into the income statements during the period when they occur.

Financial Instruments

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective yield 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.

Loans originated by the Company

When the loan is originated by the Group by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortised cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Group. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

Investment securities

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 IAS 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.

Within the context of the changes in IAS 39, unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets, net of deferred tax, are recognized under a separate line "financial assets fair value reserve" in shareholders' equity. Changes in the fair values of available-for-sale financial assets are determined as the difference between their fair values and their amortised costs at the balance sheet date. 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.

All investment securities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investment securities classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured.

For investments under a 20% shareholding 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.

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 minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the individual Subsidiaries and the Joint-venture under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short term investments within the principle of managing through natural precautions that come into being by balancing the maturity of the assets and liabilities that are sensitive to the interest.

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 rendering the availability of the qualified lenders. As of 31 December 2007, the Group's financial debt with a maturity longer than 1 year is YTL 142,663 (2006: 572,060) (Note 6).

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 bases.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to borrowings denominated in foreign currencies (Note 29). Aforementioned foreign exchange risk is followed through foreign currency position and limited.

At 31 December 2007, if USD had gained value against YTL by 10% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in USD would have been higher in the amount of YTL11,949.

At 31 December 2007, if Euro had gained value against YTL by 10% and all other variables had remained constant, 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 in the amount of YTL 9,237.

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 capital+net debt) is as follows as of 31 December 2007 and 2006:

	2007	2006
Total liabilities	1,360,392	1,866,963
Cash and cash equivalents	(422,803)	(325,476)
Marketable Securities	(566,228)	(159,881)
Deferred tax liabilities	(20,015)	(7,444)
Net debt	351,346	1,374,162
Shareholders' Equity	1,469,068	922,770
Shareholders' Equity +net debt	1,820,414	2,296,932
Net debt/(Shareholders' equity+net debt) ratio	19%	60%

Fair value of financial instruments

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.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at amortised cost are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables at amortised cost along with the related allowances for uncollectibility are estimated to approximate their fair values.

Available-for-sale investments are stated at their fair values.

Financial liabilities
The fair values of short term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The reasonable values of the long term borrowings are the values discounted over market interest ratios and are detailed out in the Note 6.

The carrying values of trading and other liabilities at amortised cost are estimated to be their fair values.

Foreign currency transactions and translations
Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statement of income.

Earnings per share
Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. 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 (Note 42).

Subsequent events
The Group adjusts the amounts recognized in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influences on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

Provisions, contingent liabilities and contingent assets
The conditions which are required to be met in order to recognise a provision in the consolidated financial statements are those that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Liabilities or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity should not be recognised as liabilities or assets, however they should be disclosed as contingent liabilities or assets.

Accounting policies, changes in accounting estimates and errors
Material changes in accounting policies are applied and material errors are corrected retrospectively and prior period' financial statements are restated. The changes in accounting estimates are recognized prospectively by including them in net profit or loss in the period of the change if the change affects that period only, or in the period of the change and future period if the change affects both.

The Group adjusted the errors resulting from the elimination of inflation accounting of the property, plant and equipment according to IAS 29 in the previous years. The errors were identified during the examination of the tangible assets which were owned by Tansaş, the Subsidiary acquired in the year 2005. As of 31 December 2006, due to the adjustment stated above, the cost and the accumulated depreciation of the property, plant and equipment increased by YTL 1,115 and YTL 1,381, respectively. The net effect of the adjustment in the amount of YTL 266 was accounted for in the other operating income/expense and gains/losses. (Note 19)

Leases

Finance leases
Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 19).

Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to the statement of income over the period of the lease.

Operating 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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Prepayments for land leases
Prepayments for operational land leases of land plots on which stores are constructed are expensed over the life of the respective lease, which is generally 49 years (Note 15).

Related parties
For the purpose of these consolidated financial statements, shareholders, Koç Holding Group of companies, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 9 and Note 34).

Segment information
Retail is the main business segment of the Group. Other business segments, as described in IAS 14, are not sufficiently material to be reported separately. Reportable segments comprise the geographical segments as stated in Note 33.

Government incentives and grants
Government incentives, including non-monetary grants at fair value, are included in the financial statements only if there is reasonable assurance that the Company will fulfill all required conditions and acquire the incentive.

Investment property
Land and buildings held to earn rent 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 and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16, Property, Plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property (Note 18).

Taxes on income
Taxes include current period income tax liabilities and deferred tax assets and liabilities. A provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date (Note 23 and Note 41).

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values on the financial statements. Currently enacted tax rates are used to determine deferred income tax (Note 14).

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred 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.

Employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees in accordance with the Turkish Labour Law and calculated by applying actuarial valuation methods. (Note 23).

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).

Significant accounting estimates and judgements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expense items in the fiscal period. Although these estimates and assumptions are based on the management's best knowledge of the exiting events and transactions, actual results may differ from those estimates. The estimations and assumptions which can cause significant adjustments in the recorded value of the assets and liabilities for the following financial reporting period are as follows:

Income from sale of joint-venture

The Group signed a share transfer agreement dated 11 September 2007 with Enka Holding Investment S.A. regarding the sale of all its shares in Ramenka, a joint-venture where the Group held 50% controlling interest, against USD 542.5 million, and the transfer of shares was completed on 9 November 2007 once the conditions precedent were fulfilled (Note 35). The activity results of Ramenka were included in the consolidated financial statements until the date of sale.

Of the mentioned amount, USD 25,000,000 was collected on 11 September 2007, the date of such share transfer agreement, USD 362.2 million was collected on 9 November 2007, the transfer date of the shares. The remaining balance is subject to adjustment depending on the changes in financial net indebtedness and net operating capital and as a result of the studies conducted the final purchase price amount was determined as USD 127.4 million and was included in the consolidated financial statements at 31 December 2007 (Note 15). Remaining amount will be collected until 11 June 2008.

Discontinued operations

According to IFRS 5 "Non-current Assets held for Sale and Discontinued operations" a discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations; is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

With regard to the discontinued operations, the net assets related to the discontinued operations are measured by deducting the sales costs from the fair value, and the profit or loss before tax reflected in the financial statements during disposal of the asset or the group of assets composed of the suspended activities and the profit or loss after tax of the discontinued operations are explained in the footnotes and profit/loss before tax analysis is carried out along with the income/expenses. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the footnotes or the cash flow table.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2007	2006
Cash	22,050	23,996
Banks		
-demand deposits	53,112	81,571
-time deposits	135,763	25,206
Cheques in collection	112	321
Other cash and cash equivalents	211,766	194,382
	422,803	325,476

Weighted average effective interest rates on YTL and USD denominated time deposits, with details as disclosed in Note 29, are 17.65% (2006: 18.7%), and 8.4% (2006: 5.4%), respectively. Weighted average effective interest rates on EUR denominated time deposits, with details as disclosed in Note 29, is 3.58% (2006: 3.87%). Other cash and cash equivalents mainly include receivables on credit card slips with a maturity of less than one month (2006: less than one month).

The analysis of time deposits by maturity at 31 December 2007 and 2006 is as follows:

	2007	2006
1-30 days	97,680	22,426
31-90 days	11,696	2,780
90-180 days	26,387	-
	135,763	25,206

The analysis of cash and cash equivalents in terms of consolidated cash flows at 31 December 2007 and 2006 is as follows:

	2007	2006
Cash and cash equivalents	422,803	325,476
Marketable securities with a maturity less than 3 months (Note 5)	536	20,135
	423,339	345,611

NOTE 5 - MARKETABLE SECURITIES

	2007	2006
Available-for-sale investments	566,228	135,075
Held-to-maturity time deposits	-	24,806
Total financial assets	566,228	159,881

Available-for-sale investments

	2007		2006	
	Weighted average effective interest rate p.a.	Amount	Weighted average effective interest rate p.a.	Amount
Treasury bills and government bonds	17.67%	537,992	20.28%	100,770
Eurobond (USD)	10.68%	27,383	10.70%	33,356
Eurobond (Euro)	5.50%	853	5.50%	949
		566,228		135,075

Held-to-maturity time deposits:

2007			2006		
USD	Euro	YTL	USD	Euro	YTL
-	-	-	16,213	1,089	24,806
		-			24,806

Weighted average effective interest rates p.a. on USD and EUR denominated held-to-maturity time deposits are 7.72% and 8.56% respectively as of 31 December 2006.

