Annual Report 2006

MiGROS

Together we are bigger.

Koç

THE ORDINARY GENERAL ASSEMBLY MEETING FOR THE 52nd YEAR OF ACTIVITIES

APRIL 5, 2007 AT 11:30, ISTANBUL

Contents

MİGROS TÜRK T.A.Ş.

MiGROS

Epicenter of Pleasant Shopping

As the leader of its sector in modern retailing, Migros serves its customers in 46 cities and seven geographical regions with the broadest range of offerings and the most pleasant shopping experience. As an innovator of many practices in its fifty-two year history in the sector, Migros serves its customers with an ever-innovative style and a focus on customer satisfaction. With the dynamism created by the merger with Tansaş, Migros is further reinforcing its "Honest Retailer" image in the eyes of its customers.

Tansaş

Best Value for Your Money

Tansaş, known for its fresh produce, low prices and excellent customer service, continues to offer its customers the best value for their money. It is now located in the Marmara, Mediterranean, Central Anatolia and Western Black Sea regions in addition to its birthplace in the Aegean region. With its "Incredible Consumer Rights," Tansaş is always a step ahead of its competitors.

ŞOK

There is No Cheaper

Şok Discount Markets, the leading soft discount grocery store chain, is always close to you. With recently redesigned brand positioning, Şok Markets always offer the cheapest, most competitive pricing along with promotional campaigns, especially for their own brand products. Şok Discount Markets stock consumer basics such as meat, fresh produce, dry food, beverages, detergent and paper products; they are offered in stores very close to the customers' homes at everyday low prices and daily discounts.

CONSOLIDATED INDICATORS

Net Sales	Net Operating Profit	EBITDA
4,275 TRY million	207 TRY million	313 TRY million
↑ 59%	↑ 94%	↑ 69%

Exclusively for You

Singling itself out from competition with high service standards and product variety as the representative of chain boutique retailing with its "for You" style, Macrocenter operates eight stores in Istanbul. With its broad variety of gourmet products and an atmosphere that is easily distinguishable from other supermarkets, Macrocenter makes its customers feel privileged and special thanks to their well-stocked, spacious stores.

Gateway to the globe

With the support of its customers, the leader in the Turkish retailing sector is on its way to becoming a leading regional retail powerhouse. Migros operates in six countries outside Turkey; Russia, Kazakhstan, Bulgaria, Azerbaijan, Macedonia and Kyrgyzstan, with 80 stores and 12 shopping malls under the Ramstore brand. Ramstore exports pleasant shopping experiences while introducing Turkish products to the world.

One-Stop Shopping

No time to go shopping? Let Kangurum bring your selections right to your door. Kangurum lets you choose from among thousands of products, ranging from cell phones to furniture to flowers and appliances. With a single click Migros Virtual Market delivers orders directly to you in Istanbul, Izmir, Ankara, Mersin, Adana and Antalya.

Pre-tax Profit

155
TRY million

↑ 58%

Number of Customers

298.7
TRY million

↑ 59%

Number of Stores

878

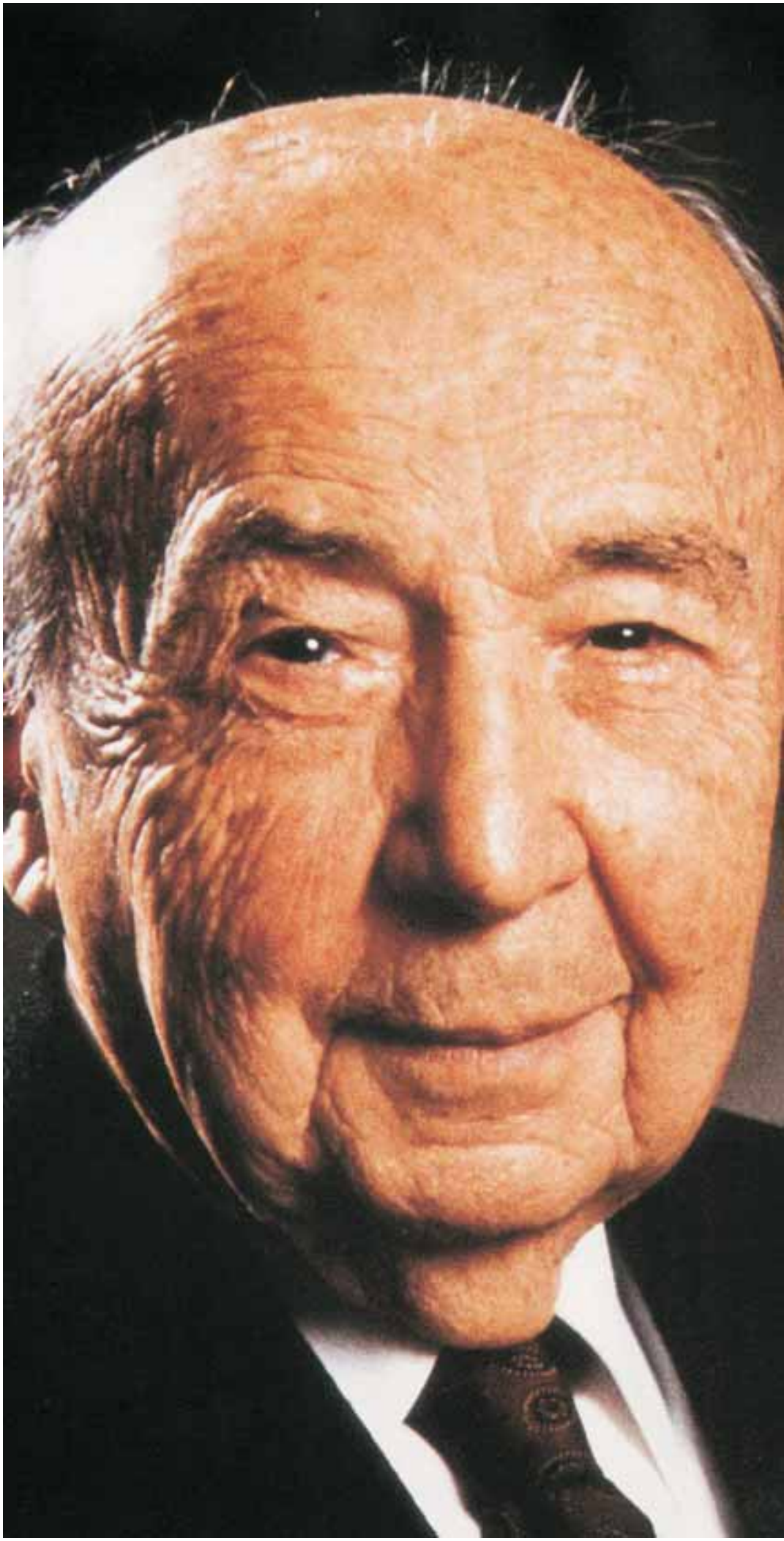
↑ 55%

"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)

We remember with respect...

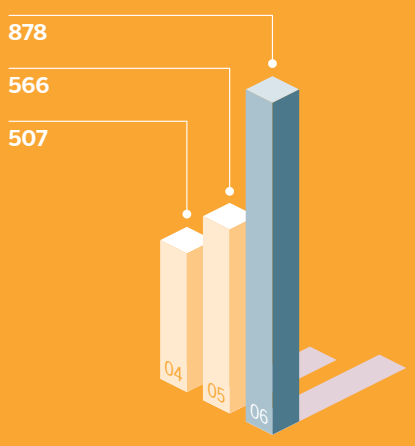


summary consolidated balance sheet

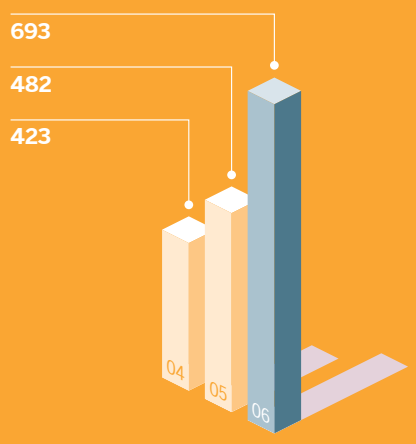
Summary Consolidated Balance Sheet (TRY thousands)	2006	2005	Change (%)
Assets			
Current Assets	1,002,806	743,983	34.8
Non-current Assets	1,787,126	1,616,895	10.5
Total Assets	2,789,932	2,360,878	18.2
Liabilities			
Short-Term Liabilities	1,263,465	888,665	42.2
Long-Term Liabilities	603,498	680,053	(11.3)
Minority Interests	199	85,230	(99.8)
Shareholders' Equity	922,770	706,930	30.5
Total Liabilities and Shareholders' Equity	2,789,932	2,360,878	18.2

Migros Türk continues to grow...

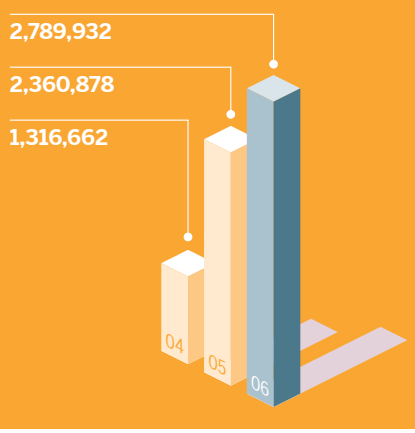
Number of Domestic and International Stores



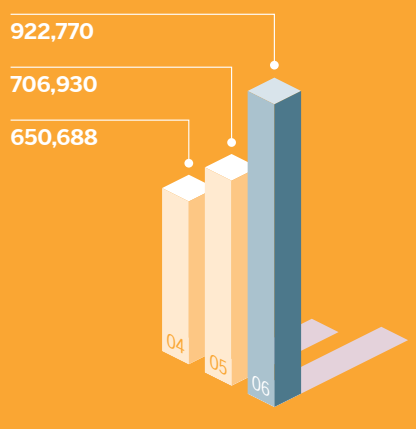
Domestic and International Net Sales Area (thousand square meters)



Total Assets
(TRY thousands)



Total Shareholders' Equity
(TRY thousands)

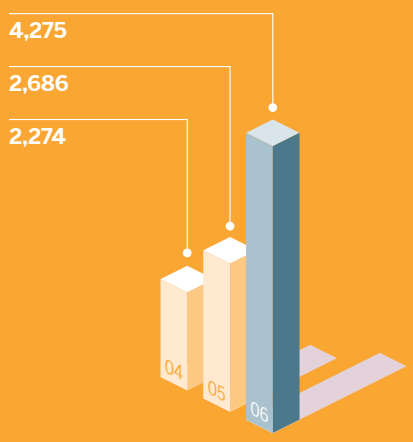


summary consolidated income statement

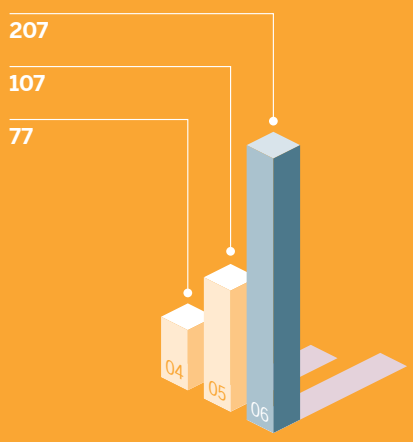
Summary Consolidated Income Statement (TRY thousands)	2006	2005	Change (%)
Sales (net)	4,274,871	2,686,100	59.1
Cost of Sales	(3,189,957)	(2,037,638)	56.6
Gross Operating Profit	1,084,914	648,462	67.3
Operating Expenses	(878,321)	(541,787)	62.1
Net Operating Profit	206,593	106,675	93.7
Other Income/Expenses (net)	(51,584)	(8,396)	514.4
Income before Tax	155,009	98,279	57.7
Taxes on Income	(76,323)	(24,574)	210.6
Net Income	78,686	73,705	6.8
EBITDA	312,579	184,618	69.3

Migros Türk continues to increase its profitability while growing.

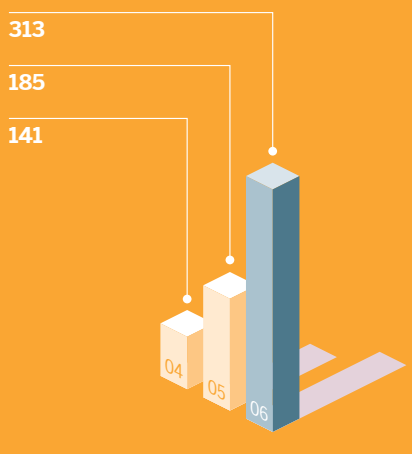
Consolidated Sales (TRY millions)



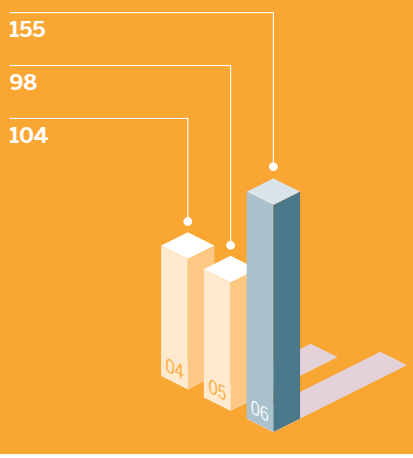
Consolidated Gross Operating Profit (TRY millions)



Consolidated EBITDA (TRY millions)



Consolidated Income Before Tax (TRY millions)



corporate profile

Founded in 1954 in Istanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the Istanbul Municipality, Migros Türk T.A.Ş. embraced its mission to procure food supplies and consumer goods from producers under the supervision of the municipal authorities and offer these products to Istanbul residents in hygienic conditions and at economic prices. Migros opened its first store in the Beyoğlu Fish Market; the Koç Group acquired the majority shares of the company in 1975, after which the number of stores and its brand equity grew rapidly.

Making a major leap forward and further strengthening its market-leading position by acquiring Tansaş, Migros offered its customers differentiated brands under different formats thanks to the synergy created by this acquisition.

The number of Migros stores reached 878 by the end of 2006, made up of 84 M, 84 MM, 34 MMM, 357 Şok, 3 hypermarket, 228 Tansaş and 8 Macrocenter outlets throughout the seven geographical regions in Turkey; 3 Ramstores in Azerbaijan, 64 Ramstores in Russia, 7 Ramstores in Kazakhstan, 3 Ramstores in Bulgaria, 2 Ramstores in Macedonia and 1 Ramstore in Kyrgyzstan through its foreign subsidiaries. Migros continues to be the sector leader with a half-century of experience.

Migros expanded the services it offers by providing an ordering service via alternative shopping channels such as the Internet, telephone, kiosk, catalog and cell phone, as well as home deliveries.

As the undisputed leader in the modern retail sector in Turkey, Migros works to satisfy the needs of its customers through a broad range of products from stationery to glassware, appliances to books, CD to ready-to-wear clothing, in addition to food and consumer goods, in large, efficiently designed stores.

In addition to the confidence it places in its human resources, Migros strives to offer the latest technological advances to its customers. With an emphasis on and investments in information technology, Migros will always be a step ahead of its competitors in the sector.

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Vision

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.

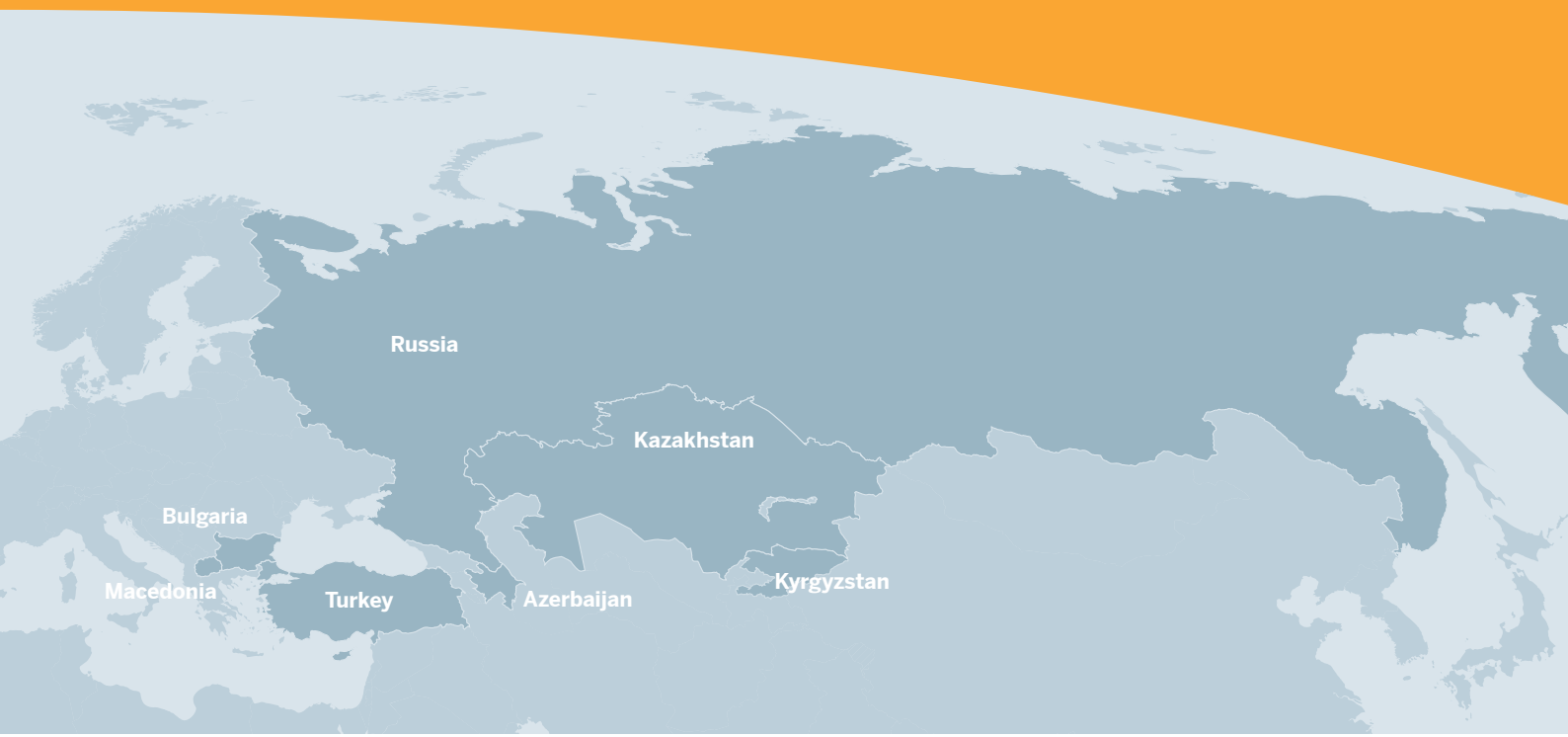
Mission

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.

Strategies

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 derived from our traditional Koç values.



milestones 52nd year

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

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

1980-1990: Migros opened its main Bayrampaşa warehouse 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 dry goods.

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

1991-1993: Migros had a public offering in 1991 and its shares were listed on the Istanbul 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 holiday resort areas such as Marmaris, Bodrum, Silivri and Yalova to its existing store network in big cities like Istanbul, Izmir, 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 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 the most successful company in Turkey by Euromoney magazine.

Migros launched the Şok discount markets in 1995, registering 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 through 124 stores in 20 cities in six geographical regions by the end of 1996.

1997: Migros expanded its international operations with the opening of its Ramstore Shopping Mall in Moscow.

Migros became the pioneer of online shopping by introducing the Migros Virtual Market.

Migros stores in Turkey totaled 175, with 169 stores in Turkey and six in Baku and Moscow.

1998: Operating throughout six geographic regions, Migros penetrated into new cities including Denizli, Hatay, Isparta, Elazığ and Kahramanmaras, for a total service area of 27 cities.

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

To enhance customer loyalty and launch campaigns in line with customer demands, Migros initiated its first Customer Relations Management (CRM) practice with Migros Club.

1999: Migros continued its rapid growth abroad, opening another Ramstore in a third country, 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 the Kazakh consumers as a giant trade and activity center. With the advantages offered domestically and the new route opened by Migros by the end of 1999, the number of Migros Club cardholders reached 2.5 million.

2000: Migros launched Turkey's first online shopping center, Kangurum, which initially offered 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 opened its 16th Ramstore in Sofia, Bulgaria, its fourth country abroad and initiating westward expansion of Ramstores in addition to the existing eastward presence.

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

2002: Migros opened 1 MMM, 5 MM and 4 M Migros stores and 23 Şok stores domestically, as well as 8 Ramstores, 6 in Russia, 1 in Bulgaria and 1 in Azerbaijan, internationally, for a total of 41 new outlets in 2002.

By the year-end, Migros had a total of 452 stores; 65 M, 58 MM, 30 MMM, 273 Şok stores and 3 shopping malls and hypermarkets in Turkey, along with 3 Ramstores in Baku, 15 in Moscow, 3 in Kazakhstan, and 2 in Sofia.

2003: Achieving its goal of "one new store per week," Migros opened a total of 55 new stores in 2003: 3 MMM, 10 MM and 12 M stores along with 18 Şok stores in Turkey, 10 stores in Russia, 1 in Bulgaria and 1 in Azerbaijan.

By year-end 2003, Migros had a total of 484 stores; 73 M, 68 MM, 33 MMM, 273 Şok stores, 3 shopping malls and hypermarkets throughout all seven geographic regions domestically and 3 Ramstores in Baku, 25 in Moscow, 3 in Kazakhstan and 3 in Sofia internationally.

In conjunction 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, emphasizing its target to maintain its leadership in the modern retailing sector in Turkey in the next fifty years. During the celebrations, Migros set alight the retail torch on the Galata Bridge, where it first set to road.

In April, Migros opened the first shopping mall in Ordu, in the Black Sea Region, followed in December by the opening of an MM Migros in Trabzon. With the opening of M Keykubat, MM Laura and MM Side in Antalya and MM Tece in Mersin, Migros was now serving in 40 cities.

Migros opened 44 new outlets 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 in Rostov, Saint Petersburg and Samara each, the store network in Russia expanded to 32 stores in 2004. Migros also opened Ramstore Aynabulak and Ramstore Atakent in Kazakhstan, as well as Ramstore Lozanets in Bulgaria.

2005: Making 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 due to the synergy created by this acquisition.

Macedonia became the fifth foreign country in which Migros operates. As the largest Turkish investment into this country, the consumers of Skopje greeted the 25,000 square-meter Ramstore shopping mall with great interest. Furthermore, investments in Russia continued with 17 new stores in the regions such as Saint Petersburg.

Migros had 505 domestic stores and 566 stores overall including the stores and shopping malls abroad owned through its foreign subsidiaries. The domestic network consisted of 79 M, 79 MM, 33 MMM, 311 Şok markets and 3 hypermarkets, whereas the international one consisted of 3 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 the portfolio of Migros grew to 722. The total number of customers served by Migros continued to grow, reaching 140 million by the end of the year.

With its values, corporate culture, social responsibility and trusted corporate identity, Migros Türk T.A.Ş. continues to serve its customers both domestically and internationally.

message from the chairman

Dear Shareholders,

Welcome to the Annual General Assembly Meeting where we will discuss the financial results of our operations for the 52nd year of Migros Türk T.A.Ş.

The national economy has been undergoing significant transformation in the last few years, as it has been growing uninterruptedly for several years in a way that had not been witnessed yet. The inflation rate fell to single digits from significantly higher levels, a trend which we expect to continue. Macro-economic indicators will continue to improve as long as political and economic stability is maintained. As a result, investments will increase, foreign capital inflows will continue and our country will get the status it deserves in the global markets.

As has been the case so far, we expect the government to continue to fight inflation without abandoning economic and fiscal discipline or pursuing populist policies. Furthermore, reinforcing the measures for the growth of the real economy and for the development of exports will lead to an increase in new investments as well as goods and services production. As a result, the government's tax revenue will increase, the economy will grow, job creation will pick up and eventually people's welfare will be enhanced. We have witnessed a high level of interest from foreign investors in Turkish companies during privatizations of the last two years. Foreign investors acquired existing companies, as well as buying stocks and government bonds. This shows their confidence in the future of our country.

The financial wobbles in May and June of last year throughout global markets was also felt in Turkey with some adverse impacts. However, our economy was able to emerge from this with minimal damage. We have observed that Turkey is now more resilient to external shock compared to previous years. However, consumer credit decreased as a result of higher interest rates, the consumer confidence index retreated and economic growth slowed down in the last two quarters of the year. European Union integration processes and close relations with the IMF continued to be the main pillars of the economy. Delays in some chapters of the European Union accession negotiations will not derail the overall process. What is crucial is our belief and determination as the government as well as the public to integrate with the European Union; and to continue improving our economic, social and legal criteria toward that end. Similarly, adhering to economic criteria agreed upon by Turkey and the IMF will enhance the international credibility of our country.

The food-retailing sector continued to grow and witnessed two significant M&A deals in 2006. As the leader of the sector, we became even stronger by merging with Tansaş through the acquisition of majority shares. Last year was truly a year of integration for Migros from this perspective. By bringing together the best practices of each company, this merger reflected favorably both on our financial results and on our customers.