The analysis of debt securities by maturity at 31 December 2007 and 2006 is as follows:

	2007	2006
Period remaining to maturity:		
1-30 days	506	4,646
31-90 days	30	15,489
91-180 days	59	32,818
181 days-1 year	104,872	59,296
Over 1 year	460,761	47,632
	566,228	159,881

NOTE 6 - FINANCIAL LIABILITIES

	2007			
	Weighted average effective interest rates p.a.	USD	Euro	YTL
Current portion of long-term bank borrowings				
With fixed interest rates	6.80%	1,753	124	2,254
With floating interest rates	6.24%	70,827	19,344	115,574
Current portion of long-term bank borrowings		72,580	19,468	117,828
Long-term bank borrowings				
With fixed interest rates	6.80%	1,048	992	2,916
With floating interest rates	6.24%	64,706	37,647	139,747
Long-term bank borrowings		65,754	38,639	142,663
Total bank borrowings		138,334	58,107	260,491

		2006		
	Weighted average effective interest rates p.a.	USD	Euro	YTL
Short-term bank borrowings				
With fixed interest rates	8.16%	5,000	-	7,028
With floating interest rates	3.78%	-	800	1,482
Short-term bank borrowings		**5,000**	**800**	**8,510**
Current portion of long-term bank borrowings				
With fixed interest rates	7.60%	1,718	124	2,644
With floating interest rates	7.21%	90,685	22,370	168,884
Current portion of long-term bank borrowings		**92,403**	**22,494**	**171,528**
Long-term bank borrowings				
With fixed interest rates	7.60%	2,663	1,116	5,810
With floating interest rates	7.21%	315,117	66,606	566,250
Long-term bank borrowings		**317,780**	**67,722**	**572,060**
Total bank borrowings		**415,183**	**91,016**	**752,098**

The redemption schedule of long-term bank borrowings at 31 December 2007 is as follows:

	USD	Euro	YTL
2009	36,222	18,947	74,592
2010	29,532	18,947	66,800
2011	-	124	212
2012	-	124	212
2013 and after	-	497	847
	65,754	**38,639**	**142,663**

As of 31 December 2007, fair value of bank borrowings is YTL 268,189. (2006: YTL 755,282)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	2007	2006
Receivables from tenants and wholesale activities	26,363	34,041
Doubtful trade receivables	6,541	6,871
Notes receivable	1,736	-
Deposits and guarantees given	2	2
	34,642	**40,914**
Less: Provision for doubtful receivables	(6,332)	(6,651)
Unearned finance income on term sales	(500)	-
Short-term trade receivables, net	**27,810**	**34,263**

The maturities of trade receivables are generally less than one month (2006: Less than one month) and they are discounted with the annual rate of 16.15% (2006: none) as of 31 December 2007.

The trade receivables in the amount of YTL 1,602 (2006: YTL 183) as of 31 December 2007 have not been evaluated as doubtful receivables although they are overdue. The said receivables are overdue for 13 days (2006: 84).

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to this factor, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Company's trade receivables.

The movement of the provision for doubtful receivables during the period reported is as follows:

	2007	2006
1 January	6,651	6,322
Current year provision (Note 38)	3,663	1,068
Collections and reversal of provisions	(233)	(926)
Reversals due to sale of joint-venture	(3,388)	-
Currency translation difference	(361)	187
31 December	6,332	6,651

	2007	2006
Deposits and guarantees given	733	777
Long-term trade receivables	733	777

Trade payables:

	2007	2006
Trade payables	885,060	921,418
Less: Unincurred financial expense on due date purchases	(13,571)	(13,883)
Short-term trade payables, net	871,489	907,535

The maturity of trade payables is generally less than three months (2006: less than three months) and they are discounted with annual rate of 15.96% as of 31 December 2007 (2006: annual rate of 18.48%).

	2007	2006
Deposits and guarantees received	3,602	8,019
Trade payables	-	5,059
	3,602	13,078
Less: Unincurred financial expense on due date purchases	-	(841)
Long-term trade payables	3,602	12,237

NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

None (2006: None).

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES

(i) Balances with related parties

Due from related parties:	2007	2006
Koç Holding A.Ş (*)	31,899	-
Sanal Merkez T.A.Ş.	3,669	3,232
Ford Otosan San. A.Ş	2,492	2,274
Palmira Turizm Tic. A.Ş.	932	1,551
Arçelik A.Ş.	763	663
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	710	2,240
Other	828	1,635
	41,293	11,595

(*) The receivables due from Koç Holding A.Ş. are predominantly composed of receivables due to the sale of KFS that is shown as available-for-sale investments. (Note 16).

Due to related parties:

Due to shareholders:	2007	2006
Koç Holding A.Ş.	-	461
Dividend liabilities to other shareholders	42	42
	42	503

Due to group companies:	2007	2006
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20,924	15,684
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	15,141	16,161
Tat Konserve Sanayi A.Ş.	8,825	10,893
Ram Sigorta Aracılık Hizmetleri A.Ş.	4,918	4,614
Ark İnşaat San. ve Tic. A.Ş.	1,958	-
Palmira Turizm Tic. A.Ş.	1,305	2,896
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	529	1,457
Türk Demir Döküm Fabrikaları A.Ş.	-	4,827
Entek Elektrik Üretimi A.Ş.	-	2,198
Other	1,021	3,164
	54,621	61,894
Total due to related parties	54,663	62,397

Bank balances:	2007	2006
Yapı ve Kredi Bankası A.Ş. ("Yapı ve Kredi")		
- demand deposit	7,927	11,424
- time deposit	74,432	10,206
- other cash and cash equivalents (credit card slip receivables)	75,348	59,251
Yapı ve Kredi Bankası Moscow		
- demand deposit	-	793
Yapı Kredi Bankası Azerbaijan		
- demand deposit	2,376	1,290
Yapı Kredi Nederland N.V.		
- time deposit	-	11,086
	160,083	94,050

Borrowings:	2007	2006
Yapı ve Kredi Bankası Moscow	-	4,568
Yapı ve Kredi	-	134,647
Yapı ve Kredi Nederland N.V.	-	11,086
	-	150,301

(ii) Significant transactions with related parties

Sales of goods	2007	2006
Sanal Merkez T.A.Ş.	19,532	15,121
Tat Konserve Sanayi A.Ş.	15,586	18,686
Palmira Turizm Tic. A.Ş.	9,249	8,516
Ford Otosan San. A.Ş	4,678	4,154
Tüpraş Petrol Rafineleri A.Ş	1,515	1,019
Other	5,928	5,328
	56,488	52,824

Purchases of property, plant and equipment:	2007	2006
Ark İnşaat San. ve Tic. A.Ş.	42,538	5,414
Koç Sistem Bilgi ve İlet. Hizm. A.Ş.	3,436	2,423
Koçnet Haberleşme Tekn. A.Ş.	2,345	1,101
Koçtaş Yapı Marketleri Tic. A.Ş.	154	5,971
Other	33	69
	48,506	14,978

Sales of property, plant and equipment:	2007	2006
Koç Finansal Kiralama A.Ş	-	1,900

Inventory purchases	2007	2006
Tat Konserve Sanayi A.Ş	110,245	95,761
Düzey Tük. Mal. San. Paz. ve Tic. A.Ş.	87,218	86,930
Palmira Turizm Tic. A.Ş.	11,992	12,183
Ram Pacific Ltd.	3,321	4,601
Türk Demir Döküm Fabrikaları A.Ş.	7,778	9,526
Other	6,631	5,316
	227,185	214,317

Service purchases	2007	2006
Zer Merkezi Hizmetler ve Tic. A.Ş. (*)	175,775	116,945
Entek Elektrik Üretimi A.Ş.	18,746	17,695
Eltek Elektrik Enerjisi İth. İhr. ve Tic. A.Ş.	9,078	6,595
Koçnet Haberleşme Tekn. ve İlet. Hizm. A.Ş.	6,997	2,850
Ram Sigorta Aracılık Hizmetleri A.Ş	5,432	4,736
Koç Holding A.Ş.	1,974	5,223
Other	14,313	8,553
	232,315	162,597

(*)Major services purchased from Zer Merkezi Hizmetler ve Tic. A.Ş. are transportation, porterage, advertisement, security and warehouse management services.

Interest Income	2007	2006
Yapı ve Kredi	18,069	13,748
Yapı Kredi Nederland N.V	702	685
Other	43	64
	18,814	14,497

Interest Expense:	2007	2006
Yapı ve Kredi	2,277	10,412
Yapı Kredi Nederland N.V.	749	924
Other	21	493
	3,047	11,829

Dividends paid:	2007	2006
Koç Holding A.Ş.	20,332	10,546

Other related party transactions are as follows:

	2007	2006
Rent income	1,424	1,287
Rent expense	4,478	2,991
Management fee received	404	587
Donations	3,319	1,201
Dividend income	462	-

	2007	2006
Salaries and other benefits provided to the Board of Directors and the key management of Migros	18,874	14,022

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other Receivables

	2007	2006
Receivables from personnel	591	1,783
	591	1,783

Other Payables

	2007	2006
T. Garanti Bankası A.Ş. ("Garanti Bankası") -Credit card collection account	20,702	33,546
	20,702	33,546

As of 31 December 2007, payable to Garanti Bankası consists of credit card collections on behalf of Garanti Bankası through Tansaş stores with a maturity of less than one month.

NOTE 11 - BIOLOGICAL ASSETS

Biological assets are out of the scope of the Group's operations.

NOTE 12 - INVENTORIES

	2007	2006
Finished goods and merchandise stocks	396,671	390,179
Raw materials	1,541	3,463
Work in process	1,197	977
Advances given	227	128
Other	1,108	1,017
	400,744	395,764
Less: Provision for diminution in net realisable value	-	(1,551)
	400,744	394,213

Cost of inventory included in the cost of sales for the year ended on 31 December 2007 is YTL 3,561,195 (2006: YTL 3,156,995)

NOTE 13 - RECEIVABLES RELATING TO CONSTRUCTION CONTRACTS AND PROGRESS BILLINGS

The Group has no construction contract receivables and construction progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes:

The Group recognises deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB Financial Reporting Standards and the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on taxable income in coming years under the liability method using a principal tax rate. The principal tax rates for Turkey, Kazakhstan, Bulgaria and Azerbaijan are 20%, 30%, 10% and 22% respectively as of 31 December 2007 and 2006. The principal tax rate for Macedonia is 12% as of 31 December 2007 (2006: 15%). The principal tax rate for Russian Federation is 24% as of 31 December 2006.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided as of 31 December 2007 and 2006 using the currently enacted tax rates, is as follows:

	Cumulative Temporary differences		Deferred tax Assets/(liabilities)	
	2007	2006	2007	2006
Unrealised financial cost	7,422	14,843	1,484	2,969
Provision for expenses and other provisions	6,795	10,515	1,359	2,230
Provision for employment termination benefits	14,065	11,757	2,813	2,350
Net difference between the tax base and the carrying value of inventories	7,071	1,200	1,419	247
Carry forward tax losses	-	136,122	-	27,224
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(118,836)	(170,757)	(24,091)	(37,512)
Allowance for unincurred interest expense	(13,571)	(14,724)	(2,714)	(2,945)
Deferred prepaid expenses	(1,311)	(3,350)	(262)	(733)
Adjustment for fair value of financial assets	(18,702)	(15,406)	(449)	(1,520)
Other	1,814	1,304	426	246
Deferred tax assets			7,501	35,266
Deferred tax liabilities			(27,516)	(42,710)
Deferred tax liabilities-net			**(20,015)**	**(7,444)**

Movements in deferred taxes can be analysed as follows:

	Deferred tax (liabilities)/ assets	
	2007	2006
1 January	**(7,444)**	**61,609**
Current period deferred tax expense (Note 41)	(32,276)	(66,270)
Disposals due to sale of joint-venture	17,416	-
Foreign currency translation difference	1,218	(2,186)
Current period associated amount in shareholders' equity (Note 3- Financial Instruments)	1,071	(597)
31 December	**(20,015)**	**(7,444)**

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND SHORT/LONG-TERM LIABILITIES

Other current assets

	2007	2006
Receivables from sale of joint-venture (Note 3)	148,379	-
Prepaid expenses	13,812	27,553
Interest receivables from Enka Holding B.V	2,139	-
Migros Club discount cheques	1,577	5,522
Deductible taxes and funds	162	6,736
Value Added Tax ("VAT") receivables	102	34,682
Prepayments for land leases	-	431
Other	1,085	671
	167,256	75,595

Prepaid expenses mainly consist of insurance premium and store rentals.

Other non-current assets

	2007	2006
Prepaid expenses	6,995	10,227
Prepayments for land leases	-	25,884
VAT receivables	-	2,192
	6,995	38,303

Other short-term liabilities

	2007	2006
Payables to personnel	22,774	19,689
Other taxes and funds payable	20,561	22,845
VAT payable	12,726	1,406
Expense accruals	7,332	10,541
Merchandise coupons	6,872	4,933
Deferred income	1,223	11,944
Other	719	1,323
	72,207	72,681

Expense accruals include provisions for expenses such as transportation, cleaning, rent, electricity, water, communication provisions related to Migros Club discount cheques. Deferred income mainly consists of advances received from tenants.

NOTE 16 - FINANCIAL ASSETS

	2007	2006
Available-for-sale investments	38,394	38,926
Held-to-maturity time deposits	-	132,226
Associates	-	8,701
	38,394	179,853

Available-for-sale investments:

	2007		2006	
	Share	Amount	Share	Amount
Quoted:				
Tat Konserve San. A.Ş.("Tat Konserve")	2.87%	11,860	2.87%	6,269
Unquoted:				
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9.24%	23,099	9.24%	2,944
Tanı Pazarlama A.Ş.	32.00%	1,729	-	-
Sanal Merkez Ticaret A.Ş.	69.99%	1,186	69.99%	1,186
Şok Marketler Ticaret A.Ş.	99.60%	520	99.60%	520
Koç Finansal Hizmetler A.Ş. ("KFS")	-	-	0.37%	28,007
		38,394		38,926

Within the scope of sale of Migros shares by Koç Holding, the parent company, as laid out in Note 34, before the transfer of shares, Tat Konserve will be bought by Koç Holding or any one of the companies belonging to Koç Holding Group of companies in return for YTL 11,860 which is the fair value determined as of 30 September 2007. The amount of the said sales has been evaluated as the fair value of Tat Konserve. The difference between carrying amount and fair value of Tat Konserve is recognized in the financial assets fair value reserve in the consolidated shareholders' equity.

As of 31 December 2007, Koçtaş is stated at fair value determined by the discounted cash flow method in the consolidated financial statements.

Within the scope of sale of Migros shares by Koç Holding, the parent company, as laid out in Note 34, before the said transfer of shares, Tanı Pazarlama will be bought by Koç Holding or any one of the companies belonging to Koç Holding Group of companies in return for YTL 11,860 which is the carrying value determined as of 30 September 2007. Tanı Pazarlama that was previously within the scope of associate and was therefore accounted for by using the equity method was accounted for in the consolidated financial statements prepared as of December 31, 2007 as available-for-sale investment with its fair value of YTL 1,729.

Şok Marketler and Sanal Merkez are subsidiaries excluded from the scope of consolidation on the grounds of materiality due to the insignificance of their impact on the consolidated net worth, financial position and results of the Group. They have been accounted for as if they were available-for-sale investments and are stated at cost restated to the purchasing power of TL at 31 December 2004 as they do not have quoted market prices in active markets.