We have increased our domestic market share by launching 93 new stores in different formats. Internationally, we opened 20 new stores in Russia, Kazakhstan, Macedonia and Kyrgyzstan, including a shopping mall. The 130,000 square-meter Kapitoli launched in Moscow with a US$ 130 million investment is the largest Ramstore Shopping Mall in Russia to date. We have now expanded into six foreign countries with the launch of the store in Bishkek, the capital of Kyrgyzstan.

Due in part to the merger with Tansaş, our consolidated sales grew by 59% in 2006 to reach TRY 4.27 billion, up from TRY 2.69 billion in 2005. Thanks mostly to the strong growth in our domestic business volume, consolidated gross profit increased by 67% to TRY 1.08 billion whereas the gross profit margin edged up to 25.4% from 24.1%. Gross operating profit registered a 94% growth to TRY 206.6 million, due mainly to the improvement in domestic operations. Our EBITDA margin grew to 7.3% from last year's 6.9%, thereby reaching the margins of strong European retail chains, even surpassing many of them. Consolidated pre-tax profit increased 58% to TRY 155 million, up from TRY 98.3 million whereas consolidated net profit went up 7% to TRY 78.7 million from TRY 73.7 million.

We expect economic and political stability to continue in the coming period. As long as reforms continue decisively along with economic discipline, the future is bright for Turkey. From the perspective of the food-retailing sector, it is beneficial for all parties to accelerate the fight against the informal economy through the legal adjustments during the European Union integration process. The fight against informal economy means more tax revenue for the government, cheaper products for the consumers, more investment and a fairer competitive marketplace for organized retailers and new job opportunities for the unemployed.

At Migros, we will continue our efforts to increase both sales and profitability in 2007.

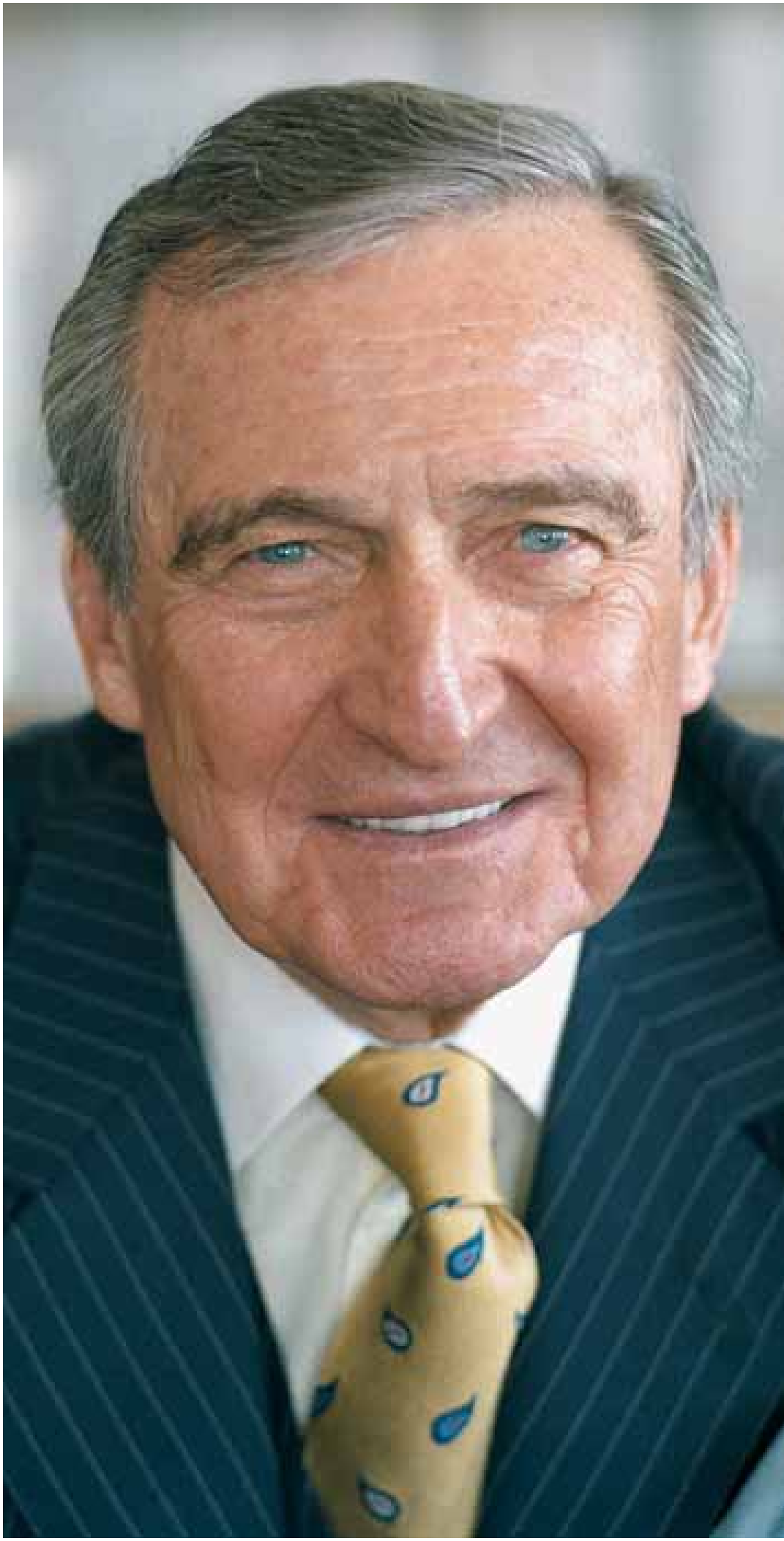
Last year I addressed only Migros shareholders from here. Today, I am also thrilled to address our new partners who swapped their Tansaş shares for Migros shares. I firmly believe that Migros and Tansaş will grow stronger standing side by side and will create another success story hand in hand with their customers, employees and shareholders .

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

Rahmi M. Koç

Chairman of the Board of Directors

We became even stronger by merging with Tansaş, whose majority shares we acquired in 2005. Last year was truly a year of integration for Migros from this perspective. We brought together the best practices of each company.



board of directors

MEETING AGENDA

1. Opening and roll-call of the Presidium,

2. Board of Directors Report on 2006 operations and accounts, presentation and discussion of the Statutory Auditors' Report and the summary of Independent Auditor's Report of Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., approval, amendment or rejection of the Board's proposed Balance Sheet and Income Statement for 2006,

3. Pursuant to Article 315 of the Turkish Commercial Code, approval of the change in Board members during the year,

4. Formal discharge of the Board of Directors and Statutory Auditors for the operations of the company during 2006,

5. Approval, amendment or rejection of the proposal of the Board of Directors on distribution and timing of the company's 2006 profit,

6. Re-election or replacement of the Directors whose terms have expired and determination of term of office for the newly re-elected or appointed Directors,

7. Re-election or replacement of the Statutory Auditors whose terms have expired and determination of term of office for the newly re-elected or appointed Statutory Auditors,

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

9. Decision on setting-off previous years' losses carried over from Tansaş merger, resulting from inflation adjustments in accordance with the provisional article 25 of the Turkish Procedural Tax Code, against the inflation adjustment reserves of the shareholders' equity,

10. Informing the General Assembly about the donations made by the company for social assistance purposes to tax-exempt organizations in 2006,

11. Approval of the Independent Audit Company selected by the Board of Directors pursuant to the regulation of the Capital Markets Board of Turkey regarding Independent Auditing in the Capital Markets,

12. Informing the General Assembly about the company's dividend distribution policies for 2007 and the following years pursuant to the Corporate Governance Principles,

13. Giving consent to the members of the Board of Directors in accordance with the Articles 334 and 335 of the Turkish Commerce Code to carry out the business affairs 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,

14. Authorizing the Presidium to sign the minutes of the General Assembly on behalf of the shareholders,

15. Closing.

Board of Directors	
Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman
Semahat Sevim Arsel	Member
Dr. Nüsret Arsel	Member
Ömer M. Koç	Member
F. Bülend Özaydınlı	Member
Y. Ali Koç	Member
Uğur Çatbaş	Member
Oktay Irsıdar	Member

Statutory Auditors	
Ali Yavuz	Auditor
Serkan Özyurt	Auditor
Ahmet Sönmez	Auditor

Senior Management	
Aziz Bulgu	General Manager
A. Fuat Yanar	Assistant General Manager (Investment)
Erkin Yılmaz	Assistant General Manager (Finance)
M. İhsan Usel	Assistant General Manager (Supply Chain & Logistics Management)
Demir Aytaç	Assistant General Manager (Sales)
Ö. Özgür Tort	Assistant General Manager (Human Resources & Industrial Relations)
Cem Rodoslu	Assistant General Manager (Category Management)

With the addition of Tansaş stores after the merger, Migros Türk stores now total 878 as of year-end 2006; this total consists of 84 M, 84 MM, 34 MMM, 357 Şok, 3 hypermarket, 228 Tansaş and 8 Macrocenter outlets throughout the seven geographical regions of Turkey; 3 Ramstores in Azerbaijan, 64 in Russia, 7 in Kazakhstan, 3 in Bulgaria, 2 in Macedonia and 1 in Kyrgyzstan through its foreign subsidiaries.

report of the board of directors

Board of Directors

The Board of Directors consisted of nine members in 2006, with Rahmi M. Koç as Chairman, K. Ömer Bozer as Vice Chairman and Semahat Sevim Arsel, Dr. Nüsret Arsel, M. Ömer Koç, F. Bülend Özaydınlı, Y.Ali Koç, Uğur Çatbaş and Oktay Irsıdar as Members.

Subsequent to the resignation of Board member Cengiz Solakoğlu, the Board of Directors decided at the September 8, 2006 meeting to appoint Ömer Mehmet Koç as the new director, to give him first degree signature and representation authority of Group A and to seek shareholder approval for this appointment at the first General Assembly Meeting.

Pursuant to the decision taken at the April 12, 2006 Migros General Assembly Meeting, members of the Board of Directors are paid a gross monthly salary of TRY 1,150.

The Board of Directors is authorized to decide on all matters other than those for which the General Assembly is exclusively authorized pursuant to the Turkish Commercial Code 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 three-year terms of office 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 deems necessary.

We thereby submit for your approval the election of members to seats on the Board of Directors to succeed members who were elected for 2006 and whose terms of office have expired.

Senior Management

The Senior Management consists of a team of seven individuals, in which Aziz Bulgu serves as General Manager and A. Fuat Yanar, Erkin Yılmaz, M. İhsan Usel, 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.

Within the scope of reorganization efforts, the Board of Directors decided at its July 21, 2006 meeting to

- Appoint M. İhsan Usel, who has been Assistant General Manager for Marketing, as Assistant General Manager for Supply Chain & Logistics,
- Appoint Cem Rodoslu as Assistant General Manager for Category Management.

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, the General Assembly elects Statutory Auditors for a maximum term of three years.

According to the resolution passed at the April 12, 2006 Ordinary General Assembly Meeting, a gross monthly salary of TRY 420 was paid to each Statutory Auditor.

The terms of office have expired for Ali Yavuz, Serkan Özyurt and Ahmet Sönmez, who were elected as Statutory Auditors for one-year term by the 2006 General Assembly. We hereby submit for approval of the General Assembly the election of the Statutory Auditors whose terms have expired and the determination of their new terms of office.

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 CMB communiqué X: 19.

The Committee examined the audit conducted and the independent auditors' report as of December 31, 2006. Based on this review, pursuant to the provisions of the CMB communiqué XI: 25, the opinion of the Committee was communicated to our Board of Directors that the post-consolidation financial statements prepared in accordance with the accounting principles as published by the CMB correctly represent the company's true financial status on December 31, 2006 as well as the actual operational results for the same period.

Information Regarding the Migros-Tansaş Merger

Migros Türk T.A.Ş. (Migros) and Tansaş Perakende Mağazacılık T.A.Ş. (Tansaş), at their Extraordinary General Assembly Meetings of February 24, 2006 and February 27, 2006, respectively, made the decision to initiate negotiations for the merger of the two companies for Migros' takeover of Tansaş assets and liabilities as a whole and to seek the approvals required by the relevant legislation. The Boards of both companies were authorized by their General Assemblies on these issues.

At the Extraordinary General Assembly Meetings of Migros and Tansaş on June 26, 2006, the shareholders decided to merge the two companies by Migros' takeover of assets and liabilities of Tansaş as a whole as of December 31, 2005 in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Law. As a result, Tansaş was taken over by Migros as of July 1, 2006.

Migros increased its issued capital as a result of the merger and 0.15691991448112 Migros shares were given to Tansaş shareholders for each share of Tansaş. Tansaş was dissolved after the merger and Tansaş shares were delisted on Istanbul Stock Exchange as of August 3, 2006, the first day of the share swap. The new shares issued by Migros have become eligible to receive dividends for the 2006 fiscal year. Detailed information on the Migros-Tansaş merger is presented in relevant sections of the Annual Report, in the Corporate Governance Principles Compliance Report and on the corporate website.

We believe that the merger of Migros and Tansaş, two major companies in the Turkish food retailing sector, will benefit Turkey, customers, shareholders, employees and all other stakeholders.

Modifications to the Articles of Association

At the Extraordinary General Assembly on June 26, 2006, it was decided that Tansaş Perakende Mağazacılık T.A.Ş. be acquired by Migros Türk T.A.Ş., the issued capital of Migros be increased from TRY 158,355,000 to TRY 176,266,866 and Article No. 6 of the company's Articles of Association about capital be amended.

The amended version of Article No. 6 of the Articles of Association is presented in the section of the Annual Report entitled "Acquisition of Tansaş and the Merger."

Capital

The registered capital of the company is TRY 190,000,000. The names, shareholding amounts and percentages of the shareholders holding more than 10% of the existing issued capital of TRY 176,266,866 are as follows:

Migros Türk T.A.Ş.

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

Changes in the paid-up capital during the year

At the Ordinary General Assembly Meeting on April 12, 2006, the shareholders decided to add total dividends of TRY 20,655,000 to the issued capital and thus distribute it to the shareholders as bonus shares. As a result, the issued capital of the company increased from TRY 137,700,000 to TRY 158,355,000. This corresponds to 15% in bonus shares for each nominal share.

Shareholding structure ante 15% capital increase:

Migros Türk T.A.Ş.

Shareholder	Share (%)	Amount (TRY)
Koç Holding A.Ş.	51.06	70,307,348
Publicly Held	48.94	67,392,652
Total	100.00	137,700,000

Shareholding structure post 15% capital increase:

Migros Türk T.A.Ş.

Shareholder	Share (%)	Amount (TRY)
Koç Holding A.Ş.	51.06	80,853,450
Publicly Held	48.94	77,501,550
Total	100.00	158,355,000

The shareholders decided at the Extraordinary General Assembly Meeting on June 26, 2006 to increase the company's issued capital within its registered capital limit from TRY 158,355,000 to TRY 176,266,866 to reflect the par value of shareholders' equity that would be transferred from Tansaş to Migros due to the merger with Tansaş. This capital increase was realized by restricting the rights of the existing Migros shareholders.

The shares representing the increase in the company's issued capital were registered by the CMB as of July 26, 2006 and resolution No: 1408/13348. These newly issued shares were distributed to the Tansaş shareholders in return for their Tansaş shares. Tansaş shareholders were given 0.15691991448112 Migros shares for each Tansaş share.

Position of Migros in the Sector and 2006 Capital Expenditures

Operating in the food and consumer goods sector, Migros Türk T.A.Ş. is involved in the retail sale of all types of food and consumer goods, as well as in their wholesaling for retail consumption. Additionally, the company operates shopping malls in Turkey as well as abroad through its subsidiaries.

Migros merged with Tansaş, a strong supermarket chain in the Turkish retailing sector, through the acquisition of the company as a whole and incorporated the Tansaş stores into its store network. With the addition of Tansaş stores, Migros Türk had 878 stores in total as of year-end 2006, consisting of 84 M, 84 MM, 34 MMM, 357 Şok, 3 hypermarket, 228 Tansaş and 8 Macrocenter outlets throughout seven geographical regions in Turkey and 3 Ramstores in Azerbaijan, 64 in Russia, 7 in Kazakhstan, 3 in Bulgaria, 2 in Macedonia and 1 in Kyrgyzstan through its foreign subsidiaries. Migros continues to be the sector leader with its half-century of experience.

report of the board of directors

In 2006, Migros Türk rolled out 17 Migros, 24 Tansaş and 1 Macrocenter stores:

Under the M format: Damlataş in Antalya, Balıkesir Eski Terminal in Balıkesir, Giresun in Giresun, Taşdelen in Istanbul, Kırıkkale-2 in Kırıkkale, Bodrum Gündoğan and Marmaris Netsel Marina in Muğla, Adapazarı Yeni Cami in Sakarya;

Under the MM format: Yeşilbahçe in Antalya, Batman in Batman, Gaziantep Binevler in Gaziantep, Kars Ortakapı in Kars, Kastamonu in Kastamonu, Bodrum Halikarnas in Muğla;

Under the MMM format: Göksupark in Ankara, Nilüfer in Bursa, Anadoluhisarı in Istanbul;

Under the Mini Tansaş format: Tuzla in Istanbul, İskele Urla İzmir, Urla Zeytinalanı, Yeni Girne and Oyak Sitesi in İzmir, Garaj and Akhisar in Manisa, Göcek Muğla in Muğla;

Under the Midi Tansaş format: Tosmur in Antalya, Altınova in Balıkesir, Bomonti in Istanbul, Evka-2 Izmir, Bergama and Tire Yenimahalle in Izmir, Turgutreis Pazaryeri in Muğla, Karabük in Karabük;

Under the Maxi Tansaş format: Asmerkez Bursa in Bursa, Kurtköy, Yenibosna and Doğuş Power Center in Istanbul, Kayseri Park in Kayseri, Fethiye in Muğla, Nevşehir in Nevşehir, Karadeniz Ereğli in Zonguldak;

Under the Macrocenter format: Kanyon in Istanbul.

In addition, 51 new stores under the Şok format were launched. Furthermore, store refurbishments also continued during the year.

Investments abroad are ongoing with 1 Ramstore in Macedonia, 2 in Kazakhstan, 1 in Kyrgyzstan and 16 in Russia, for a total of 20 new Ramstores.

Financial Structure

The company's financial results are prepared on a consolidated basis and in accordance with the Capital Market Board (CMB) accounting and reporting principles (CMB Accounting Standards). In its communiqué XI: 25 regarding accounting standards in capital markets, the CMB published an extensive set of accounting principles. This 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. Due to the fact that Tansaş Perakende Mağazacılık T.A.Ş. was acquired as of November 10, 2005, the consolidated results of Migros Türk incorporate financial results of Tansaş for its operations thereafter.

In 2006, the company's consolidated sales reached TRY 4,275 million, a 59% increase over the previous year, due in part to the Tansaş acquisition. Consolidated gross profit rose to TRY 1,085 million with a 67% annual growth as a result of the higher business volume and economies of scale, due to the synergy from the merger. The gross profit margin registered a significant increase over the previous year, from 24.1% to 25.4%. When compared with the margins of other major retail chains operating in developed countries, Migros' gross profit margin is noticeably high. The domestic gross profit margin also improved from 23.3% to 24.6%. The gross profit margin of Migros from its domestic operations is also significant, given the fact that the Turkish retail market is mostly unorganized and still dominated by independent small grocery stores and wet markets. Along with the gross profit margin, consolidated operating profit increased 94%, almost doubling from the previous year to nearly TRY 207 million.

The operating profit margin rose to 4.8% in 2006 from its level of 4% in the previous year. While the company's pre-tax profit increased 58% to TRY 155 million, net profit rose 7% to TRY 78.7 million.

The ratio of short and long-term liabilities within total liabilities and shareholders' equity was 67%. Out of the total assets, 36% was allocated to current assets and 64% to fixed assets. The corresponding ratios for the prior year were 66%, 32% and 68%, respectively.

Proposal for Distribution of Profit and Conclusion

As a result of the operations in 2006, the company earned an after-tax consolidated net profit of TRY 76,686,033.00.

After setting aside TRY 1,958,051.60 as a 5% legal reserve pursuant to Article No. 466 of the TCC and deducting the profit of the subsidiaries whose General Assemblies have not passed resolutions to distribute profit to shareholders, the company's attributable profit was TRY 46,913,439.45, based on the Capital Markets Law and the regulations of the CMB. Adding TRY 1,344,449.97 in donations to tax-exempt foundations and associations to this amount yielded TRY 48,257,889.42 of first dividend base. The legal records have an attributable profit total of TRY 115,877,122.45, of which TRY 37,202,980.35 represents the profit from the current year. Based on this information, we propose that:

- Out of the consolidated current year profit calculated in accordance with the CMB communiqué, the distribution will be as follows:

TRY 1,958,051.60 for 5% first legal reserve,

TRY 40,000,000.00 for gross dividends to shareholders

TRY 3,118,665.67 for 10% second legal reserve

And the remaining balance will be the extraordinary reserve.

If the General Assembly approves the above dividend proposal, then based on our legal records out of the TRY 40,000,000.00 cash dividend to be distributed,

TRY 34,084,314.68 will be paid from the current year's other income,and

TRY 5,915,685.32 from the fiscal 2003 extraordinary reserves corresponding to other income.

First and second legal reserves will be paid from current year other income.

The ex-dividend date begins on May 15, 2007.

If the General Assembly approves this proposal, then the company will be distributing

- 22.6929% gross=net cash dividend per nominal share (YKr 1) to resident corporate shareholders and shareholders who collect dividends via a company or a permanent representative in Turkey,
- 22.6929% gross (19.2889% net) cash dividend per nominal share (YKr 1) to all other shareholders.

Dear Shareholders,

We have presented the operations and results for your consideration for the year 2006. The consolidated balance sheet and the income statement for the period ending December 31, 2006 are presented for your approval.

Respectfully yours,

BOARD OF DIRECTORS

Operating in the food and consumer goods sector, Migros Türk T.A.Ş. is involved in the retail sale of all types of food and consumer goods, as well as in their wholesaling for retail consumption. Additionally, the company also operates shopping malls in Turkey as well as abroad through its subsidiaries.

consolidated statutory auditors' report

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

The results from the audit of the company's 2006 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 December 31, 2006 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 company 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.

Istanbul, March 15, 2007

Respectfully yours,

Ali Yavuz

Ahmet Sönmez

Serkan Özyurt

In 2006, the consolidated sales of the company reached TRY 4,275 million, a 59% increase over the previous year, due in part to the Tansaş acquisition.


Migros
Çerez
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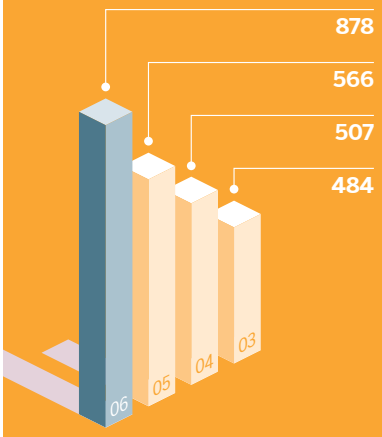
review of 2006 activities

Migros Türk provides its customers with modern shopping opportunities in six different formats with the Migros, Tansaş, Şok, Macrocenter, Kangurum and Ramstore banners.

Total Number of Stores Domestic and International



review of 2006 activities

Economic Overview and the Retail Sector

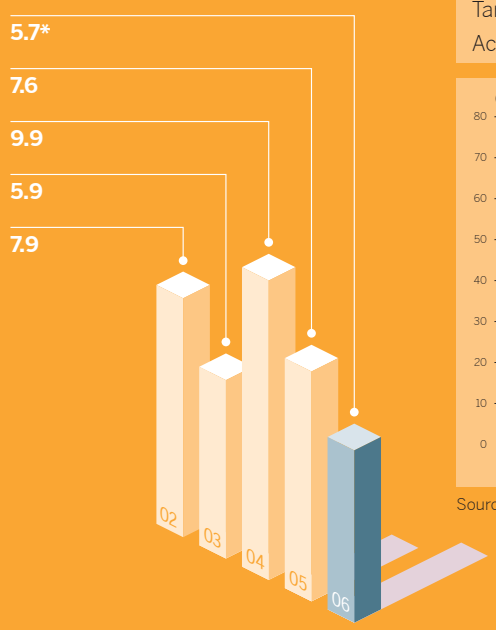
Turkish economy has been growing for 19 quarters in a row since the beginning of 2002. The expectations for the fourth quarter of 2006 also indicate a positive growth. This uninterrupted growth for the last five years is a significant achievement for Turkey. The main underlying factor for this success is the sustainability of the single-digit inflation rate in 2005 and 2006, after achieving in 2004 for the first time in 33 years. Turkey is unable to sustain high economic growth rates in an inflationary environment, or the gains are rolled back in short order. For a consistent performance of the economy, it is vital that the Central Bank of Turkey and the government continue to fight inflation decisively. The Turkish Statistical Institute (TurkStat) reported that GNP growth for the first nine months of 2006 in real terms was 5.7%, led by the construction and manufacturing sectors.

A record level of foreign capital inflow into the Turkish economy was realized during 2006. It took the form of a greenfield investment, acquisition of existing businesses, real estate purchases, stocks and bonds purchases and loans, for a total of US$ 19.8 billion. This represents a 102% increase over the capital inflow of US$ 9.8 billion in 2005. For the 10-year period between 1995 and 2004, average annual foreign capital inflow to Turkey was US$ 1.4 billion. These figures demonstrate a significant increase in foreign investors' interest in Turkey in the last two years. Foreign direct investment in the wholesale and retail trade sectors, which was US$ 68 million in 2005, grew 22-fold in 2006 to US$ 1,496 million.

Emerging markets were impacted by global market fluctuations in May and June, triggered by the persistent rate hikes of the Federal Reserve Bank in the United States (FED) since the beginning of 2006. Foreign investors significantly reduced their positions in the emerging stock and bond markets, led by the Turkish capital markets and reverted to the developed capital markets. As a result, the new Turkish lira registered steep losses against foreign currencies. The depreciation of local currency raised prices of imported goods, leading to a higher inflation rate. The Central Bank of Turkey had to hike interest rates twice to keep inflation in check. Responding to higher interest rates, the demand for home, car and consumer loans dropped significantly. In addition, to curb the extreme volatility in the foreign exchange market, the Central Bank of Turkey directly intervened in the foreign exchange markets four times, once to buy and three times to sell foreign currencies.

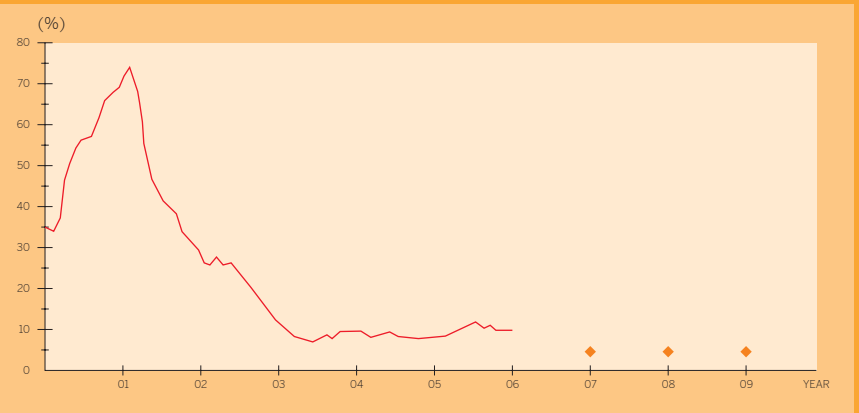
These fluctuations were contained in short order with the rate hikes of the Central Bank of Turkey, but the Consumer Price Index (CPI) registered a 9.65% increase for the year, above the official target of 5%. The realized inflation rates had been under the official target for four straight years between 2002 and 2005. Although

Annual GNP Growth Rates (%)



* 9-month growth sate of 2006

CPI		2002	2003	2004	2005	2006	2007	2008	2009
Target	◆	35.0	20.0	12.0	8.0	5.0	4.0	4.0	4.0
Actual	—	29.7	18.4	9.3	7.7	9.6	-	-	-



Source: Central Bank of Turkey

the target was missed in the first year of the inflation-targeting policy, it is still important that the CPI increase was contained at single digits. The Producer Price Index (PPI) registered an 11.58% increase, but the PPI rose merely 2.66% the previous year.

Turkey's foreign trade volume continued to grow in 2006 to reach US$ 222 billion. Exports increased 15.9% to US$ 85 billion in 2006, up from US$ 74 billion in 2005, whereas imports rose 17.3% to US$ 137 billion, in part due to higher oil prices, from US$ 117 billion in 2005. The 17.3% growth in imports in 2006 was below the rate of imports during the preceding four years. The trade deficit was US$ 52 billion, a 19.8% increase over the previous year. The exports-to-imports ratio dropped to 62.1% for the lowest figure in six years. The current account deficit reached US$ 31 billion, despite the favorable impact of the US$ 16.8 billion in tourism revenue. The ratio of current account deficit to GNP continued to rise. Although Turkey is currently not having any problem for financing this potentially risky current account deficit, it is imperative that measures be taken to improve the real sectors, the fight against the informal sector must continue and exports of goods and services should be increased as a result. Such measures would be the best cure for the high unemployment rate that stood at 9.9% in 2006.

Throughout the year in the economy, tight monetary policy, strict budget discipline and privatizations continued and the budget deficit was very small at the end of the year. The ratio of budget deficit to GNP came in below 1% for the first time. Furthermore, the economic program initiated with the IMF in 2005 and the associated US$ 10 billion Stand-By Arrangement continued; the first five

For a steady performance of the economy, it is vital that the Central Bank of Turkey and the government continue their decisive fight to beat inflation. The Turkish Statistical Institute (TurkStat) reported that GNP growth for the first nine months of 2006 in real terms was 5.7%.

review of 2006
activities

reviews were successfully completed. Another development that instilled confidence in domestic and foreign investors was the continuation of the accession negotiations with the European Union. Although the European Union suspended negotiations on eight chapters during the year, we firmly believe that Turkey will advance on this path with patience and perseverance. The reforms to be implemented in this process will benefit the public.

The new Turkish president will be elected in April 2007 and parliamentary elections will take place in the fourth quarter of the year. It is vital that macroeconomic stability is maintained, reform continues decisively and budget discipline is preserved during this process. We believe that the public will benefit from the elections that will be held as part of the democratic process. If domestic and foreign investors continue to invest in the real sectors, the business community will have sufficient clarity, goods and services production increases and unemployment drops, then Turkey will continue to grow in this stable environment and public welfare will rapidly improve.

The Central Bank of Turkey announced that its inflation target for the 2007-2009 period is 4% per year. Economic growth forecasts for 2007 are approximately 5%. The Central Bank will continue its inflation-targeting as well as the floating exchange rate regime. In a floating exchange rate regime, exchange rates are not considered as targets or policy tools. Currently, the only target the Central Bank recognizes is the inflation rate and the short-term interest rate is the primary policy tool to achieve the target. Therefore, the Central Bank does not target any variable such as exchange rate, growth rate or current deficit.

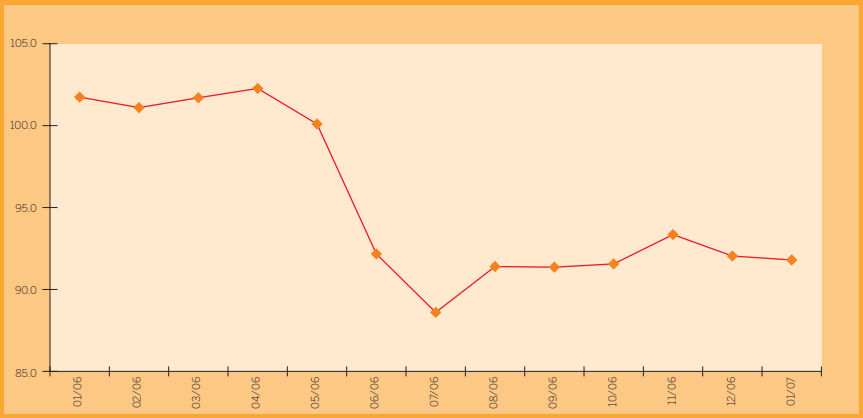
The consumption demand of the private sector continues to slow. The fast growth in consumer loans displayed a noticeable downturn since the second half of 2006. After a seasonal pick up in December, it reverted again to its slow growth path in January 2007. The monetary indicators followed a similar trend; the Consumer Confidence Index, a joint panel of the Central Bank and TurkStat, does not point to an upturn in demand as it hovers around 90. According to the TurkStat data, food and beverage expenditures, which are categorized as private final consumption expenditures within GNP calculated by the expenditure method, reached TRY 86.4 billion in the first nine months, a mere 2.9% real growth. Food and beverage expenditures contracted 1.1% in real terms in the third quarter after growing 6.7% and 5.6% in real terms in the first and second quarters, respectively. As a result, the increase in food and beverage expenditures fell below the GNP growth. If the same tendency continues, food and beverage expenditures are expected to top US$ 80 billion in 2006.

Based on AC Nielsen data, while total fast-moving consumer goods (FMCG) trade grew in volume by 9% in 2006, inflation-adjusted growth on a new Turkish lira basis stood at 4.3%. The annual price increase in the food and retailing sector was 5%. There was a noticeable increase in the number of stores with a sales area of between 100 and 1,000 square meters in the market, while in Turkey, there are 178 hypermarkets that are larger than 2,500 square meters, 21,918 midsize and supermarkets that are between 50 and 2,500 square meters and 115,221 small grocery stores (better known as "bakkal").

Organized retailers have a share of 38.4% within the total retail trade as of year-end 2006, up from the 35.3% level in 2005, according to the Retailing Institute Chain Insight Report, 2006.

The food-retailing sector witnessed significant M&A deals in 2006. First, the leader of the sector, Migros merged with Tansaş by take-over in the mid of the year,

Consumer Confidence Index



Source: TurkStat

after acquiring the majority of Tansaş shares at the end of 2005. Subsequently, CarrefourSA merged with the supermarket chain Gima. Tansaş and Gima shares were delisted on Istanbul Stock Exchange beginning as at their share swap dates. Currently Migros, BİM, CarrefourSA and Tesco-Kipa are the only publicly traded retail chains in the sector. We expect the investments in food retailing to continue their rapid pace in 2007 and the market to grow to the advantage of the organized retailers. We expect to see a step-up in the efforts to eliminate the informal economy and to accelerate the legal arrangements within the European Union integration process. The fight against the informal economy means more tax revenue for the government, cheaper products for the consumers, more investment and a fairer competitive marketplace for organized retailers and new job opportunities for the unemployed.

According to the TurkStat data, food and beverage expenditures, which are categorized as private final consumption expenditures within GNP calculated as per the expenditure method, reached TRY 86.4 billion in the first nine months.

review of 2006
activities

Migros Türk 2006 Capital Expenditures

Migros provides its customers with modern shopping experiences under different formats, that include, in addition to its Migros banner stores, Şok, Tansaş, Macrocenter, Ramstore, shopping malls, online market-Kangurum and wholesale catering. In 2006, Migros further strengthened its leadership in the domestic sector with organic and inorganic growth alternatives. On the international front, a fast growth strategy was executed with efforts focused particularly on Russian operations.

In 2006, Migros Türk launched 17 Migros (8 M, 6 MM and 3 MMM), 24 Tansaş (8 Mini, 8 Midi and 8 Maxi), 1 Macrocenter and 51 Şok stores within Turkey. Internationally, 20 new Ramstore outlets were opened in four different countries. As a result, 113 new stores were introduced in 2006, vs. 64 new stores in 2005. As of year-end 2006, the company was serving customers from 84 M, 84 MM, 34 MMM, 3 Hypermarkets, 357 Şok, 115 Mini, 72 Midi, 41 Maxi and 8 Macrocenter outlets throughout all seven geographical regions domestically, as well as with 3 Ramstores in Azerbaijan, 64 in Russia, 7 in Kazakhstan, 3 in Bulgaria, 1 in Kyrgyzstan and 2 in Macedonia internationally, for a total of 878 stores.

Migros owns five shopping malls in Turkey and serves a total of 12 shopping malls abroad, one each in Kazakhstan and Macedonia and ten in Russia. While the net sales of company stores in Turkey increased 49.7% in 2006 thanks in part to the incorporation of Tansaş stores, the net sales area of the stores abroad grew 29.5%. The total net sales area of the Ramstores in Russia reached 151,918 square meters with a 26.6% increase over last year. At 693,289 square meters, the total net sales area in domestic and international stores expanded by 43.8% in 2006, with the addition of Tansaş.

Number of Stores and Net Sales Area

	2006	2005	2004	2003	2002
Turkey	798	505	463	450	429
HPM	3	3	3	3	3
MMM	34	33	33	33	30
MM	84	79	72	68	58
M	84	79	72	73	65
Şok	357	311	283	273	273
Mini	115	-	-	-	-
Midi	72	-	-	-	-
Maxi	41	-	-	-	-
Macrocenter	8	-	-	-	-
Domestic Net Sales Area (m^2)	513,406	343,040	330,448	324,280	229,149
International	80	61	44	34	23
Russia	64	49	32	25	15
Kazakhstan	7	5	5	3	3
Azerbaijan	3	3	3	3	3
Bulgaria	3	3	4	3	2
Macedonia	2	1	-	-	-
Kyrgyzstan	1	-	-	-	-
International Net Sales Area (m^2)	179,883	138,957	93,024	72,020	56,795

2005-2006 Net Sales Area

	2006 (m^2)	2005 (m^2)	Change (%)
Turkey	513,406	343,040	49.7
HPM	23,115	23,115	0.0
MMM	96,416	98,460	(2.1)
MM	127,851	121,686	5.1
M	41,159	39,373	4.5
Şok	68,052	60,406	12.7
Mini	35,609	-	-
Midi	52,068	-	-
Maxi	61,797	-	-
Macrocenter	7,339	-	-
International	179,883	138,957	29.5
Russia	151,918	119,988	26.6
Kazakhstan	15,162	9,250	63.9
Azerbaijan	3,007	3,007	0.0
Bulgaria	4,364	4,364	0.0
Macedonia	3,973	2,348	69.2
Kyrgyzstan	1,459	-	-
Domestic and International Total	693,289	481,997	43.8

New Migros stores welcomed their customers at numerous strategic locations in 2006. While the company opened new stores in big cities like Ankara, Istanbul, Izmir and Bursa, it also increased its presence in tourist areas such as Antalya and Muğla. The domestic network expanded with investments made in the Anatolian cities such as Batman, Giresun, Karabük, Kastamonu, Nevşehir and Zonguldak, as a requirement of being a nationwide retail chain. By year-end 2006, the company was serving its customers under Migros and Tansaş store formats in 52 cities, compared to 42 cities last year.

Store Openings in 2006

Eight under the M format: Damlataş in Antalya, Balıkesir Eski Terminal in Balıkesir, Giresun in Giresun, Taşdelen in Istanbul, Kırıkkale-2 in Kırıkkale, Bodrum Gündoğan and Marmaris Netsel Marina in Muğla, Adapazarı Yeni Cami in Sakarya.

Six under the MM format: Yeşilbahçe in Antalya, Batman in Batman, Gaziantep Binevler in Gaziantep, Kars Ortakapı in Kars, Kastamonu in Kastamonu, Bodrum Halikarnas in Muğla.

Three under the MMM format: Göksupark in Ankara, Nilüfer in Bursa, Anadoluhisarı in Istanbul.

Eight under the Mini format: Tuzla in Istanbul, İskele Urla İzmir, Urla Zeytinalanı, Yeni Girne and Oyak Sitesi in İzmir, Garaj and Akhisar in Manisa, Göcek Muğla in Muğla.

Eight under the Midi format: Tosmur in Antalya, Altınova in Balıkesir, Bomonti in Istanbul, Evka-2 İzmir, Bergama and Tire Yenimahalle in İzmir, Turgutreis Pazaryeri in Muğla, Karabük in Karabük.

Eight under the Maxi format: Asmerkez Bursa in Bursa, Kurtköy, Yenibosna and Doğuş Power Center in Istanbul, Kayseri Park in Kayseri, Fethiye in Muğla, Nevşehir in Nevşehir, Karadeniz Ereğli in Zonguldak.

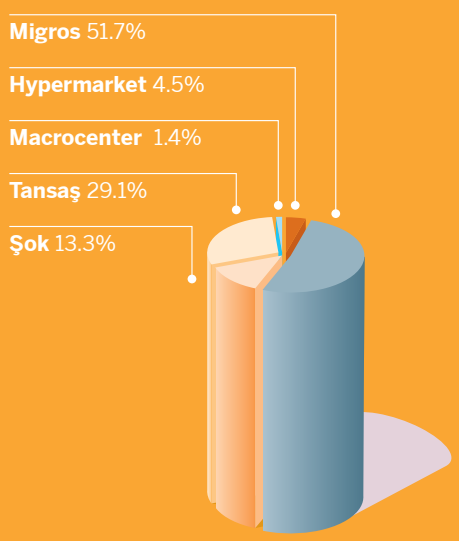
One under the Macrocenter format: Kanyon in Istanbul.

Fifty-one under the Şok format: Emirdağ in Afyon, Ayrancı, Öveçler, Yıldızevler, Dikmen Cadde and Barış Sitesi in Ankara, Çağlayan, Konyaaltı Liman and Cebesoy in Antalya, Sarımsaklı in Balıkesir, Denizli in Denizli, Kutlutaş in Edirne, İskenderun Kurtuluş and Antakya Kırıkhan in Hatay, Eğirdir in Isparta, Ağva, Avcılar Denizköşkler, Bağlarbaşı, Bostancı Yeniyol, Çemenzar Park, Dragos, Fenerbahçe, Kandilli Rasathane, Maltepe Hukukçular, Namık Kemal, Paşakapısı, Rahmanlar Pazar, Sarıyer Maden, Soyak Olimpiakent, Şair Arşi, Uğur Mumcu and Üsküdar Selami Ali in Istanbul, Buca Koop., Çeşme Alaçatı, Erdem, Evka-1, Girne, Karataş and Mordoğan in İzmir, Yarımca, Derince Altmışevler and Gülaçtı in Kocaeli, Akyaka and Muğla in Muğla, Adapazarı in Sakarya, Kumbağ, Çorlu Çayırlar and Malkara in Tekirdağ, Çınarcık Merkez, Çiftlikköy and Çınarcık Üçreisler in Yalova.

Twenty under the Ramstore format: Karaganda and Mega Center in Kazakhstan, Kalkandelen in Macedonia, Bishkek in Kyrgyzstan, Mitishi, Ufa-1 Mir, Samara-2 Mega, Akademika Koroleva, Saint Petersburg Evreka, Cheboksary, Samara-3 Melodia, Kazan-6 Derbishki, Volgograd-2 Diamant, Stavropol, Lipetsk, Murmansk, Naberejne Chelny-1 Palitra, Vernatskovo HPM&Kapitoli Shopping Mall, Saratov and Vologda in Russia.

The domestic net sales area of Migros grew 49.7%, due in part to the contribution of Tansaş stores, whereas the net sales area of the international stores increased by 29.5%.

2006 Net Sales Area Distribution



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Acquisition of Tansaş and the Merger

Subsequent to the decision made at the Migros Board of Directors meeting on November 10, 2005, the acquisition of 205,155,834,633 shares, each with a nominal value of TL 1.000 of Tansaş Perakende Mağazacılık T.A.Ş., corresponding to 64.25% of its issued capital, from Türkiye Garanti Bankası A.Ş., Doğuş Holding A.Ş., Doğuş İnşaat ve Ticaret A.Ş., Doğuş Sigorta Aracılık Hizmetleri A.Ş., Somtaş Tarım ve Ticaret A.Ş. and Start Investment Limited was completed for a lump-sum payment of US$ 351,454,448. Payment was made in cash following the transfer of the shares based on a price of US$ 0.0017131097 per share. Koç Holding A.Ş. will pay a total of US$ 97.6 million in installments (US$ 75.8 million in cash) for 13.85% of total Tansaş shares. As a result, the Koç Group owns 78.1% of the Tansaş shares.

Migros financed the US$ 351 million Tansaş acquisition from its own cash and from external financing of approximately US$ 250 million. The loans secured at favorable interest rates relative to the market conditions have five-year terms with a one-year grace period.

Migros financed the purchase of 64.25% of Tansaş shares valued at US$ 351 million without resorting to a rights issue, i.e. without calling for capital contribution from its shareholders. The principal amount and the interest thereupon of the five-year loan with one year grace period raised for the acquisition of Tansaş will be repaid by the cash flow to be generated by the new entity in the coming years. Thereby, Migros shareholders own shares in a more valuable company (Migros+Tansaş) without any cash contribution.

Koç Holding A.Ş. filed the application for the tender offer with the CMB after the share transfer; the tender period lasted from January 16 to January 30, 2006. The tender price was based on the purchase price of the shares acquired from the Doğuş Group companies. Accordingly, the tender price announced by Koç Holding A.Ş. at the Istanbul Stock Exchange for one Tansaş share with a nominal value of TRY 1.00 is the new Turkish lira equivalent of US$ 1.7131097. The price based on the new Turkish lira was computed using the higher rate at the Central Bank of Turkey (CBT) US dollar buying exchange rate on November 10, 2005, which is the date of the transfer/acquisition of Tansaş shares, and the indicative US dollar buying exchange rate announced by the CBT at 15:30 hours on the business day immediately preceding the commencement date of the tender offer. As a result, the final tender price was TRY 2.321 for each Tansaş share with a nominal value of TRY 1.00.

The shareholding structure of Tansaş after the tender offer and before the merger is presented below:

Tansaş Perakende Mağazacılık T.A.Ş.		
Shareholder	% of Total Shares	Nominal Value (TRY)
Migros Türk T.A.Ş.	64.25	205,155,835
Koç Holding A.Ş.	17.46	55,745,478
Other	18.29	58,401,067
Total	100.00	319,302,379

At the Extraordinary General Assembly Meetings of Migros and Tansaş on June 26, 2006, the shareholders decided to take the necessary steps to seek the legal and regulatory approval to merge the two companies via Migros' takeover of assets and liabilities of Tansaş as a whole as of December 31, 2005 in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Law.

In order to determine the ratio on the basis of which the two companies would merge based on the non-consolidated financial statements of the two companies as of December 31, 2005, an application before the Kadıköy 4th Commercial Court of First Instance was filed to determine the shareholders' equity of each company based on the balance sheets as of December 31, 2005 and to calculate the necessary capital increase by Migros that would correspond to the equity to be transferred from Tansaş to Migros as well as the ratio basis for the merger. As a result of the expert analysis conducted within the scope of order No: 2006/182 D. İş of the Kadıköy 4th Commercial Court of First Instance dated February 27, 2006, a capital increase of TRY 17,911,866.00 by Migros was deemed necessary to correspond to the equity that would be transferred from Tansaş to Migros as a result of the merger, realized in compliance with CMB regulations, Article No. 451 and other relevant provisions of

Migros merged out of the best of the two, it grew as it merged.

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the TCC and Articles 37-39 of the Corporate Tax Law. In addition to the analysis of the expert appointed by the Court, Ernst Young Kurumsal Finansman Danışmanlık A.Ş. also reached the same conclusion. The Announcement Regarding Merger Through Acquisition document can be found at the company's corporate website (www.migros.com.tr) as well as at the corporate website of the Istanbul Stock Exchange (www.imkb.gov.tr).

At the Extraordinary General Assembly Meetings of Migros and Tansaş on June 26, 2006, the shareholders decided to merge the two companies via Migros' takeover of assets and liabilities of Tansaş as a whole as of December 31, 2005 in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Law.

Due to the merger, the company decided to increase its issued capital from TRY 158,355,000 to TRY 176,266,866 and to revise Article No. 6 of the Articles of Association about the company's capital in compliance with the Capital Markets Board's authorization number B.02.1.SPK.0.13-935/8487 dated May 23, 2006 as well as the Ministry of Industry and Commerce's permission number 4397 dated May 23, 2006.

Following the registration of the Extraordinary General Assembly Meetings' resolutions and the permission from the CMB to register the shares to be issued due to the capital increase, these registered shares were distributed to the former shareholders of Tansaş, which was dissolved after the merger, to exchange with their Tansaş shares. Tansaş shareholders received 0.15691991448112 Migros shares for each Tansaş share they owned. Tansaş was dissolved as a result of the merger and Tansaş shares were delisted on the Istanbul Stock Exchange as of August 3, 2006, the date for the beginning of the share swap process. The newly issued Migros shares are eligible to receive dividends for the 2006 fiscal year.

The shareholding structure of Migros after the capital increase following the merger is presented below:

Migros Türk T.A.Ş.

Shareholder	% of Total Shares	Nominal Value (TRY)
Koç Holding	50.83	89,601,026
Publicly Held	49.17	86,665,840
Total	100.00	176,266,866

Thus, Tansaş Perakende Mağazacılık T.A.Ş., which was founded in 1986, was dissolved in 2006 after merging with Migros. Tansaş and Macrocenter brands are being preserved in their original forms. Migros plans to invest in the Tansaş brand and spread it to other cities of Anatolia as well. Under the Tansaş and Macrocenter brands, Migros operates in the Marmara, Aegean, Central Anatolia, Black Sea and Mediterranean regions with 236 stores and 156,813 square meters of sales area as of year-end 2006, vs. 217 stores and 134,189 square meters of sales area in 2005.

The revised Article No. 6 of the Articles of Association of Migros regarding the capital is presented below:

Article No. 6: Authorized Capital

The company has accepted the authorized capital system according to the provisions of Capital Markets Law # 2499 and officially adopted the system pursuant to the CMB permission number 492 dated July 18, 1991.

The company's maximum authorized capital is TRY 190,000,000 and has been divided into 19,000,000,000 registered shares with a nominal value of YKr 1 each.

The company's issued capital corresponding to TRY 176,266,866, which has been fully paid, was divided into 17,626,686,600 shares each nominally worth YKr 1.

The nominal value of a share that was TL 1,000 has been changed to YKr 1 pursuant to the amendments to the Turkish Commercial Code # 5274. The total number of shares decreased due to this change, so one share of YKr 1 nominal value each will be issued for 10 shares of TL 1,000 nominal value each. The shareholders' rights resulting from the shares that they own are reserved regarding these changes. The shares representing the capital are tracked within the framework of registration process. Of the TRY 158,355,000 total issued capital, TRY 27,060,221.72 has been paid in cash and TRY 131,294,778.28 has been met from the revaluation fund and distributed to the shareholders.