The Group sold its shares in KFS where the Group held 0.37% interest on 28 December 2007 to Koç Holding A.Ş. in return for YTL 32,014 which is the carrying value determined as of 30 September 2007. The profit in the amount of YTL 18,418 that arose out of the said sale was recorded under "other operating income and gains" (Note 38).

Held-to-maturity time deposits:

2007			2006		
USD	Euro	YTL	USD	Euro	YTL
-	-	-	87,619	4,898	132,226
		-			132,226

Weighted average effective interest rates p.a. on USD and Euro denominated held-to-maturity time deposits are 7.72% and 8.56%, respectively.

Allocation of held-to-maturity time deposits as to maturity is as follows:

	2007	2006
1-2 years	-	45,658
2-3 years	-	43,784
3-4 years	-	39,768
4 years and over	-	3,016
	-	132,226

Associates:

	2007		2006	
	Share	Amount	Share	Amount
Harranova Besi	-	-	50.00%	6,535
Tanı Pazarlama	-	-	32.00%	2,166
		-		8,701

As of 31 December 2006 financial information about Tanı Pazarlama which is included in the consolidated financial statements using the equity method of accounting is as follows:

	2007	2006
Total Assets	-	10,155
Total Liabilities	-	3,387

Furthermore, net sales and net loss of Tanı Pazarlama for the accounting period of 1 January-31 December 2006 are 7,586 YTL and 2,639 YTL, respectively.

The shares in Harrranova Besi that the Group purchased on 30 June 2006 and included in its consolidated financial statements using shareholder's equity method were sold to Tat Konserve on 28 September 2007 in return for YTL 5,500. A loss of YTL 1,688 arising from such sale was recognized under other operating expenses and losses (Note 38).

The financial information for Harranova Besi that the Group has sold as of 28 September 2007 is as follows:

	2007	2006
Total Assets	-	56,765
Total Liabilities	-	47,619

The movements of financial assets are as follows:

	2007	2006
1 January	179,853	182,660
Additions to held-to-maturity time deposits-net	(132,226)	8,143
Short-term portion of held-to-maturity time deposits	-	(21,106)
Acquisition of associate (Note 32)	-	4,982
Increase in the fair value of available-for-sale investments - net	24,334	4,488
Share in profit of associates-net	216	709
Sale of available-for-sale-investments	(28,007)	(23)
Sale of associate	(7,188)	-
Capital increase in associates	1,412	-
31 December	38,394	179,853

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	Opening 1 January 2007	Impairment Loss	Transfer	Closing 31 December 2007
Goodwill	238,074	(1,014)	-	237,060
Accumulated amortisation	(2,594)	-	-	(2,594)
Net book value	235,480	-		234,466

	Opening 1 January 2006	Impairment Loss	Transfers	Closing 31 December 2006
Goodwill	175,812	-	62,262 (*)	238,074
Accumulated amortisation	(2,594)	-	-	(2,594)
Net book value	173,218	-		235,480

(*) Management decided that the below stated adjustment in the calculation of goodwill was related to the acquisition of the Subsidiary (Tansaş) which was realised in 2005 is appropriate.

In the consolidated financial statements of the Group as of 31 December 2005, the minority interest has not been calculated on the trademark of Tansaş which was acquired as an identifiable asset after the purchase of the said entity. The Group management, having decided that it would be appropriate to calculate the minority interest in the trademark of Tansaş which was not included in the financial statements of Tansaş but included in the consolidated financial statements of Migros as required by IFRS 3 "Business Combinations", has amended the goodwill and minority interest values included in the financial statements as of 31 December 2005. The amendment which resulted from the calculation of minority interest in the trademark value of Tansaş does not affect the consolidated income statement for the year ending 31 December 2005 and the total equity as of 31 December 2005. In this sense, the amendment consists of the reclassification of YTL62,262 between goodwill and minority interest (Note 24). In consideration of the materiality level to the consolidated financial statements, the amendment was made in the consolidated financial statements of 2006 rather than the consolidated financial statements as of 31 December 2005.

NOTE 18 - INVESTMENT PROPERTY

	Opening 1 January 2007	Additions	Transfers (Note 19)	Disposals due to sale of joint-venture	Effect of changes in foreign exchange rates	Closing 31 December 2007
Cost						
Land and Buildings	110,266	-	7,691	(106,762)	(11,195)	-
Accumulated Depreciation						
Land and Building	(7,303)	(1,784)	-	8,345	742	-
Net Book Value	102,963					-

	Opening 1 January 2006	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2006
Cost					
Land and Buildings	60,310	-	41,207	8,749	110,266
Accumulated Depreciation					
Land and Buildings	(4,930)	(1,658)	-	(715)	(7,303)
Net Book Value	**55,380**				**102,963**

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2007	Additions	Disposals	Impairment Loss (Note 38)	Transfers	Transfers to Investment Property (Note 18)	Disposals due to the sale of joint-venture	Effect of changes in foreign exchange rates	Closing 31 December 2007
Cost									
Land and buildings	547,235	16,610	(13,161)	-	1,254	(4,430)	(243,443)	(31,650)	272,415
Leasehold improvements	460,127	29,530	(132)	(5,345)	29,975	-	-	(21)	514,134
Machinery and equipment	458,570	35,039	(8,698)	-	19,087	-	(44,432)	(6,901)	452,665
Furniture and fixtures	178,805	22,307	(5,159)	-	7,664	-	(38,781)	(3,902)	160,934
Motor vehicles	2,035	48	(691)	-	-	-	-	(48)	1,344
Construction in progress	35,434	99,396	(36,695)(*)	-	(47,692)	(3,261)	(42,040)	(2,733)	2,409
Advances given	5,004	14,436	(7,852)(*)	-	(10,288)	-	-	(188)	1,112
	1,687,210	217,366	(72,388)	(5,345)	-	(7,691)	(368,696)	(45,443)	1,405,013
Accumulated depreciation									
Buildings	(61,228)	(9,296)	2,958	-	-	-	21,766	2,697	(43,103)
Leasehold improvements	(198,031)	(47,378)	82	4,065	-	-	-	10	(241,252)
Machinery and equipment	(298,421)	(34,388)	6,293	-	17	-	22,850	3,134	(300,515)
Furniture and fixtures	(79,451)	(14,577)	3,196	-	(17)	-	12,986	1,349	(76,514)
Motor vehicles	(1,152)	(282)	591	-	-	-	-	-	(843)
	(638,283)	(105,921)	13,120	4,065	-	-	57,602	7,190	(662,227)
Net Book Value	1,048,927			(1,280)					742,786

(*) The disposals for the construction in progress and the advances given are predominantly composed of the shopping malls that were disposed without capitalizing.

	Opening 1 January 2006	Additions	Disposals	Impairment Loss (Note 38)	Transfers	Adjustments(*)	Transfers to Investment Property (Note 18)	Effect of changes in foreign exchange rates	Closing 31 December 2006
Cost									
Land and buildings	452,997	1,846	(849)	-	63,125	-	-	30,116	547,235
Leasehold improvements	415,122	35,242	-	(11,947)	24,223	(2,601)	-	88	460,127
Machinery and equipment	405,629	24,392	(3,956)	-	23,373	2,879	-	6,253	458,570
Furniture and fixtures	144,805	14,027	(1,314)	-	16,863	837	-	3,587	178,805
Motor vehicles	2,862	204	(1,101)	-	-	-	-	70	2,035
Construction in progress	39,557	147,630	-	-	(115,813)	-	(41,207)	5,267	35,434
Advances given	11,784	2,344	-	-	(11,771)	-	-	2,647	5,004
	1,472,756	225,685	(7,220)	(11,947)	-	1,115	(41,207)	48,028	1,687,210
Accumulated Depreciation									
Buildings	(49,340)	(9,672)	41	-	-	66	-	(2,323)	(61,228)
Leasehold improvements	(164,502)	(44,349)	-	7,658	-	3,087	-	75	(198,031)
Machinery and equipment	(262,464)	(32,602)	3,402	-	-	(3,918)	-	(2,839)	(298,421)
Furniture and fixtures	(65,582)	(13,191)	848	-	-	(589)	-	(937)	(79,451)
Motor Vehicles	(1,611)	(460)	957	-	-	(27)	-	(11)	(1,152)
	(543,499)	(100,274)	5,248	7,658	-	(1,381)	-	(6,035)	(638,283)
Net book value	929,257			(4,289)		(266)			1,048,927

(*) Please refer to Note 3 "Accounting policies, changes in accounting estimations and errors" for explanation.

Depreciation expenses for the period are recorded in general and administrative expenses.

Leased assets included in property, plant and equipment where the Group is under a finance lease, comprise machinery and equipment with net book values as stated below:

	2007	2006
Net book value	15,725	24,700

NOTE 20 - INTANGIBLE ASSETS

Cost	Opening 1 January 2007	Additions	Disposals	Effect of changes inforeign exchange rates	Disposals due to sale of joint-venture	Closing 31 December 2007
Trademark (Tansaş) (*)	174,158	-	-	-	-	174,158
Rights	16,328	1,809	(52)	(230)	(796)	17,059
Other intangible assets	88	-	-	-	-	88
Accumulated amortisation	(9,751)	(2,570)	48	117	477	(11,679)
Net book value	180,823					179,626

Cost	Opening 1 January 2006	Additions	Disposals	Effect of changes in foreign exchange rates	Closing 31 December 2006
Trademark (Tansaş) (*)	174,158	-	-	-	174,158
Rights	13,873	2,232	(126)	349	16,328
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(6,928)	(2,605)	44	(262)	(9,751)
Net book value	181,191				180,823

(*) The Group acquired 64.25% of the shares of Tansaş at 10 November 2005. IFRS 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 work was performed by an independent appraisal firm in order to estimate the fair value of the trademark which was considered as an identifiable intangible asset. The appraisal firm applied the relief from royalties method and estimated the fair value of the trademark in the amount of YTL174,158 in its report dated 6 March 2006. 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, as mentioned in "Accounting Policies", the Group assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

NOTE 21 - ADVANCES RECEIVED

The Group has not received any advances. (2006: None)

NOTE 22 - RETIREMENT PLANS

The Group does not have any obligations regarding retirement plans (2006: None).

NOTE 23 - PROVISIONS

Short-term provisions

	2007	2006
Tax and legal provisions	45,846	242
Less: Prepaid corporation tax	(9,483)	(162)
Tax provisions, net	**36,363**	**80**
Provision for litigation (Note 31.e)	6,795	7,188
Other provisions	**6,795**	**7,188**
Total short-term provisions	**43,158**	**7,268**

Long-term provisions

	2007	2006
Provision for employment termination benefits	14,065	11,757

Provision for employment termination benefits is explained below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires (the retirement age is 58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of YTL2,030.19 (2006: YTL1,857.44) for each year of service at 31 December 2007.

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 the employees.

The following actuarial assumptions have been used in the calculation of the total provision:

	2007	2006
Discount rate	5.71%	5.71%
The probability of retirement	86.60%	87.40%

The principal assumption is that the maximum liability of YTL 2,030.19 as of 31 December 2007 (2006: YTL 1,857.44) 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 semi-annually, the maximum amount of YTL 2,087.92 (1 January 2007:1,960.69) which is effective from 1 January 2008 has been taken into consideration for the calculation of the provision for employment termination benefits.

Movements of the provision for employment termination benefits in the period are as follows:

	2007	2006
1 January	11,757	13,782
Increase during the period	9,770	8,210
Payments in the period	(7,462)	(6,597)
Reversal of provisions	-	(3,638)
31 December	14,065	11,757

NOTE 24 - MINORITY INTEREST/PROFIT-LOSS OF MINORITY INTEREST

Changes in minority interest during the period are as follows:

	2007	2006
1 January	199	85,230
Decrease in minority interests due to increase in parent company shares in Subsidiaries	-	(17,526)
Net income attributable to minority interest	38	3,755
Translation reserve	28	3,812
Allocation of trademark value of Tansaş to minority interest (Note 17)	-	62,262
Transfer to equity due to the merger with the Subsidiary (Tansaş)	-	(137,334)
31 December	265	199

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Markets Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of Ykr 1. The Company's historical authorised and paid-in share capital at 31 December 2007 and 2006 is as follows:

	2007	2006
Ceiling on registered share capital (historical)	190,000	190,000
Historical authorised and paid-in share capital	178,030	176,267

Companies in Turkey may exceed the ceiling on registered share capital in the event of the issuance of free shares to existing shareholders.

The shareholders of Migros and their shareholdings to capital with historical figures as at 31 December 2007 and 2006 are stated below:

	2007		2006	
Shareholders	Share %	Amount	Share %	Amount
Koç Holding A.Ş.	50.83	90,497	50.83	89,601
Publicly held	49.17	87,533	49.17	86,666
Total capital	100.00	178,030	100.00	176,267
Adjustment to share capital (*)		(77,165)		(77,165)
Total paid-in capital		100,865		99,102

(*) Adjustment to share capital represents the restatement effect of cash contributions to share capital (Notes 26-27-28).

The issued and paid-in capital amounting to YTL 178,030 (31 December 2006: YTL 176,267) has been divided into 17,803,000,000 shares (31 December 2006: 17,626,686,600 shares) with a nominal value of YKr 1. There are no privileged shares.

There is a pledge on 8,085,305,000 units of shares which Koç Holding A.Ş. owns in the Company and that has been given in favour of J.P. Morgan Europe Limited, pursuant to the share pledge agreement entered into between Koç Holding A.Ş. and J.P. Morgan Europe Limited on 20 January 2006 within the terms of the Secured Term Facility Agreement signed on 20 January 2006 between Koç Holding A.Ş., J.P. Morgan Europe Limited and J.P. Morgan Chase Bank N.A..

NOTE 26 - 27 - 28 - CAPITAL RESERVES, PROFIT RESERVES AND RETAINED EARNINGS

Capital surplus

Capital surplus (share premium), totalling to an amount of YTL 18,854 at historical cost, includes the net proceeds of YTL 23 from the offering of the shares remaining from the unexercised pre-emptive rights in the share capital increase in 1997 and YTL 18,831 in revenue from the sale of 75,000,000 shares in the ISE Wholesale Market by restricting the pre-emptive rights in accordance with the resolution of the Board of Directors dated 5 August 1998 (total net YTL 152,855 expressed in terms of the purchasing power of the YTL as of 31 December 2004). This surplus is added to shareholders' equity and is not available for distribution.

Profit reserves, shareholders' equity restatement differences and retained earnings

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

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 share 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 share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Publicly held companies are subject to dividend requirements regulated by the CMB as follows:

Pursuant to resolution of the Capital Markets Board dated January 8, 2008 and the number 4/138, for the joint stock companies of which shares are listed in the stock exchange, the minimum profit distribution rate will be 20% (December 31, 2006:20%) effective from January 1, 2008. Accordingly, based on the decision of the general assembly, the companies were allowed to carry out such distribution in the form of cash or bonus shares issued by means of adding the dividend to the capital or by distribution of a certain percentage of cash and bonus shares, and in the event the first dividends are less than 5% of the paid-in/issued capital, the partnership was allowed to retain the said amount without distribution , yet the ones which will distribute dividend from the profit for the period earned as a result of 2007 activities among those joint stock companies that increase their capital without carrying out a dividend distribution for the previous period and divide their shares as "new" and "old " must distribute the first dividend in cash.

In accordance with the CMB Communiqué XI-25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted off in the calculation of the distributable profit. In addition, the net-off of such an accumulated deficit against current period income and retained earnings, if any, extraordinary reserves, legal reserves and reserve for restatement difference of shareholder's equity can be made according to the related CMB Communiqué. In the case of a share capital increase as a result of a transfer from the shareholders' equity reserve accounts, such an increase will be made from the lesser of the amounts as determined by CMB regulations or legal requirements.