The latest TRY 17,911,866 capital increase is the corresponding value of the equity transferred from Tansaş to Migros as a result of the merger via Migros' takeover of assets and liabilities of Tansaş as a whole realized in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Code. This corresponding value was determined as a result of the expert testimony presented on March 23, 2006, conducted pursuant to order No: 2006/182 D. İş of the Kadıköy 4th Commercial Court of First Instance dated February 27, 2006, as well as the report of the expert consultancy firm Ernst Young Kurumsal Finansman Danışmanlık A.Ş. regarding the merger on March 20, 2006.

The 1,791,186,600 registered shares, each with YKr 1 nominal value, to be issued pursuant to the merger will be distributed to the shareholders of Tansaş, which will be dissolved after the merger, in exchange for their Tansaş shares.

Increasing the Issued Capital

According to the provisions of Capital Markets Law, the Board of Directors, , is authorized to increase the issued capital by issuing registered or bearer shares up to the maximum authorized capital.

The price of the shares sold is collected right away in cash. New shares cannot be issued unless the already issued shares are all sold off and paid for.

The company's authorized capital can be increased or decreased by a decision of the General Assembly according to the provisions of the Turkish Commercial Code and Capital Markets Law. For the enforcement of such a decision, which is in nature an amendment in the Articles of Association, approvals from the Ministry of Industry and Commerce and the Capital Markets Board are required.

Furthermore, the Board of Directors is authorized to issue shares above their nominal value and to restrict the rights of shareholders to the newly issued shares.

Where there is a bonus rights issue, every shareholder will have new shares in proportion to the interest they already hold in the company.

Under Tansaş and Macrocenter brands, Migros operates in the Marmara, Aegean, Central Anatolia, Black Sea and Mediterranean regions with 236 stores and a 156,813 m^2 sales area as of year-end 2006.

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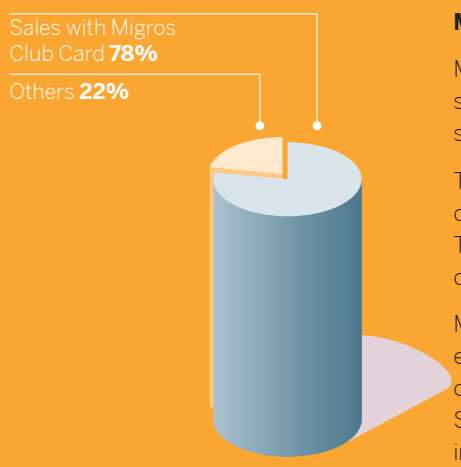
Domestic Sales with Migros Club Card in 2006



Marketing and Sales Activities

Migros Club and Customer Relations Management (CRM)

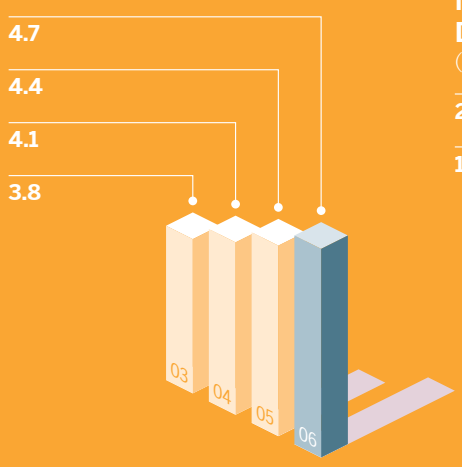
Migros further expanded its customer-specific campaigns that makes Migros stand out from its competitors in 2006.

The number of active Migros Club card customers exceeded 4.7 million in 2006. The purchases made using Migros Club cards had a 77.9% share of the market.

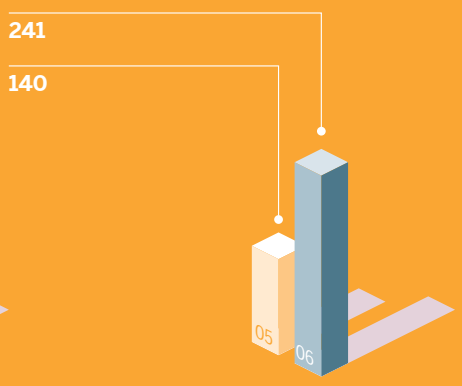
Migros organized a conference on healthy eating in Istanbul during 2006. In this conference "Health Begins at the Supermarket," the customers were informed about the importance of healthy eating and things to heed to when grocery shopping. Among other activities organized specifically for Migros' customers are "vintage trips" for the wine enthusiasts and "movie galas" for the art lovers.

By joining the Paro system, launched in 2006, the Migros Club began offering advantages to its customers in various businesses. Customers could earn points by using their Migros Club cards at Opet, Arçelik, Aygaz, Koçtaş and Setur and redeem those points at Migros stores. The first campaign during the launch of Paro was successfully held in September at Migros stores. In 2006, Migros continued to share its CRM activities in the international platform as well. Thanks in particular to the cooperation with the suppliers, these activities were presented to a large audience at the annual Efficient Consumer Response (ECR) conference, considered one of the most significant conferences that bring international retailers together.

Number of Active Migros Club Card Members
(millions)



Number of Domestic Customers
(millions) (Annual Change 72%)



Migros B2B system continues to improve

Offering service around the clock, the B2B system has become an indispensable platform in efficient and effective management of the supply chain operations at Migros in collaboration with its business partners. As of year-end 2006, 1,100 companies were managing their entire order flow over the Migros B2B system, as compared to 677 in 2005, corresponding to 80% of total procurement of Migros. The vendor companies monitor the sales, inventory, current account, invoice, returns and shipment information on this system and are able to deliver their invoice records electronically to Migros. As of 2006, our suppliers were able to access to their debt invoices on the BRB platform as well.

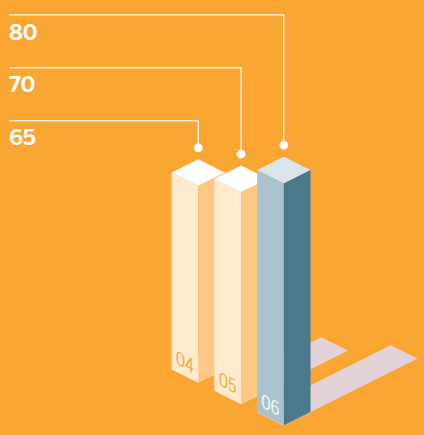
Migros inflation

As it happened for the last five years, inflation at Migros remained below the headline inflation rates of 2006. With the impact of discounts and campaigns, the average price increase at Migros was 5.17%, merely half the annual CPI increase; the average CPI inflation reported by TurkStat for 2006 was 9.60%.

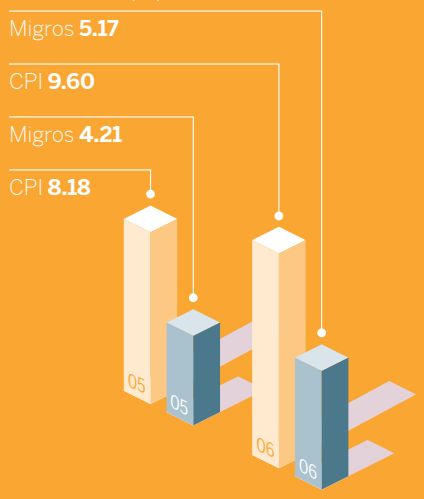
Migros initiated Category Management

Within the scope of reorganization activities undertaken following the Tansaş merger, Migros redefined the position of the Assistant General Manager for Marketing and renamed the position as the Assistant General Manager for Category Management. All related business processes were then reviewed to make them more effective. Brand positioning was undertaken, new brand and pricing strategies were developed and the best business processes were

B2B Share in Migros Purchases (%)



Annual Average CPI Increase and Annual Average Migros Inflation (%)



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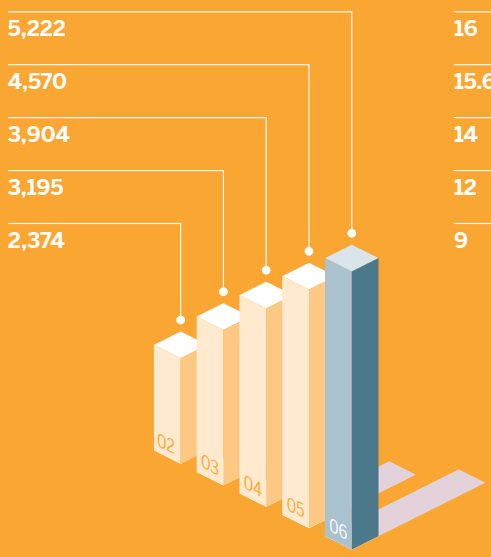
adopted. As a result of the reorganization, Category Management was divided into ten categories. Contracts with the suppliers were reviewed during the Tansaş integration and all related activities were gathered under a single unit. The Supply Chain Department was formed to make the procurement process more effective. Furthermore, Shelf Management System was converted to online for Migros stores and the "Shelf Management System" was used in new store openings. The existing product tree was updated, warehouse and store product portfolios were determined and the matching of products, suppliers and barcodes was performed from scratch.

Store sales efficiency continues to improve...

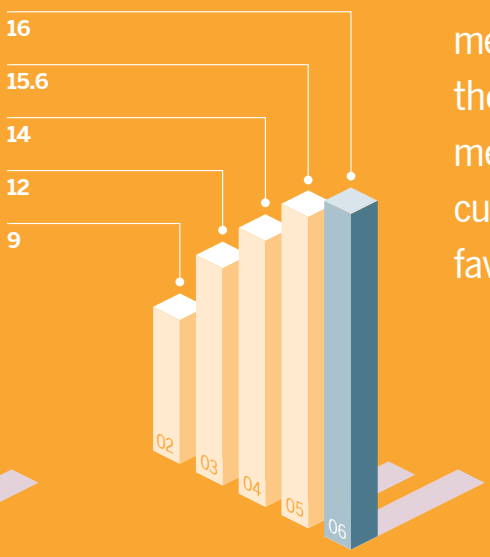
As a result of campaigns and higher customer satisfaction, the store efficiency of the company improved within all formats. Sales per square meter went up 120% from US$ 2,374 in 2002 to reach US$ 5,222 per year in 2006, due in part to the favorable impact of the Tansaş stores; overall, sales per square meter grew 2.2 times in four years. The increase over the previous year was 14% on US dollar basis. Sales per basket at Migros went up from US$ 9 in 2002 to US$ 15.6 in 2005 and to almost US$ 16 in 2006. On a new Turkish lira basis, sales per customer rose 7.2% from TRY 21.06 last year to TRY 22.57 in 2006.

Same-store sales (i.e. excluding the stores that opened during the year) for Migros, Tansaş and Şok stores registered a 6% increase in TRY on a nominal basis. Growth in number of customers in 2006 was 72% over the previous year and the number of customers who visited Migros, Tansaş, Şok and Macrocenter stores in Turkey during the year exceeded 241 million, vs. 140 million in 2005. When the Tansaş stores are included in the 2005 data, customer growth is 5.4%.

Sales per Square Meter Domestic US$



Sales per Customer Domestic US$



Growing through the merger, Migros passed the benefits of the merger on to its customers by offering favorable prices.

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Kangurum and Virtual Market

www.kangurum.com.tr

Kangurum and Migros Virtual Market operate under the company's subsidiary Sanal Merkez T.A.Ş. This subsidiary has been offering remote sales services to its customers under the Kangurum brand since 2000. Providing its services via Internet, telephone, kiosks, catalogs and mobile phones, Kangurum is a virtual shopping center with various stores from different categories. Over 100,000 products from reputable stores, high quality and name branded merchandise are offered to customers 24 hours a day, 365 days a year.

As one of the leading Internet shopping websites in Turkey, Kangurum was visited on average by 200,000 people per month during 2006; on average, there were 15,000 monthly orders placed.

Sanal Merkez T.A.Ş revenue rose to TRY 25.5 million in 2006, up from TRY 18.6 million in 2005, recording a 37% growth rate.

Launched in 1997 and continuing its operations under Kangurum since 2000, Migros Virtual Market will celebrate its tenth year anniversary in 2007. Representing a portion of Kangurum's sales revenue, Migros Virtual Market expanded its service area in 2006 to seven cities and 21 stores, as compared to six cities and 13 stores in 2005. At the same time, the number of delivery vehicles and personnel reached 26 and 91, respectively. Kangurum has expanded the alternative shopping channels offered to Migros customers.

Symbolizing the vision and technological advantage possessed by Migros in the sector, the MigrosCep project was launched in 2006. A first in Turkey, customers can now place orders over their mobile phones, in a manner similar to placing orders online.

In 2006, each Migros store had at least one kiosk able to accept customer orders. By allowing customers to place orders for stock-out merchandise in the store, another alternative sales channel was created that is able to eliminate inventory costs.

Sales of Ramadan packages and during the Feast of the Sacrifice (Eid al-Adha) at Kangurum were ahead of the previous year. Donations to child protection charities and animal shelters also continued in 2006. In 2007, the company will focus on publicizing this project, which is very meaningful in terms of social responsibility and contribution to the community.

Efforts are continuing to make Kangurum a common hub for Internet sales of Koç Group companies to the end user at. In this context, Kangurum shares the knowledge and experience it has accumulated in electronic commerce since 1997 with the Koç Group.

In 2006, Kangurum and the Koç Group have collaborated with Migros, Koçtaş, Arçelik, Beko Elektronik, Koçbank, KoçAllianz, Maret, Tofaş, Divan, Koç.net, Setur, KoçSistem, BookinTurkey, Tanı, GVZ, Promena, Beko Ticaret, Düzey, Bilkom, KoçBryce, Koç University and Türkiye Eğitim Gönüllüleri Vakfı (Educational Volunteers Foundation of Turkey).

Technical work to adapt Migros Wholesale Shopping Service operations to the Internet was completed in 2006 and the system was integrated with Promena, the corporate purchasing platform of Koç Holding. Kangurum began supplying food, cleaning supplies and computer needs to Koç Group companies in 2006. Kangurum serves other Koç companies with favorable prices below the market, prompt delivery throughout Turkey, high service quality and operational compliance with the companies' requirements.

Following customer satisfaction-focused marketing principles and with the understanding that it is selling services as well as goods, Kangurum strives to maintain the highest service quality resulting in increased customer loyalty with every purchase. The Customer Service division conscientiously responds to customer calls and e-mails seven days a week. The messages of gratitude received from the customers are proof of the company's success in this area.

As a result of collaborations with Koçbank, Akbank, İş bank, Garanti and Yapı Kredi Banks, Kangurum offered installment payment opportunities to its customers to pay for purchases in 2006.

Migros Türk launched 444 10 44 - Common Call Center to increase customer satisfaction in the six formats it serves.

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Technological Advancements and Projects

Migros continually delivers the benefits of the latest technology along with the skill of its well-trained human resources to its customers. The importance attached to information technology and the investments made in this area parallels the company's strategy to be one step ahead of the pack in the sector at all times. The initiatives undertaken to this end also help cut costs. Thanks to the effective utilization of its technological facilities and the Migros infrastructure, business process integration was achieved in a rapid, efficient and error-free manner during the Migros-Tansaş merger process.

In the Migros-Tansaş merger process, when Tansaş cash registers were turned off on the night of June 30, 2006, they were turned on on the morning of July 1, 2006 as Migros. Changes to the cash register programs and all other systems were completed overnight without interrupting service to the customers. Of course, behind this successful transition were months of preparation and adaptation.

Migros- Tansaş Integration

Within the scope of the Migros-Tansaş integration, all software and programs were updated as necessitated by the merger and made compatible with the new structure. In addition, category infrastructure modifications for purchasing and other systems were also implemented. As required by the merger and in parallel with developing needs, all systems on the Tansaş side were seamlessly moved from the Garanti Technology Hosting Center to the Koç System and Migros System Center. All Tansaş store sales data from 2006 were entered into the data warehouse and network infrastructure; concurrently, all Tansaş store connections were rebuilt. CRM online campaign systems that were in place in the stores were renewed and Tansaş stores were included in the system. Tansaş' Dudullu and Ankara warehouses were merged into the common system at the Gebze warehouse and the Saray warehouse in Ankara. The entire system at the Pınarbaşı warehouse in Izmir was rebuilt and hand-held terminals at all warehouses were renewed.

Cash Register Systems Change

The transition to the "NCR Advanced Store" cash register system software at Migros stores was completed at the beginning of 2006; transition was initiated in Tansaş stores at the end of 2006.

Electronic Journal-Thermal Printer

The existing printers used for printing receipts in the stores were replaced with thermal printers and as a result significant advances were achieved with regard to speed, noise reduction and higher quality. In addition, with the approval of the Ministry of Finance, receipt journal printing was transferred to an electronic environment that resulted in reduced paper consumption with faster archiving and favorable cost advantages.

Digital Tag and Banner System

With the application developed over the portal and the A4-A3 printers installed in all stores, the company began printing information banners and special tags in the stores.

Migros Call Center

Joint efforts by Migros and Koç Sistem staff members enabled Migros' customer relations, Virtual Market and CRM support staff to start working with Koç Sistem. All the necessary programs and Interactive Voice Response (IVR) systems were installed to speed this transfer.

Migros Information Security Audit

Pursuant to Interbank Card Center (BKM) standards, four separate audits, one in each quarter, were conducted for all Migros systems accessible over the Internet in 2006. No security lapses were found in any of these audits.

Data Link Backup via Satellite Links

The Head Office, Branch management offices, warehouses and the largest 30 stores were equipped with a backup system via "satellite links" during the year. These locations are able to continue regular operations via the satellite links in case of a failure in the land line and dial-backup connections.

Information Technology Coordination Abroad and Projects

A separate coordination staff was assigned during the year to develop information technology (IT) systems at the foreign subsidiaries. Retailing, purchasing and accounting applications in the Azerbaijan subsidiary were changed. The Almaty Mega store, the largest store in Kazakhstan, was opened with NCR's new register system, Advanced Store. In the Ramenka subsidiary, located in Russia, IT standard evaluations were completed and system development efforts are continuing in this regard.

EMV-Compatible POS Systems

Together with Yapı Kredi Bank, the chip card technology developed by Europay-MasterCard and VISA, the EMV-approved common POS infrastructure was installed at Migros, Tansaş, Şok and Macrocenter stores.

Thanks to the effective utilization of its technological facilities and the Migros infrastructure, business process integration was achieved in a rapid, efficient and error-free manner during the Migros- Tansaş merger process.

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Human Resources and Training

During 2006, Migros averaged approximately 12,010 employees; 9,103 full-time and 2,907 part-time.

The company's human resources strategies are structured to analyze current and future needs to ensure the achievement of corporate strategic goals, to maintain a reliable, agile and proactive organizational structure and to develop the human resources to best satisfy these needs from within the organization. Considered a privileged and strategic factor in maintaining a competitive edge, the company's human resources draw upon their experience and creativity and act as the driving force behind fast adaptation to changing competitive conditions in new markets. Individual competitive strength and development of each employee in his or her career is regarded as the most important factor in building corporate competitive strength. Based on this principle, the human resources processes are designed to keep the employees' professional development at a competitive level not only within the company, but also on all professional platforms.

Human resource operations, which account for a significant portion of the integration activities that began after the takeover of Tansaş, were successfully completed in 2006. Migros Integrated Human Resource systems were implemented to cover all employees of the merged companies.

With both short and long-term Strategic Human Resource Plan developed in line with the company's strategic plan, the post-merger organizational needs of the company were identified and the restructuring of Migros Türk T.A.Ş was completed in 2006. Structures that increase speed and concentration were pursued within the new organization and Format Management, Category Management and Supply Chain Management structures were created.

The needs of the company's human resources for the newly integrated Migros Türk T.A.Ş were identified, both qualitatively and quantitatively, business assessments of all positions within the new organization were performed and the grade structure was determined. During the merger process, compensation policies for corporate and store personnel were assessed within the Migros Türk T.A.Ş compensation system and combined under a single system.

Within the scope of the company's integration activities beginning with the Tansaş acquisition, process documentation was revised so that it would adapt to the developing and changing organizational structure. While preserving the original structure of the Tansaş format during this restructuring, the process documentation system of Migros, Business Package Methodology and the processes of the Tansaş format were reviewed and re-documented within the framework of fundamental strategies and policies of Migros Türk T.A.Ş. Thanks to the harmonization of the processes and subsequent documentation, the company was able to bring together the Quality Management System and the Food Safety System and place them under the scope of a single certification. The company also managed to include Tansaş and Macrocenter stores within the scope of both the ISO 9001-2000 and the ISO 22000 Food Safety Management System certifications in the first year of the merger, thus achieving another first.

Integration of human resource data and the unification of Migros and Tansaş software systems were successfully completed in 2006 using the SAP Human Resource Software infrastructure of Migros Türk T.A.Ş. All necessary adaptations in the Migros SAP Human Resource system, from organization structures to payroll rules, were identified and performed; new software programs and system adaptations were developed. All required data were transferred to the Migros SAP Human Resource system and system integration was completed flawlessly as of the official merger date.

The company carried out full competence and potential assessments as well as the Development Planning and Career Management processes for 900 white-collar employees in the new organization. This was done to quantitatively and qualitatively define potential human resource requirements of the company. All of the white-collar employees have access through their own personal computers to the results of their personal assessment based on the required profiles for their current positions and the upper level assignments. They can also view the development tools offered according to their identified improvement areas and access them via the company's remote training system, AkadeMig.

The Performance Management System uses the Balanced Scorecard approach to spread the company's strategies and targets across the organization and evaluates employee performance objectively under defined criteria disclosed to the entire organization. The results of these evaluations are used to steer the career development/succession, compensation package and personal development policies. Within this scope, 1,571 white-collar employees from all levels of the new organization participated in goal determination and performance assessment processes conducted annually. In order to increase the effectiveness of these processes, the Strategic Enterprise Management (SAP-SEM) module was created and launched. The Performance Management Process was transferred to the electronic environment and all performance assessments of the employees were carried out in an electronic environment. This newly launched system facilitates monthly monitoring of the performance of all organization units from the Head Office to the stores and warehouses based on the pre-determined performance indicators. It thus supports the decision-making processes of the relevant managers.

The Category Performance Management System remained in effect for the employees of Migros stores who are within the scope of this program. Through this system, performance of store staff based on where they work is evaluated; employees who perform beyond their targets are awarded performance bonuses monthly. The employees also receive additional performance bonuses based on the performance of the store and of Migros overall, with a view to enhancing team spirit.

The Migros Store Employee Service Quality Assessment System was launched to improve service quality and reward successful employee behavior. Within the scope of this system, evaluation forms specifically designed for each position were used and service quality performance of blue-collar employees at Migros stores was evaluated every three months. In four quarters during 2006, the service quality performance of over 5,000 employees was evaluated in an electronic environment and successful performance rewarded with a bonus thereby enhancing customer satisfaction and service quality focus of the employees. Furthermore, employees whose skills needed improvement were identified; they were encouraged to participate in training programs.

The Migros Human Resource Portal was launched in 2006 in order to meet the needs of the employees regarding human resource processes and systems. Using this portal, employees can access information about human resource systems and processes, monitor their personal information and records, request changes in this information and participate in the human resource processes. The managers on the other hand, can access the information of the employees functionally or administratively reporting to them and perform the necessary transactions. Prepared using the SAP software infrastructure, the Migros Human Resource Portal contains many services in various categories.

During four quarters in 2006, the service quality performance of over 5,000 employees was evaluated within an electronic environment and successful performances were awarded bonuses in an effort to encourage customer satisfaction and service focus.

review of 2006
activities

Migros continued to enhance human resource know-how accumulation and processes to the subsidiaries abroad during 2006. The company took significant steps toward effective implementation of the Integrated Human Resource processes abroad as well. The Expat Management System was restructured and put into place in all of the subsidiaries at the beginning of 2006.

The goal of the Migros Training Department is to oversee the company's strategic goals and to plan, create and implement the necessary training activities utilizing state-of-the-art technology to develop human resources required for the formation of this structure.

Training requirements are mostly fulfilled through in-house sources and from the strategic training partner, Koç University. Having at its disposal a broad base of educated humanforce coming from different backgrounds as a result of the nature of the sector, the company generally uses its extensive and well-educated employee base in its training efforts.

In order to enhance customer satisfaction and service quality, company employees across the country received an average 19.30 hours of training in 2006, vs. 11.84 hours per employee in 2005.

To further the vocational knowledge of blue-collar employees and to broaden the on-the-job training standard, the Internal Trainer System was created. Formed across Turkey on a regional basis, internal trainers raise the working capability of the employees through on-the-job training applications in the stores.

Designed to demonstrate the importance of customer satisfaction to employees from a different perspective, 1,744 employees participated in the Key to Excellent Customer Service: Smiling Employees training program during 2006. Prepared by Enis Fosforoğlu and his staff, scenarios based on actual cases are acted out and participants become part of the training by acting in the creative drama-based scenarios.

Identification of Potential and Performance Assessment Systems determine the training needs of the company's white-collar employees. Through development plans prepared in response to the identified training needs, employees are provided the support they need for their career paths; potential candidates based on the organization's needs are monitored.