"Retained earnings" arising from the first-time application of inflation accounting and "retained earnings" arising from the first-time adoption and preparation of the comparative financial statements in accordance with Communiqué XI-25/IFRS, can be used either for a capital increase or to pay cash dividends to shareholders. In accordance with Communiqué XI-25, companies are obliged to distribute at least 20% (2006: 20%) of their distributable profit which is calculated based on the financial statements prepared in accordance with CMB Accounting Standards. Based on the decision of the general assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. Net income of subsidiaries, join-ventures and associates, included in consolidated net income, is not considered in the profit distribution if a decision on profit distribution has not been taken in the general assemblies of these companies.

In accordance with the Communiqué XI-25, when an entity adopts inflation accounting for the first time, items of statutory shareholders' equity such as share capital, capital surplus, legal reserves, statutory reserves, special reserves and extraordinary reserves are presented at their historical amounts. The difference between the restated and historical amounts of these items is presented in shareholders' equity in full as restatement difference.

Shareholders' equity restatement differences can be netted-off against prior years' losses and used as an internal source in capital increase, shareholders' equity restatement differences related to reserves on which there are no prohibitions for profit distribution can be used in distribution of cash dividends where extraordinary reserves at historical amounts can be netted-off against prior years' losses, used as an internal source in capital increase and distribution of cash dividends to shareholders.

In accordance with the above explanation, the composition of the Company's shareholders' equity as of 31 December 2007 and 2006 according to the Communiqué XI-25 is as follows:

	2007	2006
Share capital	178,030	176,267
Capital surplus	18,854	18,854
Financial assets fair value reserve	24,543	14,865
Shareholders' equity restatement differences	175,758	175,758
Legal reserves	18,487	13,410
Extraordinary reserves	71,932	78,608
Translation reserve	(6,457)	(30,202)
Additional contribution to shareholders' equity related to merger	119,422	119,422
Net income for the period	552,875	78,686
Retained earnings	315,624	277,102
Total shareholders' equity	**1,469,068**	**922,770**

(*) The additional contribution to shareholders' equity is composed of the amount transferred to the shareholders' equity from the minority shares as a result of merger of Migros with Tansaş on 1 July 2006.

The details of the differences between the restated and historical amounts of statutory shareholders' equity items presented above are as follows:

	2007			2006		
	Historical Amounts	Restated Amounts	Shareholders' Equity Restatement Differences	Historical Amounts	Restated Amounts	Shareholders' Equity Restatement Differences
Share capital	178,030	100,865	(77,165)	176,267	99,102	(77,165)
Capital surplus	18,854	152,855	134,001	18,854	152,855	134,001
Legal reserves	18,487	43,741	25,254	13,410	38,664	25,254
Extraordinary reserves	71,932	165,600	93,668	78,608	172,276	93,668
Total	287,303	463,061	175,758	287,139	462,897	175,758

NOTE 29 - FOREIGN CURRENCY POSITION

	2007	2006
Assets	321,421	348,638
Liabilities	(288,743)	(911,924)
Net foreign currency liability/(asset) position	32,678	(563,286)

YTL equivalent of foreign currency amounts

	2007				
	USD	Euro	Kazakhstan tenge	Other currencies	Total YTL
Cash and cash equivalents	106,378	6,151	12,806	4,610	129,945
Marketable securities	27,383	853	-	-	28,236
Trade receivables	426	-	2,193	1,318	3,937
Due from related parties	-	-	-	-	-
Other current assets	153,558	-	529	194	154,281
Financial assets	-	-	-	-	-
Other non-current assets	-	-	5,022	-	5,022
Total assets denominated in foreign currencies	287,745	7,004	20,550	6,122	321,421

	2006				
	USD	Euro	Kazakhstan tenge	Other currencies	Total YTL
Short-term financial liabilities	84,534	33,294	-	-	117,828
Long-term financial liabilities	76,584	66,079	-	-	142,663
Trade payables	6,523	3	12,889	5,404	24,819
Due to related parties	-	-	-	-	-
Other liabilities	610	-	1,530	1,293	3,433
Total liabilities denominated in foreign currencies	168,251	99,376	14,419	6,697	288,743

			2006			
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Cash and cash equivalents	12,121	3,249	17,222	9,253	6,163	48,008
Marketable securities	56,145	2,966	-	-	-	59,111
Trade receivables	18,271	200	1,516	589	1,840	22,416
Due from related parties	323	-	285	-	18	626
Other current assets	4,091	-	45,506	489	1,032	51,118
Financial assets	123,157	9,069	-	-	-	132,226
Other non-current assets	1,561	-	30,565	3,007	-	35,133
Total assets denominated in foreign currencies	215,669	15,484	95,094	13,338	9,053	348,638

			2006			
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Short-term financial liabilities	136,910	43,128	-	-	-	180,038
Long-term financial liabilities	446,672	125,388	-	-	-	572,060
Trade payables	12,130	1,187	106,096	10,403	7,668	137,484
Due to related parties	22	143	1,344	-	-	1,509
Other liabilities	591	-	16,401	1,191	2,650	20,833
Total liabilities denominated in foreign currencies	596,325	169,846	123,841	11,594	10,318	911,924

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

As of the dates of the reporting period, the Group has no government incentives and grants which have been utilized or are to be utilized.

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given at 31 December 2007 and 2006 are as follows:

	2007	2006
Letters of guarantees given	71,860	27,464

Migros is the guarantor of loan agreements signed by Ramstore Kazakhstan and IFC on 30 July 1999 and 22 November 2001 in the amount of USD 11 million and USD 1.9 million, respectively, as per the agreements signed on the same date. In the event the Migros ceases to be a guarantor, Ramstore Kazakhstan Samal shopping mall and hypermarket (25,050 sqm) and the assets in Astana (3,194 sqm) and Tastak (2,020 sqm) supermarkets will be pledged.

b) Guarantees received at 31 December 2007 and 2006 are as follows:

	2007	2006
Guarantees obtained from customers	49,761	55,022
Guarantees obtained due to the sale of joint-venture	148,379	-
	198,140	55,022

c) The future aggregate minimum lease payments under non-cancellable operating leases of land and stores are as follows:

	2007	2006
Payable within 1 year	2,074	12,749
Payable in 1 to 2 years	2,074	10,527
Payable in 2 to 5 years	6,222	25,838
Payable in 5 to 10 years	7,161	24,218
Payable after 10 years	-	26,314
	17,531	99,646

d) Kazakhstan and Kyrgyzstan's tax legislation are subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of Ramstore Kazakhstan may not coincide with that of the management. As a result transactions may be challenged by tax authorities and Ramstore Kazakhstan may be assessed for additional taxes, penalties and interest, which can be significant. The period remains open to review by Kazakh tax authorities for five years.

e) There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour issues constitute the majority of these lawsuits. The Company management assesses the outcomes of these lawsuits and the financial effects thereof, and the required provisions are made in accordance with expected gains and liabilities. As of 31 December 2007 such provisions amount to YTL 6,795 (2006: YTL 7,188).

f) As of 31 December 2007, Migros has a liability of annual paid leave due to its employees which have been earned yet have not been used with its present value in the amount of YTL 2,820 as calculated based on the actuarial assumptions. As per the company policy, in order to encourage the employees to use their leaves, no provision was reserved for the said liability in the consolidated financial statements pertaining to the interim fiscal period between 1 January-31 December 2007.

NOTE 32 - BUSINESS COMBINATIONS

On 30 June 2006 the Company acquired 50% of the shares of Harranova Besi for YTL4,982. Goodwill in the amount of YTL1,962 has been recognised as an asset and has initially been measured as the excess of the cost of the acquisition over the fair value of acquiree's assets, liabilities and contingent liabilities. Details of the fair values of net assets and liabilities acquired at 30 June 2006 are as follows:

Purchase consideration	4,982
Fair value of identifiable assets, liabilities and contingent liabilities	3,020
Goodwill	1,962
Trade receivables	2,327
Inventories and biological assets	8,366
Property, plant and equipment	13,390
Other assets	4,455
Bank borrowings	(24,449)
Other liabilities	(1,069)
Fair value of identifiable assets, liabilities and contingent liabilities	3,020

NOTE 33 - SEGMENT INFORMATION

In these consolidated financial statements for the period at 31 December 2007 and 2006, the primary reportable segments comprise the geographical segments.

Geographical segments are distinguishable economic components of an enterprise subject to risks and returns that are different from those operating in other economic environments.

Wholesale and rent income are not identified as a different reportable section on the grounds of materiality in accordance with IAS 14 and accordingly the industrial segments are not presented as secondary segment reporting (Note 36). Within this framework, retailing is presented as the sole reportable business segment in these consolidated financial statements.

a) Net sales	2007	2006
Turkey	4,251,932	3,699,282
Kazakhstan	141,971	100,921
Bulgaria (Note 1)	26,965	33,940
Azerbaijan	17,104	15,743
Net sales from continuing operations	4,437,972	3,849,886
Net sales from discontinued operations	355,387	423,083

b) Net Operating profit	2007	2006
Turkey	188,567	164,879
Kazakhstan	11,332	11,041
Bulgaria	2,893	2,474
Azerbaijan	1,070	807
Net sales from continuing operations	203,862	179,201
Net sales from discontinued operations	9,555	25,885

c) Segmental analysis for the period of 1 January-31 December 2007

	Turkey	Azerbaijan	Bulgaria	Kazakhstan	Total Combined	Inter-segment elimination	Total	Discontinued operations
External revenues	4,251,932	17,104	26,965	141,971	4,437,972	-	4,437,972	355,387
Inter-segment revenues	9,724	-	-	-	9,724	(9,724)	-	-
Revenues	4,261,656	17,104	26,965	141,971	4,447,696	(9,724)	4,437,972	355,387
Cost of sales	(3,232,601)	(12,771)	(17,239)	(106,932)	(3,369,543)	9,724	(3,359,819)	(238,642)
Gross profit	1,029,055	4,333	9,726	35,039	1,078,153	-	1,078,153	116,745
Selling and marketing expenses	(637,719)	(1,182)	(3,601)	(16,212)	(658,714)	-	(658,714)	(70,444)
General and administrative expenses	(202,769)	(2,081)	(3,232)	(7,495)	(215,577)	-	(215,577)	(36,746)
Net operating profit	188,567	1,070	2,893	11,332	203,862	-	203,862	9,555

d) Segmental analysis for the period of 1 January-31 December 2006

	Turkey	Azerbaijan	Bulgaria	Kazakhstan	Total Combined	Inter-segment elimination	Total	Discontinued operations
External revenues	3,699,282	15,743	33,940	100,921	3,849,886	-	3,849,886	423,083
Inter-segment revenues	8,753	-	-	-	8,753	(8,753)	-	-
Revenues	3,708,035	15,743	33,940	100,921	3,858,639	(8,753)	3,849,886	423,083
Cost of sales	(2,798,310)	(11,825)	(23,100)	(73,514)	(2,906,749)	8,753	(2,897,996)	(291,961)
Gross profit	909,725	3,918	10,840	27,407	951,890	-	951,890	131,122
Selling and marketing expenses	(559,490)	(1,123)	(4,605)	(4,675)	(569,893)	-	(569,893)	(59,466)
General and administrative expenses	(185,356)	(1,988)	(3,761)	(11,691)	(202,796)	-	(202,796)	(45,771)
Net operating profit	164,879	807	2,474	11,041	179,201	-	179,201	25,885

e) Geographical segment assets employed

Total assets	2007	2006
Turkey	2,850,958	2,346,707
Russian Federation (Note 1)	-	561,797
Bulgaria (Note 1)	35,866	60,457
Kazakhstan	67,005	58,597
Azerbaijan	8,971	9,088
Total combined	2,962,800	3,036,646
Less: Inter-segment elimination	(133,075)	(246,714)
Total assets as per consolidated financial statements	2,829,725	2,789,932

	2007	2006
Net assets		
Turkey	1,522,493	895,318
Russian Federation	-	188,587
Kazakhstan	35,729	31,372
Bulgaria	31,241	26,857
Azerbaijan	6,689	6,941
Total combined	1,596,152	1,149,075
Less: Inter-segment elimination	(126,819)	(226,106)
Total net assets	1,469,333	922,969
Less: Minority interest	(265)	(199)
Total shareholder's equity as per consolidated financial statements	1,469,068	922,770

f) Capital expenditures, depreciation and amortisation

	2007	2006
Capital expenditures		
Turkey	169,923	123,183
Discontinued operations	44,195	97,931
Kazakhstan	4,846	5,568
Azerbaijan	92	345
Bulgaria	119	890
	219,175	227,917

	2007	2006
Depreciation and amortisation		
Turkey	91,134	83,740
Discontinued operations	15,917	16,738
Bulgaria	1,369	2,219
Kazakhstan	1,518	1,438
Azerbaijan	337	402
	110,275	104,537

g) Minority interest

	2007	2006
Bulgaria	265	199
	265	199

NOTE 34 - SUBSEQUENT EVENTS

a) Pursuant to the resolution of the Board of Directors of Koç Holding, the parent company of Migros, dated 13 February 2008, the Holding decided to sell its 50.83% of shares of Migros to Moonlight Capital S.A. controlled by BC Partners or to the companies or the parties to be set by Moonlight Capital S.A. following signing of the share transfer agreement.

b) The Group decided to repay the loans before the expiry of the term on 11 February 2008, which were borrowed on 9 February 2007, a total amount of USD 10 million; USD 5 million being from ABN Amro Bank and USD 5 million being from Citibank with a term of 5 years to be utilized for the investment expenses in its joint venture Ramenka, where the Group holds 50% controlling interest.

NOTE 35 - DISCONTINUED OPERATIONS

a) The Group signed a share transfer agreement dated 11 September 2007 with Enka Holding Investment S.A. regarding the sale of all its shares in Ramenka, a joint-venture where the Group held 50% controlling interest, in return for USD 542.5 million. After the permit was obtained from the Competition Board of Federation of Russia and the other conditions precedent were fulfilled, the transfer of shares was completed on 9 November 2007. The profit in the amount of YTL 379,991 that arose out of the said transaction was recorded under the other operating income and gains (Note 38).

A summary of income statement of Ramenka for the period of 1 January-31 October 2007 is as follows:

	1 January 2007- 31 October 2007
Income	370,586
Expenses	(369,883)
Income before tax from discontinued operations	703
Taxes on income	(7,085)
Loss after tax from discontinued operations	**(6,382)**

b) Ramstore Bulgaria closed down its three stores and stopped its retailing operations as of March 2007. The Group sold the land of its Sophia store and the whole building including the equipment and installations, which are seen among its assets, in return for 8,500 Euro (YTL11,625), VAT excluded. The profit that was earned in the amount of 2,400 Euro (YTL4,157) due to such sale was classified under the field of income and profit from other activities.