Development plans designed with a keen eye on corporate priorities and strategies cover multiple modules such as regular classroom training sessions, remote learning, articles and books, support on-the-job training activities such as project assignments and act as assistant managers.

Modern business life necessitates remote learning. In parallel to technological progress, company employees can access a program to assist with personal development plans at the online learning portal AkadeMig. The portal has a large learning catalog consisting of personal and vocational development programs and articles dealing with company processes.

Serving as a platform where Migros employees are able to participate in remote training programs, AkadeMig enables employees to track their personal development, take on more responsibilities and monitor their developmental performance electronically. With a view to transforming education and learning into a steady process even in off-the-premises life, the technological infrastructure was set up in 2006 to allow access to AkadeMig from outside the business environment.

Among the company's strategic training programs are:

- Programs offered for potential Koç Group Managers at the Koç University - Migros Professional Management Training Center.
- The Strategic Marketing Management in Retailing program for senior managers offered by the American Babson University faculty.
- The Store Manager Development Program given by Georgia State University faculty for store managers to increase their knowledge and sharpen their managerial skills.
- The Occupational Health and Safety educational program at the Food Technology and Sales Staff Education Center established in cooperation with the Turkish Ministry of Education.

Launched in 2005 to maximize communication quality as required by the corporate culture and strengthen intra-company relationships within the Migros family, the Migros Turuncu (Orange) magazine increased its circulation from 7,500 last year, up to 12,000 in 2006. When Migros Turuncu enhanced existing communication platforms, the voices of Migros employees started to be heard more forcefully than ever.

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. Employee proposals are regarded as one of the most valuable tools to revitalize companies and make them resilient to the competition. Migros employees share their proposals electronically under seven categories; the chosen projects are supported, initiated and distributed.

Training requirements are mostly fulfilled through in-house resources along with the strategic training partner, Koç University. Having at its disposal a broad base of educated human resources from different backgrounds as a result of the nature of the sector, the company usually resorts to its extensive and well-educated employee base with regard to personnel training programs.

foreign subsidiaries

In addition to widespread national coverage, the company continues its operations in neighboring countries as a key regional player. Migros operates under the Ramstore banner in six foreign countries, Russia, Kazakhstan, Bulgaria, Azerbaijan, Macedonia and Kyrgyzstan. Migros maintained its rapid growth in all international operations during 2006, especially in Russia. The company began operating in Kyrgyzstan in 2006 with a store in Bishkek, the capital, bringing the number of countries in which the company operates to six. With the opening of 20 new stores in 2006, the number of Shopping Malls (AVM) and hypermarkets reached 12 and total stores reached 80 in these six countries.

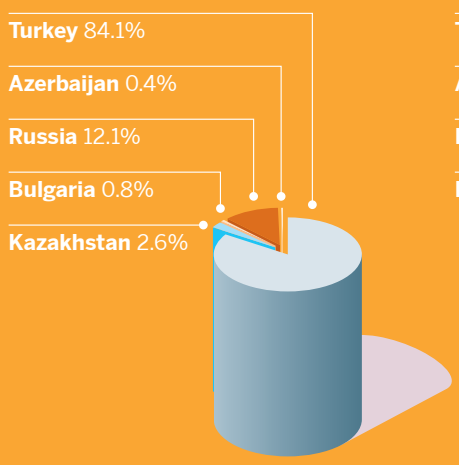
By the end of 2006, the stores' total net sales areas grew 49.4% to reach 180 thousand square meters. Net revenues generated by foreign subsidiaries accounted for 13.4% of the Company's total consolidated sales, vs. 15.9% in 2005. Operating profit from foreign subsidiaries commanded a 19.3% share of Migros' total consolidated operating profit.

Ramenka (Russia)

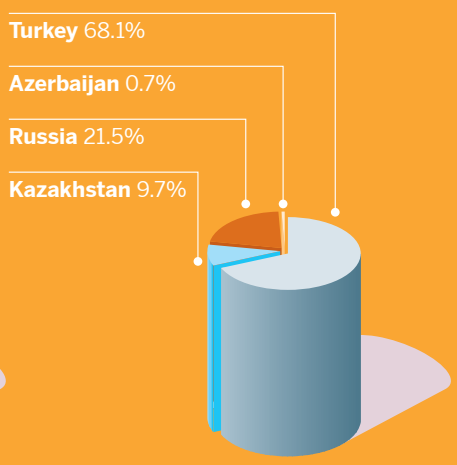
The Economy

The Russian economy demonstrated strong growth in 2006. Economic growth edged up to 6.6% in 2006 from 6.4% in 2005. Construction, hotel services, financial services, transportation, communications and trade sectors led the strong growth. The increasing role of the state in the economy, through fund transfers to the national projects initiated for the prioritized sectors of agriculture and healthcare services, also played a role. The strong growth in retailing continued

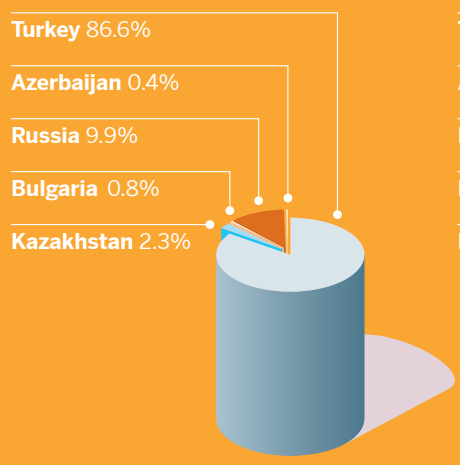
Breakdown of Sales in 2005



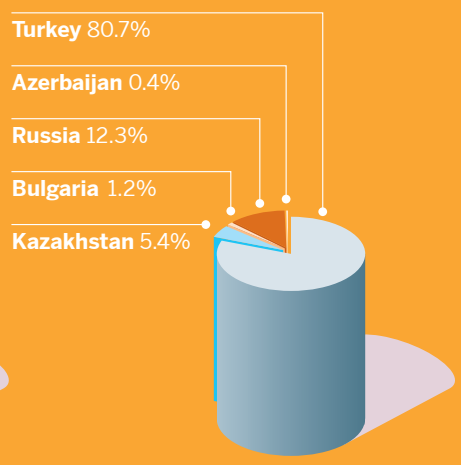
Breakdown of Operating Profit in 2005



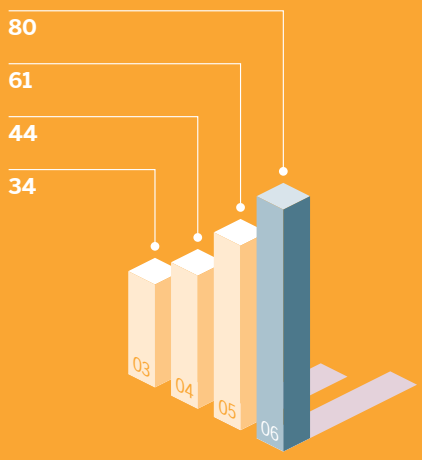
Breakdown of Sales in 2006



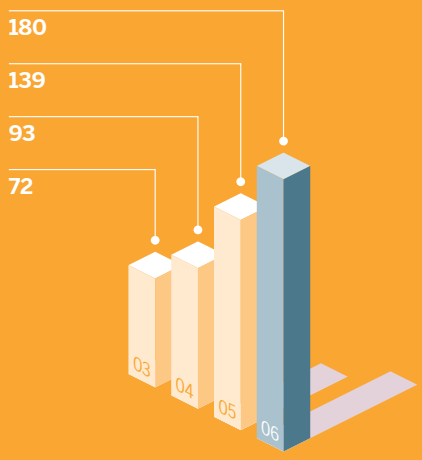
Breakdown of Operating Profit in 2006



Foreign Subsidiaries' Total Number of Stores



Foreign Subsidiaries' Total Net Sales Area
(square meters thousand)



throughout the year and the real growth came in at 11.2%. The strong income growth supported by rapidly growing consumer loans will continue to facilitate the expansion of the retail sector.

The producer price inflation approached the CPI inflation level and was 10.4% annually. The CPI increase came in at the target level of 9% in 2006 whereas the food price inflation was 8.7%. Inflation is estimated to fall to 7.5% in 2007. The ruble revalued 4% against the foreign currency basket and ended the year at 26.4 rubles to a US$. The ruble/US$ forecast for year-end 2007 is 25.

Net capital inflow to Russia jumped from US$ 1.1 billion in 2005 to US$ 41.6 billion, thanks to the liberalization of capital flows in the middle of 2006. Most of the foreign direct investments concentrate on sectors that target local consumers, such as retail, real estate, consumer products, financial services and manufacturing.

Revenue from foreign subsidiaries constituted 13.4% of the company's total consolidated sales, whereas operating profit of foreign subsidiaries held a 19.3% share of Migros' total consolidated operating profit.

foreign subsidiaries

Retail market

Russia is the largest food retailing market in Eastern Europe with US$ 140 billion in estimated sales. Following 24% annual growth in the last five years, this market is expected to grow 21% thanks to increases in consumption and market share gains from traditional markets. Food retail sales are expected to reach US$ 161 billion in 2007 and US$ 186 billion in 2008. The share of organized retailers in the overall food retail market is expected to rise to 45% by 2010. The market is still dominated by traditional formats such as open marketplaces, kiosks and small stores. Modern formats had only a 23% market share in 2005, 15% of which belonged to rapidly growing discount stores and hypermarkets. As leading international and local players invest in hypermarkets (51 in 2005, forecasted to be 200 in 2009) and the local chains maintain their rapid growth in the discount format, market share of the hypermarkets is expected to grow to 35% by 2010. Modern scale formats until now concentrated on wealthy cities like Moscow (23% of food retail sales in 2005) and Saint Petersburg (4%) however, the current boom in the oil sector will attract investments to the Ural and Volga regions.

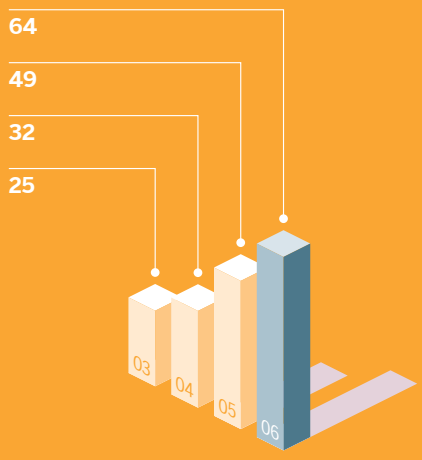
Activities

Ramenka, the Migros' subsidiary in Russia, jointly owned with Enka each with a 50% share, is the first international player to enter the Russian retail market and operates both as a food retailer and a real estate developer. Ramenka's financial results are presented as 50% consolidated into Migros.

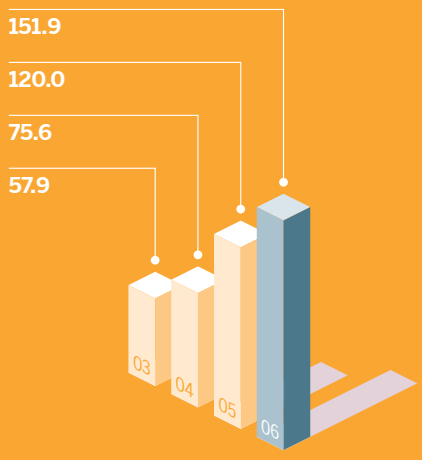
In 2006, Ramenka's sales grew 30.7% over the previous year to reach TRY 423 million (US$ 296 million). Of this revenue, 9.6% was rental income from the shopping mall owned by the company. The gross profit margin improved 2.2 percentage points in 2006 to 31% from 28.8% in 2005, thanks to additional rental income from new store openings and the marketing income obtained from the suppliers. The increased personnel, rental and amortization expenses from the opening of these new stores and the shopping mall reduced the operating profit margin from 7.2% to 6%. EBITDA came in at TRY 42 million (US$ 29.5 million) with an annual increase of 27.7%, whereas the EBITDA margin dropped 0.2% from the 2005 level to 10%.

During 2006, Ramenka opened 16 new stores (15 supermarkets and a shopping mall) and closed one store. Net sales area grew 26.6% to reach 151,918 square meters at the end of 2006; the number of stores rose to 64, 14 of which are owned by the company; 47% of the overall sales area is in Moscow. The company continued to expand in the provinces in 2006 as in the past with 13 of the 16 new stores opening in the provincial cities of Ufa, Cheboksary, Stavropol, Lipetsk, Murmansk, Naberezhnyye Chelny, Saratov and Vologda. Operating in 17 different cities in the provinces, Ramenka has six stores in Kazan, five in Saint Petersburg and three each in Samara and Volgagrad.

Ramenka (Russia) Number of Stores



Ramenka (Russia) Net Sales Area
(square meters thousand)



The most noteworthy development in Russian operations is the opening of the Vernadskovo Ramstore Kapitoli Shopping Mall located in southwest Moscow and right next to the Moscow State University. The store was opened on December 2, 2006 with a US$ 130 million capex and offers both entertainment and shopping facilities. With a total closed area of 130,000 square meters, the Kapitoli Shopping Mall contains a Ramstore hypermarket with a 5,600 square-meter sales area, a swimming pool, a gymnastics and fitness center, beauty centers, a cosmic entertainment facility with a bowling ally, an entertainment facility for children, various cafes and restaurants and a movie theatre complex with eight screens. The mall also has Russia's first Media-Market electronics store and other famous stores and brands. With this new shopping mall, Ramenka's rental space reached 130,930 square meters for a 48.4% increase. In 2006, 49.1 million customers shopped at the Ramenka stores, representing a 23% increase over 2005.

The company pursues a customer-focused marketing and promotion policy in an increasingly competitive environment. As a reflection of the low price and high quality concept, some of the ongoing active promotions in different time periods of the year are: 25% discount for fresh produce every Monday, buy one get the second at 40% off or 40% discount for 40 products Thursday through Sunday, 20% discount for bakery goods on Tuesday and fresh meat and chicken products on Wednesday in Moscow stores, 10% discount with Club Card purchases above 300 rubles between the hours of 19:00 and 23:00 in the regional stores and buy one get the second at 30% off campaigns for all products Friday through Sunday. The competitive pricing through these campaigns supported sales growth and enhanced customer loyalty. In an effort to position the Ramstore brand, TV commercials were launched on Russian TV on November 20, 2006.

On December 2, 2006, Ramenka, a subsidiary of Migros located in Russia, opened the Vernadskovo Ramstore Kapitoli Shopping Mall with 130,000 m^2 total area.

foreign
subsidiaries

In April 2006, Ramenka joined the Malina customer loyalty program, whose other participants include renowned companies such as Vimpelcom (a mobile network operator), Raiffeisen Bank of Australia, TNK-BP gas station chain, 36.6 drugstore chain and Rosinter, operator of restaurant chains including TGI Friday. Customers earn 20 points for every 200-ruble purchase they make with the common card at 400 sales points. Furthermore, if they pay for the purchase with this credit card, they will take advantage of both the discounts and points offered with the card and accumulate points on the credit card. There are 700,000 families signed up as members of this system.

Ramstore Kazakhstan

The Economy

With a dispersed population throughout its vast geography and abundant natural resources, Kazakhstan has led the reform efforts in the CIS countries and has been the center of attraction for the foreign direct investment into the region.

The Kazakhstan economy grew 9.4% in 2005 and 10.6% in 2006. The forecast GDP growth for 2007 is 8.6%. Total industrial production growth in 2006 was 7%, led by gains in manufacturing and mining.

Average annual consumer inflation, which was 7.6% in 2005, came in at 8.4% in 2006. The primary factors for this pick up in inflation were the services sector (11.6%), food (7.3%) and non-food (7.1%) products. The PPI inflation fell from 20.3% in 2005 to 14.6% in 2006. Average price increases were 15% for goods and 9.5% in the services sector.

Foreign capital investment into Kazakhstan grew 34% in 2006. Foreign capital inflows reached US$ 5.4 billion, however, they are expected to be lower in 2007 due to the rising trend in the cost of capital goods, volatility in the foreign exchange rates, increasing interest rates and the high inflation rate.

The country's unemployment rate, calculated based on ILO standards, dropped from 8.1% in 2005 to 7.8% in 2006 due to seasonal factors, improvement in the industrial sector and especially new business opportunities in the petroleum industry.

Despite the government's efforts to diversify economic growth, economic welfare will continue to significantly depend on the natural resource base. As long as the commodity markets stay strong, Kazakhstan will continue to be the primary center of attraction for both capital and labor in the region.

Retail market

As of 2006, Kazakhstan's retail market size was KZT (Tenge) 1,561.6 billion (US$ 12.2 billion). The share of food and non-food products in this sector as of year-end 2006 stood at KZT 803.7 billion (US$ 6.2 billion). The overall retail market grew 14.4% over the previous year on a local currency basis, whereas the food and non-food products segment contracted 2.6%. Customer preferences are increasingly leaning toward organized retailers; the primary players in the market are Gross Market, Skif Sauda, Interfood, Silkway, Promenade and X5 Retail Group.

Kyrgyzstan

The Economy

Kyrgyzstan is a small country located between Kazakhstan and Uzbekistan with very little usable natural resources. Kyrgyzstan has a population of around 5.2 million people and a per capita national income of US$ 773. The economy grew 3.2% in 2006 whereas CPI inflation was 5.8%. The average monthly salary is equivalent to US$ 75.

Kyrgyzstan has abundant water resources, which are very valuable in the region. If the necessary conditions for the construction of hydroelectric plants are created, this will lead to acceleration of the country's economic performance.

Activities in Kazakhstan and Kyrgyzstan

Kazakhstan is the second most important foreign market for Migros after Russia. Kazakhstan is a strategically important country where it has been deepening and using as a springboard to expand into the neighboring Turkic Republics. Migros purchased 40% of the shares from its local partner Butya Group and now owns 100% of the company. Ramstore Kazakhstan had TRY 101 million (US$ 70.6 million) of sales in 2006, which is 42.3% above the previous year's figures on a TRY basis. With the opening of three new stores in 2006, the total number of stores including Kyrgyzstan operations reached eight and the total sales area rose to 16,621 square meters. One of these stores is the Samal Shopping Mall. The company began expanding outside of Astana and Almaty in 2006 and opened its first store in the regional province of Karaganda. In October 2006, the company opened a hypermarket in the Almaty Mega Center, which is the same size as Samal. The company took the first step in cross-border expansion by opening a

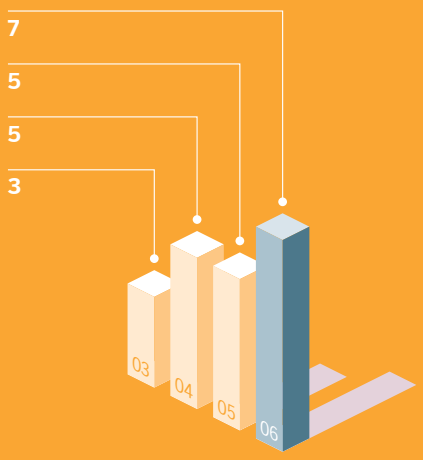
supermarket in the Bishkek in August 2006, the capital of the neighboring Kyrgyzstan.

The company is operating with 27.2% gross profit, 10.9% operating profit and 12.4% EBITDA margins. The largest expense items in the company's cost structure are for personnel, repairs, maintenance and cleaning, energy, rent, insurance and sales expenditures. Costs increased indispensably by 51.6%, driven by the regional expansion and entry into Kyrgyzstan,.

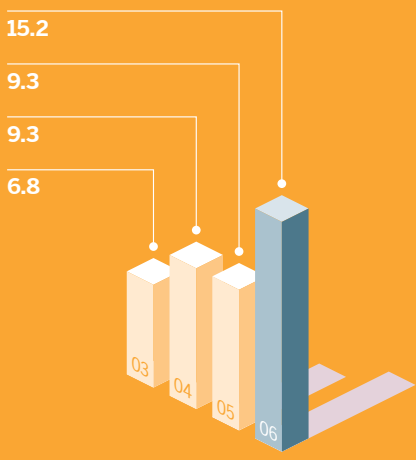
The company stands out from its competitors by constantly introducing new products. It prioritizes customer satisfaction and focuses on product availability and diversity. Product reinforcement is made continuously from Turkey. Five million customers shopped at the Ramstore stores during the year, representing a 22% increase. Among the activities in 2006, special gift items for February 14th Valentine's Day and daily promotions in fresh flower sales were well-received. In addition, the Buy A Lot, Pay A Little campaign was held for the March 8th World Women's Day and discount

Ramstore Kazakhstan had TRY 101 million (US$ 70.6 million) of sales in 2006, which is 42.3% above the previous year's figures on TRY basis. Including the Kyrgyzstan operations, there were a total of eight stores with a total sales area of 16,621 m^2.

Ramstore (Kazakhstan) Number of Stores



Ramstore (Kazakhstan) Net Sales Area
(square meters thousand)



foreign
subsidiaries

coupons were mailed to 55,000 people in the CRM system. The seventh anniversary of the Samal store was celebrated in May with a drawing lottery and gift distribution. In May, fresh and shelled seafood products imported from Turkey and the Netherlands were met with great customer interest. Rich and different offerings were made in August with seasonal fresh fish imported from Turkey, as well as meat and dairy products and a variety of fresh produce. Shelf prices dropped around 35% when meat and dairy product imports from Turkey resumed after four years.

Competitive pricing practices continued in the stores, such as Aynabulak and Tastak, which are close to or inside the wet markets. During the back-to-school season, Buy a Lot, Pay a Little and bonus product campaigns for school supplies were initiated. In the newly opened Bishkek store, a 14-day long Buy a Lot, Pay a Little campaign and free tasting and bonus product campaigns were held along with promotional prices offered for the fresh produce group. The Buy One, Get One Free campaign organized for the Karaganda and Mega Center store openings that lasted 30 days drew a high level of interest. The weekly fresh produce days that began with the opening of the Mega Center continued throughout November at cost-based prices.

The fresh products flyers prepared in addition to Rampost were handed to the consumers at 60 kiosks and newsstands. The main theme of Rampost and the seasonal aisles during the month of Ramadan were the products unique to the month of Ramadan. Special Ramadan packages with assorted contents at favorable prices were offered for sale. Products that were imported for the New Year and offered at a single price met with significant interest. A 56-page Rampost was prepared for this campaign that lasted from November 15 through January 15. It featured deep discounts and bonus products for customers that had never been seen in the sector previous to this campaign.

Ramstore Bulgaria

The Economy

Bulgaria successfully completed the European Union accession process in 2006. The Bulgarian economy is estimated to have grown 6.5% that year as well.

The foreign trade deficit, current account deficit and the need to raise personal income are existing problems in the Bulgarian economy that need to be solved. The current deficit is estimated to have reached 16% of GDP in 2006. As of the end of November, the monthly average household income in Bulgaria reached lev (BLG) 541 (€ 375). Food and beverage expenditures constitute 36% of Bulgarian household income.

As of the end of December, unemployment rate in the country dropped 1.6 percentage points to 9.12%.

Retail Market

The overall retail market is estimated to be US$ 12 billion, whereas food retail sales are around US$ 6.8 billion. Retail trade consisting of food, beverage and tobacco products grew 6.1% in real terms in 2006. According to the international market research firm GfK, eight chain stores together have only a 15% market share based on their sales in the last four years.

While the income level of Bulgarian people is relatively low, their still low per capita disposable income hampers the development of the retail sector and makes the sector unattractive for investment.

Activities

Ramstore Bulgaria had TRY 34 million (US$ 23.7 million) of sales revenue in 2006 from activities in Bulgaria and Macedonia. This represents a 54% increase in sales over the previous year on new Turkish lira basis. Both the operating profit margin and the EBITDA margin registered noticeable improvements to reach 7.3% and 13.8%, respectively.

The profitability of the company improved especially on the back of its Macedonia operations. Efficiency of the Ramstore Bulgaria operations will be reassessed in 2007, including the option of closing two supermarkets.

Ramstore Azerbaijan posted TRY 15.7 million (US$ 11 million) of net sales revenue in 2006. This represents a 34% increase on TRY basis over the previous year.

foreign
subsidiaries

Ramstore Macedonia

The Economy

Macedonia is a Balkan country that has an open perspective for development and is preparing itself for possible NATO and EU membership. The Macedonian economy grew 2.7% in real terms in the January-September 2006 period.

Annual CPI increase in 2006 was 3.2%; for the January-December period, the annual YtD retail price index increased 3.9%. Food price inflation was 2.2% for the year and PPI inflation was 4.5%. Based on these results, the Macedonian government announced its 2007 consumer price inflation forecast as 3% in its budget. Food and beverage expenditures for a four-person family edged up 0.3% in November compared to the previous month to MKD 10,347 denars (€ 170/US$ 221). The trade deficit for the January-November period was US$ 1.18 billion, 10.8% of the GNP.

The unemployment rate in the country was 35.9% in the third quarter. This puts unemployment at the top of the Macedonia's economic and social problems.

Retail sector

For the first nine months of 2006, the magnitude of the retail food trade was MKD 17,761 million denars (US$ 377.2 million). The market has a very fragmented structure. The primary players in organized trade are the local retailer Tinex, Veropoulos of Greece and Ramstore, which entered the market in 2005.

Activities

In addition to the Vardar Shopping Mall in Skopje that opened in June 2005, the company also opened a 1,700 square-meter store in the city of Kalkandelen (Tetova) in November 2006, bringing the total sales area to 3,973 square meters by the year end. In addition, the company derives significant rental income from 9,400 square-meters of rental space.

The occupancy rate of the Shopping Mall reached 95% in 2006; the client portfolio consists mostly of Turkish and other international brands that are not represented in the country. With respect to the selection of the tenants, priority is given to the companies that can represent brand diversity. There has been significant interest in the new shopping mall, built with a modern concept; it has attracted many customers from neighboring cities, especially from Albania and Kosovo.

Various activities and promotions were organized at the Shopping Mall on holidays, special days and the opening day. On New Year's Day 2006, 200 families were given money-off vouchers worth € 50, as a result of which both customer satisfaction peaked up and positive feedback was received.. UNESCO, AIESEC, the United Nations and various foreign consulates hold publicity events at the Shopping Mall, thus indirectly increasing the recognition of the Mall. An exhibition was held jointly with the Red Cross for the benefit of children with leukemia at the Shopping Mall.

The Ramstore Macedonia was awarded the Greenfield Investor prize, the largest national investor prize in 2006. This award is given every year for each Southeast European country under the sponsorship of the OECD for a greenfield investment that contributes to the environment and trade with respect to the size, objective and function of the investment. During 2006, approximately 1.3 million customers were served by the company's stores in Macedonia.

Ramstore Azerbaijan

The Economy

Azerbaijan is in the midst of a rapid economic development. The Azeri economy grew 25% in 2005 and 34.5% the following year to reach AZN (manats) 17.7 billion (US$ 20.1 billion), accounted for by industry and services at 72.9% and 20.6% respectively. Income per capita reached US$ 2,373 with 33% increase in 2006.

The country's vast natural resources, distribution of wealth created by petroleum reserves and its political structure will contribute to the development of Azerbaijan. The risk of such a high growth rate is the possibility of accelerating inflation in 2007. The manufacturing sector grew 37.5% in 2006

whereas investments increased 15.2%. Unemployment dropped 6% during the January-November 2006 period. The average monthly nominal wage increased 19.8% in 2006 to reach AZN 141.3 (US$ 162.4). The minimum wage in the country is AZN 40 (US$ 46) per month, whereas the average monthly wage of employees and workers is AZN 150 (US$ 173).

CPI inflation ended 2006 at 8.3%, below the inflation rate of 11.4% in 2005. Annual price increases for food products were 11.9%, while non-food products stood at 5.3%.

The trade surplus of Azerbaijan reached US$ 1.3 billion in 2006.

Retail market

The Azeri retail market reached AZN 5,222 million (US$ 5.9 billion) in the first 11 months of 2006 by growing 12.8%. The share of food retailers in this market is 64%. Open marketplaces and mom and pop stores continue to dominate this sector, however, the number of supermarkets with 100-500 square meters of sales area has increased significantly in the last few years. The primary players in this segment are Kontinental, Grand, Neptün, Citimart and Almalı.

Activities

Total sales revenue grew 34% on a TRY basis and 26% on US dollar basis, whereas gross profit and operating profit increased by 33.4% and 1.4%, respectively. The company served 973,000 customers in 2006 to reach TRY 15.7 million (US$ 11 million) in net sales and TRY 807 thousand (US$ 564 thousand) in operating profit.

The gross profit margin was 0.2% below the previous year due to the 10th year campaign and wholesale sales to government entities at the end of the year.

The company did not open any new stores in 2006 and continues to operate with three stores in Baku.

In addition to the Vardar Shopping Mall opened in June 2005 in Skopje, Ramstore Macedonia opened its second store in November 2006 in the city of Kalkandelen (Tetova).

financial results and evaluation

Compared to the previous year the company's consolidated pre-tax profit rose 58% to TRY 155 million.

financial results and evaluation

Continuing at full steam its investments in Turkey and its subsidiaries abroad, Migros stores totaled 878 by year-end 2006; its net sales area rose to 693,289 square meters for a physical growth rate of 43.8%. The evaluation of the company's financial results is presented below and the 2004 figures shown in the tables and charts are inflation-adjusted numbers as of December 31, 2004. In addition, Tansaş results for the period of 1.5 months after its acquisition on November 10, 2005 are consolidated into the 2005 income statement items. Tansaş is fully consolidated in the 2006 results. The company's consolidated sales increased 59% to TRY 4,275 million in 2006, up from TRY 2,686 million in 2005.

Gross profit soared to TRY 1,084.9 million with a 67% increase and the gross profit margin edged up from 24.1% to 25.4%. Owing to the improvements in domestic operations in particular, operating profit increased 94% and reached TRY 206.6 million. Keeping pace with these figures, the operating profit margin rose to 4.8% from 4%. Migros' consolidated EBITDA margin moved up from last year's 6.9% to 7.3%, at par with and even outpacing most of the strong retail chains operating in Europe.

The company's consolidated pre-tax profit rose 58% from TRY 98.3 million to TRY 155 million and its net profit increased 7% from TRY 73.7 million to TRY 78.7 million. In 2005, on a consolidated basis Migros had interest income (from deposits and marketable securities) of TRY 41.6 million (US$ 31.1 million) and TRY 5.5 million (US$ 4.1 million) of forex gain; the corresponding figures for 2006 were TRY 42.9 million (US$ 30 million) and TRY 33.2 million (US$ 23.3 million), respectively. Interest income was nearly flat from 2005 to 2006, whereas forex gain increased by TRY 27.8 million (US$ 19.2 million). A portion of the forex gain originated from sales revenue of Ramenka subsidiary that operates in Russia, as the ruble revalued against both the US dollar and the TRY during the year.

Consolidated Results

Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	4,274,871	100.0	2,686,100	100.0	2,273,937	100.0
Gross Profit	1,084,914	25.4	648,462	24.1	511,045	22.5
Net Operating Profit	206,593	4.8	106,675	4.0	77,028	3.4
EBITDA	312,579	7.3	184,618	6.9	140,072	6.2
Pre-tax Profit	155,009	3.6	98,279	3.7	103,949	4.6
Net Profit	78,686	1.8	73,705	2.7	74,687	3.3

Domestic Results

Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	3,701,184	100.0	2,257,813	100.0	1,901,310	100.0
Gross Profit	911,627	24.6	526,372	23.3	405,586	21.3
Net Operating Profit	166,781	4.5	73,819	3.3	45,821	2.4
EBITDA	252,134	6.8	138,362	6.1	98,197	5.2

Consolidated net debt of Migros slumped from TRY 224.6 million at year-end 2005 to TRY 134.5 million by the end of 2006, 40% down. The financial liabilities of the company remained flat compared to the same period of the previous year, whereas the disposable assets and marketable securities of the company, including long-term time deposits held under maturity in the non-current financial assets item, rose from TRY 526 million to TRY 618 million.

Financial expenses increased from 2.4% of sales last year to 3.7% of revenue this year. The rise is due to the increase in bank loan interest expense and in forex loss resulting from financing activities. Pushed in particular by the devaluation of the lira against the US dollar during the year, forex loss surged from TRY 9.9 million (US$ 7.4 million) last year to TRY 41.8 million (US$ 29.2 million) in the current year. The company registered significant improvements in both the gross profit margin and the operating margin. However, the increase in financial expenses caused the pre-tax profit margin to stay flat at around 3.6%. Despite that, consolidated pre-tax profit rose 58% in absolute terms from TRY 98.3 million to TRY 155 million.

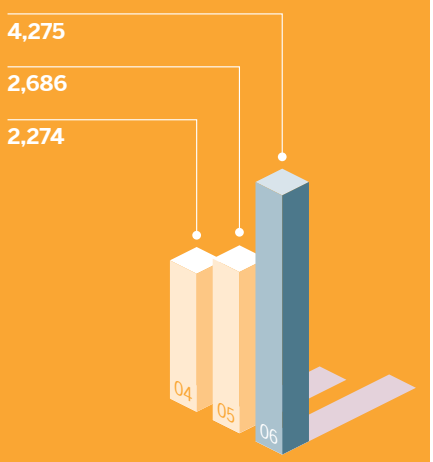
Although Migros' consolidated tax provision dropped from TRY 22.4 million to TRY 10.1 million, the deferred tax expense rose from TRY 2.2 million in 2005 to TRY 66.3 million in 2006 due to the decrease in deferred tax assets and constituted 87% of overall tax expense. As a result, despite the 211% increase in overall tax provision over the previous year, net profit rose from TRY 73.7 million (US$ 55 million) in 2005 to TRY 78.7 million (US$ 55 million) in 2006. The consolidated net profit margin of Migros is around 1.8%.

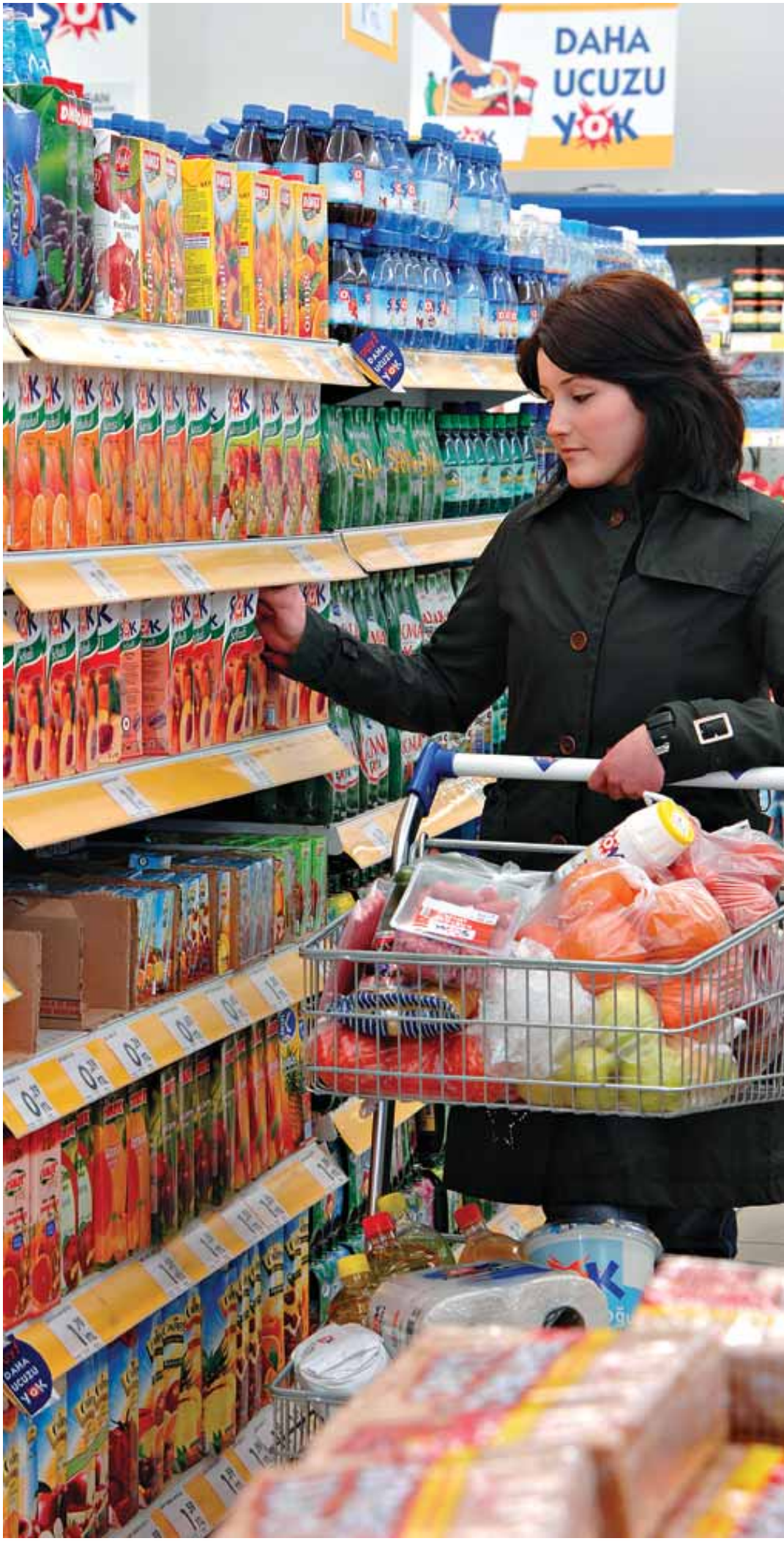
As domestic sales registered TRY 3.7 billion in 2006, a 64% increase in revenue was posted over the previous year and gross profit derived from domestic sales exceeded TRY 911.6 million. The improvement in the gross profit margin resulting from a higher economies of scale on the back of Tansaş merger was also reflected in the operating profit margin. As a result, domestic operating profit surged 126%, whereas net operating profit rose 61%. Migros generated a net operating profit of 4.5% from its domestic sales in 2006, vs. 3.3% in 2005. This improvement in operating profitability had a positive impact on the EBITDA margin as well, pushing it from the 6.1% level of the previous year up to 6.8% in 2006.

Sales from the Russian operations surged 30.7% on TRY basis and 22.6% on US dollar basis. While sales revenue from the Ramenka operations stood at 9.9% of consolidated sales, operating profit generated by Ramenka operations makes up 12.3% of the consolidated operating

Continuing at full steam its investments in Turkey and its subsidiaries abroad, Migros was serving in a total of 878 stores by year-end 2006, having expanded its net sales area to 693,289 m^2 and with a physical growth of 43.8%.

Consolidated Sales
(TRY millions)





financial results and evaluation

Ramenka - Russia						
Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	423,083	100.0	323,588	100.0	288,719	100.0
Gross Profit	131,122	31.0	93,039	28.8	82,765	28.7
Net Operating Profit	25,490	6.0	23,343	7.2	25,187	8.7
EBITDA	42,228	10.0	33,078	10.2	32,990	11.4

Ramstore - Kazakhstan						
Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	100,921	100.0	70,942	100.0	60,527	100.0
Gross Profit	27,407	27.2	20,574	29.0	18,066	29.8
Net Operating Profit	11,041	10.9	10,482	14.8	8,076	13.3
EBITDA	12,479	12.4	11,796	16.6	9,233	15.3

Ramstore - Azerbaijan						
Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	15,743	100.0	11,712	100.0	10,295	100.0
Gross Profit	3,918	24.9	2,936	25.1	2,490	24.2
Net Operating Profit	807	5.1	796	6.8	123	1.2
EBITDA	1,209	7.7	1,147	9.8	451	4.4

Ramstore - Bulgaria						
Summary (TRY thousands)	2006	%	2005	%	2004	%
Sales	33,940	100.0	22,045	100.0	13,086	100.0
Gross Profit	10,840	31.9	5,541	25.1	2,491	19.0
Net Operating Profit	2,474	7.3	(1,765)	(8.0)	(2,179)	(16.7)
EBITDA	4,693	13.8	74	0.3	(799)	(6.1)

profit. The company continued to expand to the regions outside Moscow in 2006 and now operates in 18 cities including Moscow. Although Ramenka's expansion into the regions is causing an increase in logistics and transportation costs, it is significant for the EBITDA margin to remain in double digits, at around 10%. Despite the impact of aggressive investments undertaken by the company in 2005 and 2006, the operations of the company are satisfactory in terms of the margins.

Ramstore Kazakhstan, which is now 100% owned by Migros after the acquisition of 40% of the Butya Group's shares during 2006, continues its operations with seven stores. Furthermore, Ramstore Bishkek, a subsidiary of Ramstore Kazakhstan, launched a new store in Bishkek, the capital of Kyrgyzstan, thereby increasing to six the number of foreign countries Migros operates in through its subsidiaries. Operations of Ramstore Bishkek are fully consolidated into Ramstore Kazakhstan. Sales of Ramstore Kazakhstan reached TRY 101 million in 2006, corresponding to 42% growth on TRY basis and 33% on a US dollar basis. Among the foreign countries invested by Migros, the Ramstore Kazakhstan operations have proven satisfactory in terms of the margins, similar to the Russian operations.

Information regarding the operations of Ramstore Bulgaria and Ramstore Azerbaijan, which constitute 0.8% and 0.4% of the company's consolidated sales, respectively, is presented in the tables below. Ramstore Macedonia operations are consolidated into Ramstore Bulgaria operations.

Expectations and targets for 2007

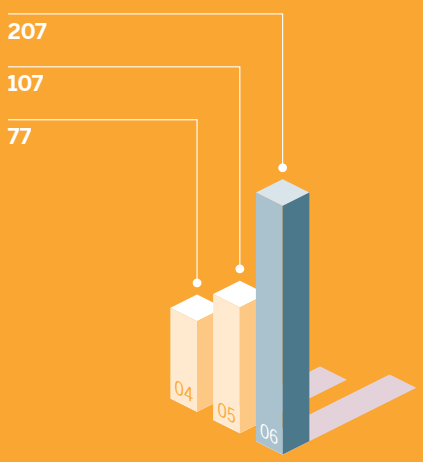
International retail chains that currently operate in Turkey have expressed their confidence in the potential of the Turkish market and announced that they will significantly increase their investments in 2007. As has been the case for the last 52 years, Migros aims to continue its leadership in the domestic market. Migros not only merged with Tansaş in 2006, but also opened 93 new stores including Tansas banner stores. Moreover, Migros is evolving at a reliable pace toward becoming a strong regional chain. The company plans to expand its domestic reach in 2007 and open approximately 100 new stores under various formats, about half of which will carry the Şok fascia. These new domestic stores represent an investment of US$ 100 million and add 60,000 square meters of sales area. If economic or market conditions change during the year, these plans may be revisited. The company will finance its domestic investments with internally generated cash flow.

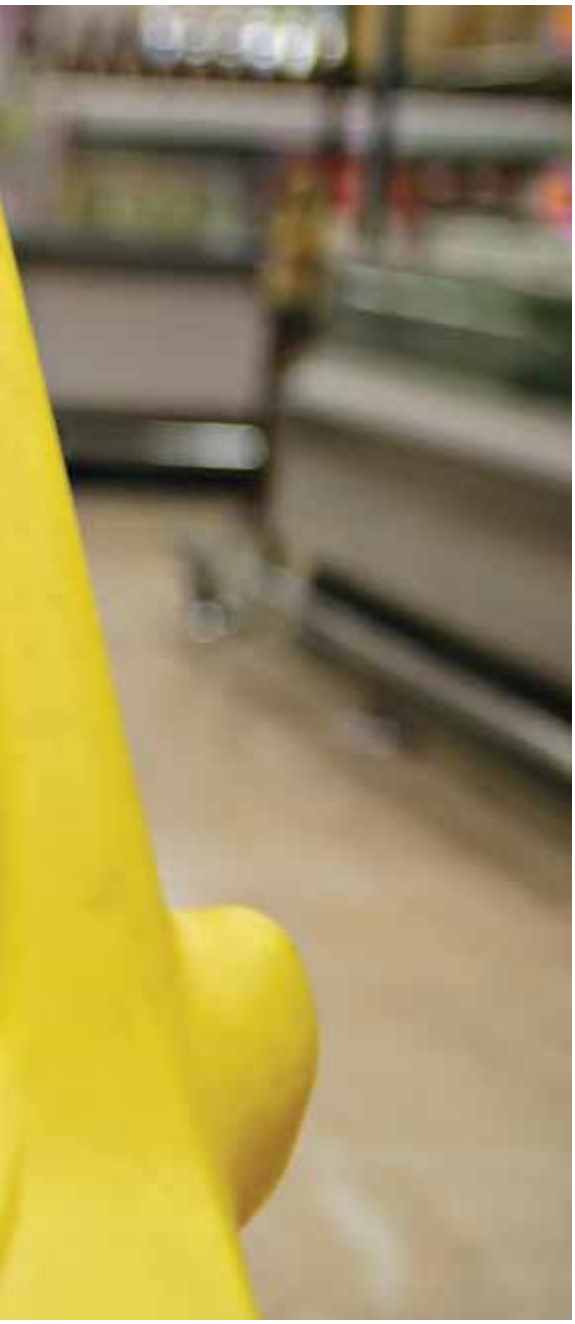
Migros' domestic sales are expected to reach TRY 4.4 billion in 2007. Due to the Tansaş merger, 2006 has been an integration year for the company. Improvement in the gross profit margin provides the flexibility to offer more competitive prices to customers and expand the customer base. Furthermore, the company will continue to focus on operating profitability with the positive impact of the synergy created via the Tansaş merger.

In 2005, the company began paying back the US$ 250 million in bank loans, raised to finance the Tansaş acquisition. Assuming that the TRY will not experience a significant devaluation against foreign currencies in 2007, interest expenses will decline due to the payback of the principal.

The company plans to expand its domestic reach in 2007 and open around 100 new stores under various formats.

Consolidated Net Operating Profit
(TRY millions)





social responsibility

With the goal of being a good corporate citizen, the company always aims to move forward with its contributions. Working diligently on social issues such as education, culture, arts, environment, sports and healthcare, Migros Türk supports these institutions in various ways, directly holds events and sponsors the projects that benefit the society, people and the environment, contribute to overall development and create awareness.

social responsibility

"Sensitivity" is internalized as one of the corporate values at Migros Türk. The environment, priority issues of society like education and healthcare, urgent needs that need to be met due to natural disasters, increasing social awareness like enrichment of individuals and social lives filled with culture and the arts, are of close interest to the company as significant elements of sustainable development, in a whole. The company and its corporate brand develop together with their environment and the society in which it operates. In today's management concept, sensitivity toward society, the individual and the environment is a prerequisite as well as one of the most important factors for being the closest brand to the customer. "Sensitivity" is adopted by all Migros' employees and is considered a core corporate value in all activities and practices.

Aiming to be a good corporate citizen, Migros Türk works on social issues such as education, culture, arts, environment, sports and healthcare with dedication. It supports these institutions in various ways, sponsoring projects that benefit society, people and the environment while creating awareness of these issues. Corporate social responsibility at Migros Türk is presented under the headings of Creating Social Awareness, Social Attitude, Social Volunteering and Responsible Business Practices, their results and contributions are regularly measured and enhanced.

In 2006, Migros donated TRY 1,344,449.97 to foundations and associations that provide social assistance.

Education

Migros' support of education is ongoing. The company believes that this is a vital component of social improvement, particularly in relation to children who represent our future.

- Migros Türk donates a portion of the revenue from private brands in its stores to the Educational Volunteers Foundation of Turkey (TEGV).
- To support the trend toward computerized education and to meet the needs of the country's schools in their computer labs, Migros has donated computers to these schools: Diyarbakır-Yiğityolu Mehmetçik Elementary School, the Uşak-Ovacık Elementary School, the Menemen-Emiralem Elementary School, the Istanbul-Çengelköy Belma Güde Elementary School and the Bodrum High School.
- In support of education and research activities, a barcovision projector was donated to the Istanbul University Faculty of Veterinary Medicine.
- Support was provided to enhance the educational and cultural activities of the Istanbul Technical University Foundation.
- Support continues to the Silopi Koç Primary School built by Migros Türk in Silopi with the "Build, Transfer, Support" slogan. Migros ensures that the students in this region are educated in a modern and well-equipped school.
- A specially equipped truck modeled after the 'mobile store' that would travel to neighborhoods around the city has been built as a traveling exhibit of the service that Migros provided 52 years ago when it first began serving the public. All the facilities normally found in a small store have been faithfully reproduced as display units inside the truck.
- The truck has visited 11 different cities within the scope of KoçFest and ten university campuses during spring festivals.
- In order to provide additional educational support to elementary school students, Turkish and Math CDs have been distributed. These CDs were conscientiously prepared for grades 4-8 and have rich contents to both educate and entertain thereby facilitating learning. The Frisbee Educational CD Campaign benefited 15,000 students and was organized at the beginning of the 2006 academic year.

Healthcare

Keen to contribute to society as much as possible, the company supports the initiatives that aim to create awareness about healthcare.

- Migros Türk improved its ISO 9001-2000 Quality Management System and has been certified for its ISO 22000 Food Security Management System by the Turkish Standards Institution following detailed inspections in November 2006. The certificates also include Tansaş and Macrocenter stores. With 425 stores in the Turkish retailing sector, Migros Türk became the only retail chain to operate both the Quality Management System and the Food Security Management System in so many service points. Migros Türk's philosophy of quality focuses on continuity and progress. Their goals for installation, procurement and improvement of quality systems will continue at full speed in the years ahead.
- Stores and all control processes dealing with quality and food security at Migros Türk and the suppliers of the Migros-brand products are regularly audited without prior warning by TÜBİTAK-MAM Food Science and Technology Research Center. The continuity of product security and quality are ensured by analysis of the products.