NOTE 36 - OPERATING REVENUE

	2007	2006
Domestic sales	4,315,477	3,770,817
Foreign sales	524,569	553,938
	4,840,046	4,324,755
Other sales	20,238	24,837
	4,860,284	4,349,592
Less: Discounts and returns	(66,925)	(76,623)
Sales revenue - net	4,793,359	4,272,969
Cost of sales	(3,598,461)	(3,189,957)
Gross operating profit	1,194,898	1,083,012

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

	2007	2006
Retail sales	4,655,020	4,139,176
Rent income	118,517	111,579
Wholesale	66,509	74,000
	4,840,046	4,324,755

NOTE 37 - OPERATING EXPENSES

	2007			2006		
	General and Administrative Expenses	Selling and Marketing Expenses	Total	General and Administrative Expenses	Selling and Marketing Expenses	Total
Staff costs	92,255	269,513	361,768	70,679	247,051	317,730
Rent expense	2,679	159,632	162,311	20,687	124,574	145,261
Depreciation and amortisation	110,275	-	110,275	104,537	-	104,537
Transportation, porterage and cleaning expenses	-	91,968	91,968	-	82,268	82,268
Energy expenses	1,809	59,799	61,608	1,818	52,092	53,910
Repair, maintenance and security expenses	2,991	45,861	48,852	10,807	36,394	47,201
Advertising expenses	-	43,400	43,400	-	45,280	45,280
Warehouse expenses	-	14,489	14,489	-	5,558	5,558
Taxes and other fees	6,631	4,538	11,169	7,581	1,635	9,216
Communication expenses	3,749	5,783	9,532	2,923	5,838	8,761
Travelling expenses	5,873	2,944	8,817	4,833	2,710	7,543
Mechanisation expenses	1,130	6,048	7,178	1,983	4,152	6,135
Insurance premiums	1,358	4,751	6,109	1,550	3,504	5,054
Donations	3,851	-	3,851	1,742	-	1,742
Stationary expense	858	2,034	2,892	1,273	2,109	3,382
Employment termination benefits-net	552	1,756	2,308	374	1,239	1,613
Parent company service charges	1,974	-	1,974	3,530	1,693	5,223
Other	16,338	16,642	32,980	14,250	13,262	27,512
Total	252,323	729,158	981,481	248,567	629,359	877,926

NOTE 38 - OTHER OPERATING INCOME/EXPENSE AND GAINS/LOSSES

Other operating income and gains

	2007	2006
Income from sale of joint-venture	379,991	-
Foreign exchange gain	86,068	33,244
Interest income on marketable securities	26,387	9,960
Interest income on bank deposits	24,477	32,963
Income from sale of available-for-sale investments (Note 16)	18,418	-
Due date charges on credit sales	11,278	21,777
Income from sales of property, plant and equipment	4,104	946
Unutilised provisions	3,533	15,452
Income from transfer of shopping mall	3,396	-
Income from scrap good sales	2,976	2,212
Cash discount	2,744	1,902
Dividend income	462	-
Other	4,376	4,563
	568,210	123,019

Unutilised provisions comprise provisions for lawsuits and compensation, employment termination benefits, unbilled goods and other balance sheet provisions that have been cancelled during the period and included in the consolidated statement of income.

Other operating expenses and losses

	2007	2006
Foreign exchange loss	(34,434)	(238)
Closed store expenses of joint-venture	(4,763)	-
Bad debt provision expenses (Note 7)	(3,663)	(1,068)
Credit cards commission expense	(1,928)	(2,630)
Loss of sale of associate (Note 16)	(1,688)	-
Impairment loss of property, plant and equipment (Note 19)	(1,280)	(4,289)
Other	(5,797)	(1,954)
	(53,553)	(10,179)

NOTE 39 - FINANCIAL EXPENSES

	2007	2006
Interest expense on bank borrowings	(44,235)	(52,000)
Interest expense on term purchases	(43,562)	(65,636)
Foreign exchange loss from financial activities	(478)	(41,791)
Other	(1,385)	(444)
	(89,660)	(159,871)

NOTE 40 - MONETARY GAIN/LOSS

None.

NOTE 41 - TAXES ON INCOME

Turkish tax legislation does not permit a parent company and its Joint-ventures to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkey

Corporation tax rate for the year 2007 is 20% (2006: 20%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. 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).

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TSI WPI increase rate). Since these conditions in question were not fulfilled during the years 2006 and 2007, no inflation adjustments were performed.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2006: 20%) on their corporate income. Advance tax is declared by the 14th and is payable 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. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those concerning the Company are explained as follows:

Domestic participation exemption

Dividends obtained from Turkish resident corporations (except dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the sale of shares at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Foreign company participation exemption

If the below conditions are fulfilled, participation revenues obtained from abroad and those transferred to Turkey by the date when the corporate tax declaration regarding the taxation period in which they are obtained is filed shall not be subject to corporate tax in Turkey.

Conditions are those that the Turkish resident company holds at least a 10% stake for a continuous period of a year in the non-resident company, the total tax burden of the non resident company is at least 15% (for insurance and financing leasing companies the tax burden should be equal to at least the corporate tax burden in Turkey) and the profit is transferred to Turkey in cash till the corporate tax declaration date.

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

75% of the gains derived from the sale of investment equity, real property, preferential rights, usufruct shares and founding shares which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales value has to be collected until the end of the second calendar year following the year the sale was realised.

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 period.

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.

Transfer pricing

Article 13 of Corporation Tax Law numbered 5520 introduces new arrangements about the transfer pricing came into force as of 1 January 2007. Significant changes took place in the arrangements related to the transfer pricing following the respective article based on the transfer pricing guidance of EU and OECD. In this framework, the entities are required to use the prices or amounts to be determined according to the peers for the purpose of sales or service buy and sale transactions carried out with affiliated persons. The principle of suitability with the peers means that the price or amount to be used for the purpose of goods or service buy and sale carried out with the affiliated persons is suitable for the price or amount that would have arisen if there had been no relation between them. The entities will determine the prices or amounts suitable for the peers that will be applied for the purpose of transactions carried out with the affiliated persons by using the methods laid out in the respective law according to the nature of the transaction. The records, tables and documents related to the calculation of the prices or amounts determined in accordance with the principle of suitability with the peers must be kept by the entities as the evidencing documents. Also, the entities will draw up a report containing the information and documents related to the transactions carried out with the affiliated persons during a fiscal year.

In the event goods or services are bought or sold over the prices or amounts determined in breach of the principle of suitability with the peers, the profit will be deemed to have been partially or fully distributed as disguised by means of transfer pricing. The profit partially or fully distributed as disguised by means of transfer pricing will be deemed to be the profit share distributed on the last day of the fiscal year when the conditions listed in article 13 have been fulfilled or the amount transferred to the head office for the limited tax payers. A tax withholding will be made over the amount calculated as a result of assuming the profit share distributed by means of transfer pricing as the net profit share and completing such amount to gross amount according to the legal quality of the shareholders. The taxation transactions previously made will be adjusted in the tax payers who are party to such transactions. However, the taxes imposed on the entity that uses disguised capital should have become final and should have been paid-in to be able to make such correction. The amount to be taken into consideration in case of adjustment to be carried out for the entities distributing disguised profit should be finalized and paid-in amount.

In order to clarify the application after the provisions related to transfer pricing came into force as of January 1, 2007, the Ministry of Finance published on November 18 , 2007 General Communiqué On "Disguised Profit Distribution through Transfer Pricing" (Series No: 1).

Russian Federation

The applicable tax rate is 24% in Russian Federation.(2006: 24%).

Under the Russian taxation system tax losses can be carried forward to offset future taxable profits over the subsequent 10 years. The maximum offset in any one year is limited to 30% (2006: 30%) of the total taxable income of the year. Losses not utilised in the eligible periods cannot be carried forward.

Income tax rates applied in the Kazakhstan, Bulgaria, Macedonia, Azerbaijan and Kyrgyzstan are 30%, 10%, 12%, 22% and 10% respectively (2006: 30%, 15%, 15%, 22% and 10%).

The taxation on income for the periods ended at 31 December is summarised below:

	2007	2006
Current period taxation charge	(53,441)	(10,053)
Deferred tax charge (Note 14)	(32,276)	(66,270)
Taxation on income	**(85,717)**	**(76,323)**

NOTE 42 - EARNINGS 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 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, 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:

	2007	2006
Net income attributable to the shareholders	552,875	78,686
Weighted average number of shares with YKr 1 face value each ('000)	17,803,000	17,803,000
Earnings per share (YKr)	3.11	0.44

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

NOTE 43 - STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows are presented together with the primary consolidated financial statements.

NOTE 44 - DISCLOSURE OF MATTERS THAT HAVE SIGNIFICANT EFFECTS ON FINANCIAL STATEMENTS OR THAT NEED TO BE EXPLAINED FOR THE CLEAR INTERPRETATION AND COMPREHENSION OF THE FINANCIAL STATEMENTS

None.

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