- Food products purchased by Migros Türk are subjected to stringent quality tests before being offered for sale and at the point of admission into the warehouses. Furthermore, vets regularly check incoming products while they are being stored in the warehouses and on counters and shelves. Migros Türk stores are under the surveillance of HACCP monitoring system for effective food security. With such control, quality is regarded as an ever-developing process from the perspective of food hygiene and health.
- For the first time in Turkey, Migros Türk initiated a joint project with TÜBİTAK-MAM in order to develop a method to determine the hormone levels in fruits and vegetables sold in its stores. Hormone analysis methods were developed within the framework of this project; the DAR, German Accreditation Institution accredited six of these methods. Hormone and agricultural chemical residue analyses are performed regularly for some products, thereby educating the producers as well as ensuring healthy products for the consumers.
- Together with the Turkish Cancer Society, special stands were set up in various Migros and Tansaş stores. The public was informed about preventive measures that should be taken and as to how awareness can unleash prompt examination and treatment to save lives.
- LÖSEV, the Children with Leukemia Foundation, has placed donation boxes in the stores in order to help meet raise funds to meet the health and education needs of children with leukemia. Assistance was provided for customer donations to reach LÖSEV. There are also donation boxes in the stores for the benefit of the Turkish Cancer Society.
- Special parking spaces are reserved for handicapped customers in Migros store parking lots. To help ease the shopping experience for disabled customers, wheelchairs and specially designed motorized carts were placed in certain Migros stores.
- Two battery-powered wheelchairs were contributed to the operations of the Beykoz Municipality-White Table Desk for Disableds.
- As a continuation of previous cooperative practices, support was provided for the third annual Summer Camp for Physically Disabled Persons Getting Ready to Discover Nature organized by The Foundation for Solidarity with the Physically Disabled Persons.
- Donations to the Turkish Society for Early Diagnosis of Autism Foundation (TOHUM), which operates under the premise that autistic children can be independent individuals in society through early diagnosis and the proper education, continued in 2006 and the company financed one-year annual caring expenses of a child..
- Panels, conferences and educational social activities as a part of the operations of the Six Dot Association for the Blind were supported.
- Having sponsored the Special Olympics Turkey Organization for the past three years and contributing to the development of 1,000 mentally challenged athletes over the previous two years, Migros Türk supported again the development of another 1,500 mentally challenged athletes in 2006 through a campaign jointly organized with P&G.

The Turkish Standards Institution has certified Migros Türk for the ISO 22000 Food Security Management System after detailed inspections in November 2006. This new certification was earned by improving on the ISO 9001-2000 Quality Management System that was certified in August 2005. Tansaş and Macrocenter stores are included in the scope of both certifications.

social responsibility

- In an effort to raise awareness and create the habit of healthy living, Migros organized a conference with the attendance of 150 Migros customers on eating and living healthfully in Istanbul in November 2006. The theme of this conference was "Health Begins at the Supermarket"; Dilara Koçak participated in this program. Secrets for conscious eating were shared with the audience.
- In order to facilitate healthy and balanced nutrition, Nutritional Value Tags have begun to be placed on 72 products in the stores. Highlighting the beneficial nutritional elements in these products supports awareness on this subject.

Environment

Migros Türk attaches a deep importance to the protection of the environment and ecological balance and reflects its environmental sensitivity in its practices, both at the corporate and store level.

- As a part of its efforts to create a common social consciousness and awareness, Migros Türk together with all of its employees participated in the clean up at Lake Van within the context of the For My Country project organized by Koç Holding. A team of volunteers made up of 250 Migros employees and the public, participated in the operations and helped clean the surface of the lake through the shore and on boats.
- A member of ÇEVKO (Environmental Protection and Packaging Waste Recovery and Recycling Trust), Migros continues its efforts with regard to recycling and recovery by providing funding for such efforts.
- Acting in an environmentally aware position, the company collects its waste for recovery at its facility. During 2006, 18,000 tons of paper, cardboard, packaging and metal were collected from Migros offices and stores and sent to be recycled.
- With a view to aid efficient use of energy resources, computer-aided lighting and heating controls are implemented throughout the company. Using state-of-the-art technology, 5% energy was saved in the stores and management units, thereby making strides for efficient use of resources and maintaining ecological balance.
- Migros is an active participant in the Neighborhood Disaster Support Project (MAG), which was founded to take rapid and effective action and perform rescue operations during natural disasters. With its knowledgeable and technically equipped volunteer army, Migros Türk provides support and funding to the efforts to expand the MAG network.

Culture & Arts

Migros Türk believes a social life enriched with culture and arts is significant for social development and provides funding to encourage and create future audiences for the arts and theater. Migros Türk supports children's theater to facilitate experiencing the colors of life through laughter, entertainment and thinking with live performances. Migros Türk also supports various activities that contribute to social life by emphasizing cultural diversity and values.

- Organized since 1994, the April 23rd Theater Festival continues to draw interest from every segment of society and from different regions. This enhanced interest in the colorful and lively world of theater guides the efforts of Migros to create awareness in this field. In cooperation with state theaters in 11 cities across Turkey during the week of April 23rd, this festival gave 18,000 children the opportunity to watch plays free-of-charge.
- Under the direction of Enis Fosforoğlu, the Migros Children's Theater staged 64 plays focusing on the importance of love and friendship in eight cities throughout 2006. Approximately 25,400 children had the opportunity to watch the plays.
- Migros sponsored a program organized by the Russian Education Cultural and Cooperation Association on March 14-21, 2006 that celebrated the 85th anniversary of the 1921 Russia-Turkey Friendship and Fraternity Treaty.
- The Çanakkale War Remnants and Painting Exhibition was organized on September 5-6, 2006 in cooperation with the Ayvalık Municipality at Ayvalık İsmet İnönü Cultural Center. Migros Türk's attention to the country's historical heritage attracted heavy interest from the visitors.
- Two humidity control devices were donated to the Bodrum Public Library in an effort to preserve and protect the books of the Library. These volumes are kept at the Library's historical building that was renovated at the end of summer 2006. Atilla Koç, Culture and Tourism Minister of Turkey, awarded Migros Türk with a certificate of appreciation for contributions in this area.
- With regard to the topic of communication within the family, a seminar entitled Enlightenment in the Family was held in April with Professor Üstün Dökmen serving as mentor. The seminar was held at the Acıbadem Social Facilities in Polonezköy. Twenty couples from among Migros' customers participated in the event that lasted two full days.
- For Migros' gourmet taste customers, tours were organized to Tekirdağ Mürefte, Izmir İsa Bey and Ankara Kavaklıdere on September 2-9-10, 2006. Seventy couples participated in these excursions and learned in detail about every stage of winemaking, from the picking of the grapes to the production and consumption process.

- Migros brought movie fans together for the gala of the film, "CLICK," in Izmir on September 18th and in Istanbul on September 19th. This free viewing was presented to an audience of 400 individuals who were given the chance to see this film before it debuted in movie theaters.

Sports

A firm believer in team spirit and the contribution to the personal development of the young that sports inspires, Migros continually supports various athletic activities.

- A team from Migros competed in the Koç Sports Festival, organized for the 18th time in 2006. The festival covered five disciplines: football, basketball, table tennis, volleyball and chess. At the festival, the company won second place in table tennis. As in the previous year, Migros hosted the chess competition.

Migros Sports Club Association

- Founded and enlisted as members by Migros employees, the Migros Sports Club Association again demonstrates the importance it attaches particularly to women's basketball in Turkey. Making infrastructure one of its top priorities, Migros had the honor of winning players to the National Basketball Team in various categories several times.
- Migros Women's Basketball Team, which competes in the Women's Premier Basketball League, finished the 2005-2006 regular season in eighth place. As a result, it was qualified to participate in the Turkey Cup that was held in Kayseri. The team advanced to the finals, where it lost 70-68 to Fenerbahçe and took second place. In the youth category, the Migros team ranked third in the Turkey Championships in Denizli.
- A Migros employee, also a player on Antalya Gençlik Engelliler Sports Club that is a team competing in the Turkish Wheelchair Basketball Secondary League and a Tansaş employee, also a player on Istanbul Engelli Yıldızlar Sports Club, have represented the company successfully in this field. The company supported its employees in many fields of sports and has provided the above-mentioned employees with specially designed wheelchairs for disabled athletes.

Social Assistance

Migros Türk, offering support to different institutions and always sensitive to the needs of the society, has also provided funding to various other issues.

- Food and other materials were donated through the Batman and Hakkari governors' offices to people who were hardly impacted by the natural disasters in those regions.
- During Eid Al Adha, an opportunity was provided for customers to make donations through the stores and the Virtual Market to foundations such as TEGV (Educational Volunteers of Turkey), Child Protection Society, Darülaceze (Almshouse), Kızılay (Turkish Red Crescent) and Darüşşafaka (Children's Home) Foundations and LÖSEV (Foundation for Children with Leukemia).
- The Adıyaman Celal Bayar Elementary School received 300 pairs of boots for students in need.

Acting as environmentally aware, the company collects its waste for recovery at its facility. In 2006, 18,000 tons of paper, cardboard, packaging and metal were collected from Migros offices and stores and recycled.


MiGROS

corporate governance principles compliance report

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 disseminated 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 under way to fix these shortcomings in order for Migros to be an exemplary role model.

corporate governance principles compliance report

1. DECLARATION 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 disseminated 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 under way to fix these shortcomings in order for Migros to be an exemplary role model.

In 2006, Migros merged with Tansaş Perakende Mağazacılık T.A.Ş. when it took over the assets and liabilities of Tansaş as a whole in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the Turkish Commercial Code and Articles 37-39 of the Corporate Tax Law. In addition to the completion of the legal process regarding the merger of Migros with Tansaş, the corporate cultures of the two companies were merged and harmonized. Within the scope of this integration, Migros Integrated Human Resources systems were implemented to include all of the employees of the newly created company. Along with the merger, process documentations were rapidly revised that adapted to the changing and developing organizational structure. Corporate Governance Practices and Corporate Culture, Migros Business Ethics Code and the Human Resources Policies pertain to 12,000 employees, including Tansaş employees, now under the Migros umbrella. The company believes that the Migros-Tansaş integration will benefit the country, customers, shareholders, employees and all other stakeholders.

The main principles of Corporate Governance adopted by the company 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. The developments and improvements performed 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 inform the shareholders, the company renewed its corporate website in 2005 and enriched its substance and content during 2006, thereby allowing the shareholders to have better information about the company. Furthermore, in order to better inform foreign and domestic investors and all other interested parties about Migros in general and to assist the analysis of quarterly financial reports, investor presentations on financial results in Turkish and in English were prepared and posted for public viewing in September 2006 on the Internet. 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 department manages the processes related to the Company's General Assembly, capital increases and dividend payments. This department handles all demands and transactions of the shareholders regarding capital increases and dividend payments.

In addition, the department represents and acts as the contact center of the company in its relations with the Istanbul Stock Exchange (ISE), CMB, Central Registry Agency (CRA) and Takasbank (ISE Settlement and Custody Bank Inc). Among the department's other activities are keeping records of Board of Directors Meetings and, material disclosures to the ISE in compliance with the CMB communiqué VII: 39. Within the scope of the Public Disclosure Platform (KAP) of the CMB, these material disclosures and other announcements are also posted on the electronic environment using software developed by TÜBİTAK. Migros' Shareholder Relations Department monitors relevant legislation as well as CMB communiqués and informs the senior management about the subjects and issues requiring compliance.

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

All shareholders requesting information about the company can submit their requests 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 / ISTANBUL
Telephone: (+90 216) 579-3000 (ext. 3214)
E-mail: erkiny@migros.com.tr

Investor Relations Manager: Dr. Affan Nomak
Telephone: (+90 216) 579 3000 (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 registration system in stocks was performed; the company met all requirements on the subject. Yapı Kredi Securities Inc. on behalf of Migros is undertaking the registration transactions.

A total of 120 Migros shareholders who had not yet exercised their bonus stock options or claimed their dividend entitlements subsequently did so at the company's headquarters. Many individuals who requested information about current 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 directly to the company Head Office if the new share coupons on their certificates are numbered 11 or below.

If the 11th coupon on their certificates has been used but the 12th and 13th have not, shareholders may exchange these certificates and receive their bonus shares of stock at Yapı Kredi Bank Istanbul-Harbiye branch or at any other branch of Yapı Kredi Bank. Dividends for year 2000 and thereafter may also be collected by presenting dividend coupons to the Harbiye branch of Yapı Kredi Bank Istanbul- or any other branch of Yapı Kredi Bank.

In May 2006, in order to be able to distribute the company's TRY 20,655,000 (15%) dividend as bonus stock shares by adding it to the capital, the current TRY 137,700,000 issued capital was raised to TRY 158,355,000, which is within the company's TRY 190,000,000 maximum authorized capital; this increase was performed on a registered basis per the CMB communiqués.

Again within the company's maximum authorized capital of TRY 190,000,000 was the issued capital raised by TRY 17,911,866, up from TRY 158,355,000 to TRY 176,266,866 due to the Tansaş merger. This capital increase was realized on a registered basis by restricting the rights of the existing shareholders. Migros shares worth 0.15691991448112 were given to Tansaş shareholders for each Tansaş share they held. Tansaş ceased to exist as a company after the merger and

Tansaş shares were delisted at the Istanbul Stock Exchange as of August 3, 2006, the first day of the share swap.

The Central Registry Agency (CRA) started on November 28, 2005 to carry out book-entry recording of the shares of stock for companies whose shares are traded on the stock exchange and to oversee these records.

Within this context, shareholders who hold printed stock certificates and would like to participate in the May 2006 capital increase need to visit Yapı Kredi Bank branches and have their certificates registered and converted into tradable stock status. The company will under no circumstance print physical shares in this and the ensuing capital increases. Tansaş shareholders who would like to swap their Tansaş shares for Migros shares can perform this transaction at the Yapı Kredi Bank branches as well.

3. Shareholders' Exercise Their Right to Obtain Information

Disclosure

The Investor Relations Department responds to all information requests about the company. During the reporting period, shareholders requested information about the current year's dividends in terms of amount and the manner and place of their payment, attendance in 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 Tansaş merger and share swap transactions as a result of the merger. Announcements regarding all such processes and matters were made through material disclosures, as well as in newspapers 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. The Investor Relations Department keeps Migros shareholders and brokerage analysts informed using all available communication means such as direct contacts, conferences, meetings, Internet, telephone, information bulletins, etc. In addition to its annual report, the company also endeavors to provide all investors with an equal opportunity to be informed about the company and provides general information about the company through its quarterly investor bulletin in which the most recent financial results are assessed. To better inform foreign and domestic investors and all other interested parties about Migros in general and to assist the analysis of quarterly financial reports, investor presentations of financial results in Turkish and in English have been prepared and posted for public viewing in September 2006 on the Internet. Like the company's annual report, these bulletins are available to the shareholders on the corporate website.

Auditing

According to the company's Articles of Association, three statutory auditors are to be elected "from among shareholders and/or from outside the company for up to three-year terms" by the General Assembly. In practice, Migros' statutory auditors are elected by the General Assembly every year.

In addition and as required by the Capital Markets External Independent Audit Regulations published by CMB, a firm is also appointed as the company's independent auditor every year by the General Assembly. For 2006, the General Assembly approved 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 meets to discuss the company's 2006 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 2006 where the activities and accounts of Migros Türk Ticaret Anonim Şirketi for the year 2005 were examined was held at Divan Hotel located at Cumhuriyet Caddesi No. 2, Elmadağ, Şişli/Istanbul at 14:30 on April 12, 2006 under the supervision of İsmail Yıldız, a Ministry of Industry and Commerce observer appointed for the duty by letter 16166 dated April 11, 2006.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was made and published in issue 6515 dated March 17, 2006 of the Turkish Trade Registry Gazette. It was also announced in the March 21, 2006 national edition of the Radikal newspaper. In addition, the date and location of the General Assembly Meeting was made public 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 the day before the General Assembly. 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 have their proxy form prepared according to the form provided by the company and to have them duly notarized as specified in CMB communiqué IV: 8 published in the March 9, 1996 issue of the Official Gazette. The sample proxy form was posted on the company's website in addition to the newspaper announcements.

The company's 2005 balance sheet, income statement, Board of Directors' annual activity 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 March 20, 2005.

According to the General Assembly's attendance roster, a total of 7,950,460,032.5 shares out of 13,770,000,000 for the company's total capital of TRY 137,700,000 were represented at the meeting, of which 7,947,589,495 shares corresponding to TRY 79,475,894.95 were present in person and 2,870,537.5 shares corresponding to

TRY 28,705,375 were present by 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 the participation of 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 issue 6538 of the Turkish Trade Registry Gazette dated April 19, 2006 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.

b) Extraordinary General Assembly Meeting Regarding the Merger

The Extraordinary General Assembly Meeting where transfer of the authority to the Migros Board of Directors on the issue of the merger between Migros Türk T.A.Ş. and Tansaş Perakende Mağazacılık T.A.Ş. was discussed and approved, was held at Migros Türk Corporate Headquarters located at Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir/ Istanbul at 11:00 on February 24, 2006 under the supervision of Fatma Yazıcı, a Ministry of Industry and Commerce observer appointed for the duty by letter 6357 dated February 23, 2006.

CMB communiqué I: 31 describes the procedures that need to be followed in the merger transactions when at least one of the parties is publicly traded. According to Article No. 4 of this communiqué, "although decisions of the Boards of Directors of the parties to the merger are sufficient to initiate the merger proceedings, the General Assemblies can also make decisions regarding the initiation of the merger proceedings and preparation of the merger agreement and conditions or transfer such authority to the Boards of Directors." Therefore, although there was no legal or CMB requirement, our Board of Directors asked for the authorization of the General Assembly out of its sense of ethics and initiated the merger negotiations only after the authorization was granted.

Following the merger negotiations, another Extraordinary General Assembly Meeting was held for the approval of the merger and the merger agreement and General Assembly input was sought.

In this Extraordinary General Assembly Meeting related to the transfer of authority, the Board of Directors was authorized to undertake merger negotiations for Migros' takeover of the assets and liabilities of Tansaş Perakende Mağazacılık T.A.Ş. as a whole based on the non-consolidated financials as of December 31, 2005 and to execute the merger agreement to be submitted to the General Assembly for approval.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was punctually made and published in issue 6486 dated February 6, 2006 of the Turkish Trade Registry Gazette, on the company's website and in the February 9, 2006 national issues of Referans and Bugün newspapers.

According to the General Assembly's attendance roster, a total of 8,112,474,032.5 shares out of 13,770,000,000 shares for the company's total capital of TRY 137,700,000 were represented at the meeting, of which 8,109,603,595 shares corresponding to TRY 81,096,035.95 were present in person and 2,870,437.5 shares corresponding to TRY 28,704,375 were present in proxy.

The Extraordinary General Assembly Meeting regarding the merger between Migros Türk T.A.Ş. and Tansaş Perakende Mağazacılık T.A.Ş. was held at Migros Türk Corporate Headquarters located at Turgut Özal Bulvarı No: Ata 6 34758 Ataşehir/ Istanbul at 09:30 on June 26, 2006 under the supervision of Savaş Özer, a Ministry of Industry and Commerce observer appointed for the duty by letter 36086 dated June 23, 2006.

At the Extraordinary General Assembly Meeting, the shareholders approved the merger between the two companies via Migros' takeover of assets and liabilities of Tansaş as a whole as of December 31, 2005 in compliance with the CMB regulations, Article No. 451 and other relevant provisions of the TCC and Articles 37-39 of the Corporate Tax Law. The shareholders also approved the non-consolidated solo financial statements as of December 31, 2005 that were used in the merger ratio.

As per the law and the company's Articles of Association, announcement of the General Assembly Meeting and its agenda was punctually made and published in issue 6563 dated May 25, 2006 of the Turkish Trade Registry Gazette and in the May 25, 2006 national issues of Radikal and Referans newspapers. Pursuant to the CMB communiqués, the announcement about the merger, including the merger agreement, was made and published 30 days before the General Assembly Meeting in the Turkish Trade Registry Gazette and the Radikal and Referans newspapers on the above mentioned date, as well as Migros and ISE websites.

According to the General Assembly's attendance roster, a total of 8,803,509,217 shares out of 15,835,500,000 shares for the company's total capital of TRY 158,355,000 were represented at the meeting, of which 8,800,208,214 shares corresponding to TRY 88,002,082.14 were present in person and 3,301,003 shares corresponding to TRY 33,010.03 were present in proxy.

Tansaş Perakende Mağazacılık A.Ş. Extraordinary General Assembly Meeting was held on February 27, 2006 and the transfer of authority for the merger to the Board of Directors was approved. The merger agreement and the dissolution of Tansaş were approved by the shareholders in the June 26, 2006 Extraordinary General Assembly. The Extraordinary General Assembly Meetings of the privileged shareholders of Tansaş were also held on the same dates.

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 the 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 the Articles of Association, none of the company's shares have privileged voting rights. Every shareholder exercises one vote for each share of stock he holds at the General Assemblies and all votes are equal. There are no shareholders with cross shareholding interest.

6. Dividend Payment Policy and Timing

There are no privileges with respect to entitlements to 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 listed on the ISE in 1991. Similarly, the company has paid a dividend relentlessly over the last fifteen 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 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.

Based on 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 made public.

According to the CMB communiqués XI: 25 and IV: 27, profit of a subsidiary, a joint venture or an affiliate 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. Transferring Shares

The company's Articles of Association contain no provisions restricting the transfer of shares. The Board of Directors is authorized to issue shares of stock priced above 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 VIII: 39 on Principles Governing Material Disclosures. 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 Department makes every effort to respond to them accurately, completely and in the framework of principles of equality, in line with the company's public disclosure policy.

The public disclosure policy of Migros requires it to share any and all information upon demand as long as such information is not commercially sensitive and does not create a competitive advantage for third parties at the expense of Migros and adversely impact the operations of Migros within this context.

9. Material Disclosures

During 2006, the company made a total of 113 material disclosures, excluding announcements about Migros made by Takasbank, CRA and other publicly held companies, within the framework of CMB communiqué VIII: 39 on Principles Governing Material Disclosures. 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 made on the electronic platform as well.

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. 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.

11. Disclosure of Majority Controlling Real-Person Shareholders

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

Migros Türk T.A.Ş.

Shareholder	% of Shares Held	Nominal Value of Shares Held (TRY)
Koç Holding A.Ş.	50.83	89,601,026
Publicly Traded	49.17	86,665,840
Total	100.00	176,266,866

There are no privileged shares.

The changes that occurred in the shareholding structure in 2006 are discussed in the relevant sections of the 2006 annual report.

Pursuant to the CMB communiqué VIII: 39, the company's chairman and the members of the Board of Directors, general manager and assistant general managers, other persons with significant authority and responsibilities in the partnership and partners indirectly owning more than 5% of the company's shares or parties acting together with such partners are required to make material disclosures when they buy or sell Migros shares.

12. Public Disclosure of Insiders

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. Nüsret Arsel	Member of the Board of Directors
M. Ömer Koç	Member of the Board of Directors
F. Bülend Özaydınlı	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
Aziz Bulgu	General Manager
A.Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
M.İhsan Usel	Assistant General Manager
Demir Aytaç	Assistant General Manager
Ö. Özgür Tort	Assistant General Manager
Cem Rodoslu	Assistant General Manager

PART III: STAKEHOLDERS

13. Informing the Stakeholders

Corporate governance practices of Migros guarantee the rights to which stakeholders are entitled by laws, regulations and reciprocal agreements. The company's employees, shareholders,

subsidiaries and the third-party individuals and entities with which the company has business relations can submit suggestions or report violations on such matters directly to the company's managers. Such direct submissions and reports are evaluated and responded to. Migros posts the names and contact information of department managers on its website, thus enabling stakeholders to directly contact the manager in charge of a particular issue and direct their questions or concerns to the appropriate person first-hand. The objective of this structure is to form a more transparent and effective communication model between the company and the stakeholders.

Company stakeholders are kept informed of matters that are of interest to them. Potential investors who are considering buying the company's stock can request information by directly contacting the Investor Relations Department. The Migros Investor Relations Department responds to questions about the company by e-mail, phone or in-person meetings.

The portion of the Migros Business Ethics Code about the employees is presented in the Code of Ethics section, whereas the other principles are presented below.

Responsibilities of Migros toward other companies

1- Migros obeys the law in all of its activities.

2- Migros does not gain unfair benefit from any person or entity under any circumstance. Migros makes all of its goods and services procurement decisions based on pre-determined and publicly disclosed criteria.

3- It is important to 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; it takes necessary action accordingly.

5- Migros does not share confidential information it receives from companies that serve it to third parties without that company's permission.

Responsibilities of Migros toward the community

1- Migros strives to reach the standards that its customers expect.

2- Migros seeks to fully and promptly fulfill tax and other obligations and to set an example for the community.

3- Migros does not make derogatory, derisory or offensive statements concerning other companies, organizations, products or individuals.

4- Migros takes care in all of its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores and traditions; it complies with all the requirements of law on such matters.

5- Migros defends its business ethics in its sector and strives for adoption, expansion and acceptance of these principles.

Responsibilities of employees toward the company

1- Migros employees, as a matter of policy, reject any offers of material or moral benefit from third parties made to influence their conduct or activities falling within the area of their individual responsibility.

2- Migros employees inform their immediate supervisors when entering into a one-on-one business relationship with any company in which a close relative works, has a partnership interest or is the owner.

3- Migros employees exhibit maximum attention and care when fulfilling their duties and 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 dress and behavior codes established by company management or are generally accepted.

5- Migros employees do not behave indifferently or unresponsively in situations that are against 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 the purposes for which they are intended. They do not use company 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 consent of the company's management.

Responsibilities of employees toward employees

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

General provisions

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

14. Stakeholders' Participation in Management

Article 7 of The Company's Responsibilities toward its Employees of the Migros Business Ethics Code 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 the 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 transmit their suggestions and demands to the company's senior management and the members of the Board of Directors either directly or on the electronic platform 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 the late Vehbi Koç, once said so rhetorically: "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 relationships 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 related 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 to Turkey, theoretical and practical training is also provided in cooperation with the responsible public authorities.

Equality of Opportunity

In both 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 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, career progression and development and compensation through the company's Integrated Human Resource systems.

Human Resources Representative Power

The management of human resources and employee relations are the duty of the Assistant General Manager responsible for Human Resources and Industrial Relations at Migros. Management of these resources in line with established human resource policies and principles is clearly defined in the company regulations and business ethics code.

Participation and Transparency

Managers and employees are inseparable elements of human resource practices at Migros. Employees are kept informed about their roles and responsibilities 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 (corporate intranet, e-mail, remote training and organized meetings). Employees have access to all of their evaluations and are able to obtain training and information.

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

Common values constitute the foundation of the corporate culture. These values are:

1- Giving priority to customer satisfaction
2- Being contemporary and dynamic
3- Honesty and trustworthiness
4- Respect for the law and individual rights
5- Sensitivity toward society and environment
6- Desire to work as a team

Actions of employees that run counter to the company's common values are evaluated impartially through warning systems and according to the discipline committee procedures. Conducting relations with employees at Migros is the primary function of the company's Industrial Relations Department, consisting of an eleven member team. 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 in such a way 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 move ahead under changing conditions. Important elements of Migros' innovative style include a thorough familiarity with both customers and the market and the ability to keep abreast of developments. As a vanguard of change, Migros introduced a number of firsts in the sector, such as consumer rights as early as the 1960s. 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 service. In addition to its modern and contemporary supermarkets, Migros also enhances the ability of customers to reach it through alternative platforms tailored to their needs such as the Şok discount markets introduced in 1995 and the e-commerce platform Migros Virtual Market launched 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, expanding the way that Migros is able to meet customer expectations from a variety of formats.

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, a Customer Satisfaction Survey was given to 7,500 customers for both stores. In addition, a Market and Competition Survey was conducted at Şok stores among 3,200 customers. 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.

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

- In August 2005, Migros was awarded the ISO 9001-2000 Quality Management System certification as an outcome of integrating its process analysis and process-based documentation and Quality Management System established in accordance with the ISO 9001:2000 standard.
- Migros Türk was certified in December 2006 for the ISO 22000 Food Security Management System by the Turkish Standards Institute (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. Tansaş and Macrocenter stores were added to the scope of the TSI ISO 9001-2000 certificate that had been previously awarded.
- The company's suppliers are meticulously selected and audited at regular intervals by the TÜBİTAK-MAM Food Science and Technology Research Institute, which also periodically conducts quality control analyses of the products. Migros-labeled products are included in the same quality control process.
- Every new product that is put up for sale at Migros goes through 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 thereby guaranteeing that there will be sufficient stock for the duration of the sale.

- All customer suggestions received at the stores or at the Contact 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 standards that its customers expect.

2- Migros seeks to fully and promptly fulfill its tax and all other obligations and to set an example for the community.

3- Migros does not make derogatory, derisory or offensive statements concerning 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; it complies with all the requirements of the law on such matters.

5- Migros defends its business ethics in its sector and strives for adoption, expansion and acceptance of these principles.

Migros believes that corporations are responsible for sustainable development of a contemporary way of life both in Turkey and abroad. Corporations should strive for improved standards of living and efficient use of limited resources similar to governments and non-governmental organizations and should be guided by national and international standards.

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. Migros strives to convey its corporate identity as an Honest Retailer and one that is sensitive to the environment.

As a requirement of its attention 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 unregistered economy and contribute to employment by protecting legal employee rights. The company also shares its sense of social responsibility with its 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.

Migros' actions are 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.

As its point of departure, adopting the philosophy that quality is a search for perfection, Migros seeks to achieve the highest possible levels 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.

Migros has not been sued during 2006 for harming the environment.

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. Nüsret Arsel	Member
M. Ömer Koç	Member
F. Bülend Özaydınlı	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.

Changes during the year

Subsequent to the resignation of Board Member Cengiz Solakoğlu, the Board of Directors decided to appoint Ömer Mehmet Koç as the new Director at the September 8, 2006 Board meeting, to give him first degree signature and representation authority of Group A and to seek shareholder approval of this appointment at the first General Assembly Meeting.

19. Qualifications of Board Members

All members on the Board of Directors are in full compliance with the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of section IV of CMB's Corporate Governance Principles. Concurrently, they

are also professionals whose knowledge, experience and educational backgrounds are exemplary both in the 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 other 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 in line with traditional Koç values. 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 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 annual meetings where the updated long term five-year plan is presented and reviewed. The Members are also kept abreast of results at annual budget and review meetings and quarterly meetings where 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 them to monitor the company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

21. Risk Management and Internal Control Mechanisms

Migros' internal control system consists of two separate categories: financial control and operational control. Also incorporated into the system are all of the company's risk management control mechanisms.

The internal control system is designed to make it possible for decision-makers to effectively manage and control the programs, activities, functions and units for which they are responsible by providing reliable information about the system of which they are a part in independent, systematic and quantifiable ways.

Within this system, the following suggestions are given importance:

- Financial control
- Audit of customer-focused processes
- Calculation of effective and economical use of resources
- Identification of transactions that are neither effective nor economical
- Identification of practices that are inconsistent with company goals and objectives, as well as the solution.

Migros internal control system includes monitoring the effectiveness of the processes and practices within the company. The system aims to achieve the following goals, in addition to the scope mentioned above:

- Placement of customer experience at the center of the business strategy
- Determination of the relationship and the difference between the company's vi sion, mission and philosophy and the service that is being delivered
- Achievement of continuous improvements in service quality and customer satisfaction
- Analysis of employee behavior within the framework of the customer service cycle
- Determination of the added-value of improvements in service quality at every stage of the business processes

The Migros internal control system incorporates the systematic reviews that the internal control unit of its principal shareholder, Koç Holding A.Ş., makes at regular intervals during the year. These reviews also provide an opportunity for Migros to review its own internal control processes and make improvements in them.

A new Internal Audit Department was set up in 2005 that is responsible for continuously developing Migros' risk management and internal control mechanisms in parallel with the company's changing needs. It is also responsible for organizing all activities so that reports can be made to the Audit Committee and the Board of Directors. The department conducted audit activities at the stores, warehouse and head office throughout 2006. Utilizing the continuous improvement philosophy, areas that require improvement in its reports were brought to the attention of senior management. Plans of action created pursuant to these reports are contributing to more effective management of the business processes.

Within the scope of internal audit activities, spot audits were conducted at Migros and Şok stores before the merger with Tansaş, in the first half of 2006. The primary goal of these one day or shorter audits was to collect data for the risk weighting activities for internal audit planning. Following the Tansaş merger, store audits continued within the scope of the audit plan. A significant portion of the audit was achieved as a result of central audits to assess the effectiveness of the risk

management and internal control structure. In this process, in the stores chosen by the sampling method, cash register counting and inventory results assessment activities were performed, as well as "store cash register balances" assessments that are important for cash management.

In conclusion, through both central audits and field work, the Internal Control Department continued its activities in an increasing pace in order to enhance the company's efficiency as well as to improve the effectiveness of the internal control structure.

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 affecting the company 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 2006, the Board of Directors passed 39 resolutions on a variety of matters. At least six directors attended all 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 reasons for dissent are entered into the minutes of the meeting. There were no dissenting opinions entered into the minutes of any Board meeting held in 2006. 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 member has a preferential voting right or a veto right.

24. Prohibition of Doing Business with the Company and Non-Compete Clause

Migros has a leasehold relationship in two stores with its Board Chairman Rahmi Koç and with Board Member Ali Koç. 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

The principle business ethics of Migros are grouped under the following main headings:

- Responsibilities of the company toward its employees
- Responsibilities of employees toward the company
- Responsibilities of the company toward other companies
- Responsibilities of the company toward society
- General responsibilities.

The company's responsibilities toward its employees are summarized in the main outline below. Information about the other categories of its business ethics principles are 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 toward 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 protects 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 obeys the equal opportunity principle among its employees.

4- Migros is not 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 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 circumstances, etc.) about its employees that it may receive through any means.

26. Numbers, Structures and Independence of Board Committees

Migros Board of Directors has formed a two-person Audit Committee. Uğur Çatbaş and Oktay Irsıdar were appointed as members to serve until the General Assembly at which the company's 2006 results were to be discussed. The Audit Committee convenes four times a year.

27. Remuneration of the Board of Directors

At the General Assembly Meeting for year 2005 convened on April 12, 2006, the General Assembly decided to pay the Chairman and the Members of the Board of Directors a gross monthly salary of TRY 1,150.


Migros
Pirinç
Migros

migros türk ticaret anonim şirketi

Convenience Translation Into English of Consolidated Financial Statements the Period 1 January-31 December 2006 Together With 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

Migros Türk Ticaret A.Ş.

1. We have audited the accompanying consolidated financial statements of Migros Türk Ticaret A.Ş. ("Migros"), its subsidiaries and joint-venture (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated statement of income, the consolidated statement of changes in 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 the 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 generally accepted 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 on whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Migros Türk Ticaret A.Ş. as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

PRICEWATERHOUSECOOPERS

Additional paragraph for US Dollar and Euro financial information

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 2006. 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 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 financial reporting standards described in Note 2 to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of primary financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

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

Adnan Akan, SMMM
Partner

Istanbul, 15 March 2007

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006

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CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

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

	Notes	* 31 December 2006 EUR	USD	31 December 2006	31 December 2005
ASSETS					
Current assets					
Cash and cash equivalents	4	175.790	231.557	325.476	316.936
Marketable securities (net)	5	86.352	113.746	159.881	63.832
Trade receivables (net)	7	18.506	24.376	34.263	32.884
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	6.262	8.249	11.595	7.641
Other receivables (net)	10	963	1.268	1.783	495
Biological assets (net)	11	-	-	-	-
Inventories (net)	12	212.915	280.459	394.213	266.389
Construction contract receivables (net)	13	-	-	-	-
Deferred tax assets	14	-	-	-	-
Other current assets	15	40.829	53.781	75.595	55.806
Total current assets		**541.618**	**713.436**	**1.002.806**	**743.983**
Non-current assets					
Trade receivables (net)	7	420	553	777	562
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	97.139	127.955	179.853	182.660
Goodwill/negative goodwill (net)	17	127.183	167.530	235.480	173.218
Investment property (net)	18	55.611	73.252	102.963	55.380
Property, plant and equipment (net)	19	569.597	750.290	1.054.608	935.151
Intangible assets (net)	20	97.663	128.645	180.823	181.191
Deferred tax assets	14	-	-	-	61.609
Other non-current assets	15	17.619	23.209	32.622	27.124
Total non-current assets		**965.231**	**1.271.433**	**1.787.126**	**1.616.895**
Total assets		**1.506.850**	**1.984.869**	**2.789.932**	**2.360.878**

These consolidated financial statements have been approved by the Board of Directors on 15 March 2007.

(*) 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 at 31 December 2006 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).

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

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

	Notes	* 31 December 2006 EUR	USD	31 December 2006	31 December 2005
LIABILITIES					
Current liabilities					
Financial liabilities (net)	6	4.596	6.054	8.510	4.627
Current portion of long-term financial liabilities (net)	6	92.643	122.032	171.528	58.843
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	-	-	-	33.914
Trade payables (net)	7	508.280	669.623	941.081	677.122
Due to related parties (net)	9	33.701	44.391	62.397	32.739
Advances received	21	-	-	-	-
Construction progress billings (net)	13	-	-	-	-
Provisions	23	3.925	5.171	7.268	23.366
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15	39.255	51.708	72.681	58.054
Total current liabilities		**682.401**	**898.879**	**1.263.465**	**888.665**
Non-current liabilities					
Financial liabilities (net)	6	308.971	406.986	572.060	653.167
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	-	-	-	-
Trade payables (net)	7	6.609	8.706	12.237	17.907
Due to related parties (net)	9	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23	6.350	8.364	11.757	8.979
Deferred tax liabilities	14	4.021	5.296	7.444	-
Other liabilities (net)	15	-	-	-	-
Total non-current liabilities		**325.951**	**429.353**	**603.498**	**680.053**
Total liabilities		**1.008.351**	**1.328.232**	**1.866.963**	**1.568.718**
MINORITY INTEREST	**24**	**107**	**142**	**199**	**85.230**
SHAREHOLDERS' EQUITY					
Share capital	**25**	**95.202**	**125.403**	**176.267**	**137.700**
Adjustment to share capital	**25**	**-**	**-**	**-**	**-**
Capital reserves	**26**	**113.139**	**149.030**	**209.477**	**206.441**
Share premium		10.183	13.413	18.854	18.854
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve		8.029	10.576	14.865	11.829
Shareholders' equity restatement differences		94.927	125.041	175.758	175.758
Profit reserves	**27**	**33.387**	**43.978**	**61.816**	**20.589**
Legal reserves		7.243	9.540	13.410	11.157
Statutory reserves		-	-	-	-
Extraordinary reserves		42.456	55.925	78.608	56.449
Special reserves		-	-	-	-
Investment and property sales income to be added to the capital		-	-	-	-
Translation reserve	2	(16.312)	(21.487)	(30.202)	(47.017)
Additional contribution to shareholders' equity related to the merger		**64.500**	**84.962**	**119.422**	**-**
Net income for the period		**42.499**	**55.980**	**78.686**	**73.705**
Retained earnings	**28**	**149.664**	**197.141**	**277.102**	**268.495**
Total shareholders' equity		**498.390**	**656.495**	**922.770**	**706.930**
Total liabilities and shareholders' equity		**1.506.850**	**1.984.869**	**2.789.932**	**2.360.878**
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 at 31 December 2006 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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2006 AND 2005

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

		*2006			
	Notes	EUR	USD	2006	2005
OPERATING REVENUE					
Sales (net)	33,36	2.308.869	3.041.314	4.274.871	2.686.100
Cost of sales (-)	33,36	(1.722.904)	(2.269.463)	(3.189.957)	(2.037.638)
Service revenue (net)	36	-	-	-	-
Other operating income	36	-	-	-	-
Gross operating profit		**585.965**	**771.851**	**1.084.914**	**648.462**
Operating expenses (-)	37	(474.383)	(624.873)	(878.321)	(541.787)
Net operating profit	**33**	**111.581**	**146.979**	**206.593**	**106.675**
Other income and gains	38	65.416	86.167	121.117	66.524
Other expenses and losses (-)	38	(5.284)	(6.961)	(9.784)	(7.478)
Financial expenses (-)	39	(86.347)	(113.739)	(159.871)	(64.034)
Operating profit		**85.366**	**112.447**	**158.055**	**101.687**
Share of profit/(loss) of associates	16	383	504	709	(42)
Monetary gain	40	-	-	-	-
Income attributable to minority interest	24	(2.028)	(2.671)	(3.755)	(3.366)
Income before tax		**83.721**	**110.280**	**155.009**	**98.279**
Taxes on income	41	(41.222)	(54.299)	(76.323)	(24.574)
Net income		**42.499**	**55.980**	**78.686**	**73.705**
Weighted average number (000's) of shares with face value of YKr 1 each	42	17.626.687	17.626.687	17.626.687	17.626.687
Basic and diluted earnings per share (YKr)	42	0,24	0,32	0,45	0,42

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CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2006 AND 2005

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 for the period	Retained earnings	Total shareholders' equity
Balances at 31 December 2004											
-as previously reported	**137.700**	**18.854**	**-**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.397**	**225.936**	**650.688**
Change in accounting policy - IAS 39 (Note 2)			5.083	-	-	-	-	-	290	(5.373)	-
Balances at 31 December 2004											
-as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.687**	**220.563**	**650.688**
Change in accounting policy - IFRS 3 (Note 2)	-	-	-	-	-	-	-	-	-	4.346	4.346
Balances at 1 January 2005											
-as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.687**	**224.909**	**655.034**
Transfers	-	-	-	-	2.932	28.169	-	-	(74.687)	43.586	-
Dividends relating to 2004	-	-	-	-	-	(20.655)	-	-	-	-	(20.655)
Currency translation differences	-	-	-	-	-	-	(7.900)	-	-	-	(7.900)
Financial assets net fair value gain, net of deferred tax	-	-	6.746	-	-	-	-	-	-	-	6.746
Net income for the period	-	-	-	-	-	-	-	-	73.705	-	73.705
Balances at 31 December 2005	**137.700**	**18.854**	**11.829**	**175.758**	**11.157**	**56.449**	**(47.017)**	**-**	**73.705**	**268.495**	**706.930**
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 (Note 9)	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 the 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 2006	**176.267**	**18.854**	**14.865**	**175.758**	**13.410**	**78.608**	**(30.202)**	**119.422**	**78.686**	**277.102**	**922.770**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2006 AND 2005

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

		*2006			
	Notes	EUR	USD	2006	2005
Operating activities:					
Net income		42.499	55.980	78.686	73.705
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	24	2.028	2.671	3.755	3.366
Share of (gain)/loss of associates	16	(383)	(504)	(709)	42
Depreciation and amortisation	18,19,20	56.461	74.372	104.537	71.922
Employment termination benefits - net	23	(1.094)	(1.441)	(2.025)	5.860
Taxation expense	41	41.222	54.299	76.323	24.574
Interest income		(34.945)	(46.030)	(64.700)	(50.106)
Interest expense		63.536	83.691	117.636	53.107
Gain on sales of property, plant and equipment- net	38	(511)	(673)	(946)	(524)
Impairment loss of property plant and equipment	19,38	2.317	3.051	4.289	25
Cash flows from operating activities before changes in operating assets and liabilities		**171.129**	**225.417**	**316.846**	**181.971**
Changes in operating assets and liabilities - net					
Increase in trade receivables		(861)	(1.134)	(1.594)	(3.839)
Increase in due from related parties		(2.136)	(2.813)	(3.954)	(2.423)
Increase in inventories		(69.038)	(90.939)	(127.824)	(41.878)
Increase in other current assets and other receivables		(7.746)	(10.203)	(14.341)	(5.581)
Total increase in short and long-term trade payables		139.503	183.757	258.289	68.758
Increase/(decrease) in due to related parties		16.018	21.100	29.658	(34.598)
(Decrease)/increase in other current liabilities		(14.746)	(19.424)	(27.303)	52.512
Interest paid		(60.157)	(79.240)	(111.380)	(49.369)
Income taxes paid		(10.839)	(14.277)	(20.068)	(19.907)
Increase in other non-current assets		(2.969)	(3.911)	(5.498)	(6.320)
Net cash provided by operating activities		158.159	208.332	292.831	139.326
Investing activities:					
Purchase of property, plant and equipment	19	(121.893)	(160.561)	(225.685)	(191.393)
Proceeds from sale of property, plant and equipment		1.620	2.134	3.000	4.735
Acquisition of associate	16	(2.691)	(3.544)	(4.982)	-
Increase in financial assets		(41.383)	(54.511)	(76.621)	(50.730)
Additional purchase of subsidiary shares		(20.285)	(26.720)	(37.557)	(1.003)
Cash outflow due to acquisition of subsidiary- net	32	-	-	-	(343.100)
Purchase of other intangible assets	20	(1.206)	(1.588)	(2.232)	(2.405)
Interest received		31.003	40.838	57.402	54.924
Net cash used in investing activities		**(154.834)**	**(203.952)**	**(286.675)**	**(528.972)**
Financing activities:					
(Decrease)/increase in bank borrowings		(206)	(271)	(381)	542.831
Decrease in finance lease payables		-	-	-	(1.009)
Dividends paid		-	-	-	(20.655)
Net cash (used in)/provided by financing activities		**(206)**	**(271)**	**(381)**	**521.167**
Effects of exchange rate differences		1.493	1.967	2.765	1.061
Net increase in cash and cash equivalents		4.612	6.076	8.540	132.582
Cash and cash equivalents at the beginning of the period	**4**	**171.178**	**225.481**	**316.936**	**184.354**
Cash and cash equivalents at the end of the period	**4**	**175.790**	**231.557**	**325.476**	**316.936**

(*) 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 at 31 December 2006 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.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

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 and Şok stores, and since 10 November 2005 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 ("the Group") throughout the period 2006 is 17.567 (31 December 2005: 11.806). Migros and its Subsidiaries are operating in 878 (31 December 2005: 783) supermarkets with a net retail space of 693.289 (2005: 616.186) square meters. Retail is the main business segment of the Group and constitutes almost 95,7% (31 December 2005: 94,8%) 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 the shares of the Company are publicly traded on the Istanbul Stock Exchange (ISE).

On 18 August 2005, regarding the acquisition of the majority shares of Tansaş Perakende Mağazacılık Ticaret A.Ş. ("Tansaş"), the Company and main shareholder Koç Holding A.Ş. signed a Share Transfer Contract with Doğuş Holding companies which own shares in Tansaş. The Competition Board's permission required for the transfer was received on 1 November 2005 and the transfer was realised on 10 November 2005. Accordingly, Tansaş became a subsidiary of the Company. Tansaş was incorporated on 15 December 1986 and is operating in the retail and shopping sector with Tansaş and Macrocenter brands through 227 stores. 18,29% of Tansaş shares are 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.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

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	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
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	Turkey	(*)	Trade

(*) Not included in the scope of consolidation on the grounds of materiality.
(**) 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 Qapali Tipli Sehmdar Cemiyeti
Babek Prospekti 1129.cu Mehelle
Baku, Azerbaijan

- Ramstore Bulgaria A.D.
196, Alexander Stamboliiski Street,
Sofia, Bulgaria

- OSOO Ramstore Bishkek
Gorkiy Str. 27/1
Bishkek, Kyrgyzstan

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

- TOO Ramstore Kazakhstan
226 Furmanov St.,
Almaty 480099, Kazakhstan

Interests in Joint-ventures:

The Company has interests in the following joint-venture (the "Joint-venture"). 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 Accounting 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 Accounting Standards.

With the decision taken on 17 March 2005, the CMB has 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 Accounting 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 periods 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 Türk Ticaret A.Ş., its Subsidiaries, the Joint-venture and its Associates (altogether referred to as the "Group") on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB 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 consolidation 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 structure:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	**31 December 2006**	**31 December 2005**
Tansaş (1), (6)	-	64,25
Ramstore Azerbaijan (1), (5)	100,00	94,75
Ramstore Bulgaria (1) (Note 34.i)	99,99	99,99
Ramstore Kazakhstan (1), (5)	100,00	51,00
Ramstore Macedonia (1), (2)	99,00	99,00
Ramstore Bishkek (1), (3)	100,00	-
Şok Marketler (4)	99,60	99,60
Sanal Merkez (4)	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 Macedonia which is included in the consolidated financial statements as a Subsidiary was established on 3 October 2003 and started its operations as at 11 June 2005 after completing its first level of investments.

(3) 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.

(4) 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).

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

(6) Tansaş was dissolved as of 30 June 2006 as a result of the merger with Migros as stated in Note 1 in detail.

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. Joint-venture Ramenka is consolidated using the proportionate consolidation method i.e. by consolidating the Group's share of assets, liabilities, income and expenditure of each Joint-venture on a line-by-line basis.

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	**31 December 2006**	**31 December 2005**
Ramenka	50,00	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.

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

	Proportion of ownership interest (%)	
Associate	**31 December 2006**	**31 December 2005**
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	50,00	-

The trade name of Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş. was changed to Harranova Besi ve Tarım Ürünleri A.Ş.. As of 30 June 2006, while owning 50% of Harranova Besi shares, the Group does not have controlling or joint controlling power over Harranova Besi operations and therefore Harranova Besi is defined as an Associate in these consolidated financial statements.

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.

Comparative information and restatement of prior periods' financial statements

Current period consolidated financial statements are prepared comparatively with the prior period's financial statements. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period so that the reclassification will result in a more appropriate presentation of events and transactions.

IAS 39 "Financial Instruments: Recognition and Measurement" has been revised effective from the annual period beginning on or after 1 January 2005. In accordance with the revised standard, gains and losses (except for the impairment loss which is recognised in the statement of income) on available-for-sale financial assets should be directly recognised in equity until the financial assets is derecognised. The Group changed its accounting policy on available-for-sale financial assets as required by IAS 39. Accordingly, the Group applied the accounting policy change retrospectively, and the gains and losses recognised on the statements of income until 31 December 2004 are adjusted to statements of equity and restated as if the new accounting policy mentioned above had always been in use (Note 3 - Financial Assets).

The Group also excluded the amount of negative goodwill arising from the prior periods' acquisitions from the consolidated financial statements and adjusted it in the opening retained earnings according to the International Financial Reporting Standard 3 ("IFRS 3") "Business Combinations" (Note 3 - Goodwill).

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 1,4056=USD 1,00 for purchases of USD and YTL 1,8515=EUR 1,00 for purchases of Euro at 31 December 2006. Therefore, USD and Euro amounts do not form part of the consolidated financial statements prepared in accordance with CMB Accounting Standards at 31 December 2006. 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 purchasing cost of current period additions less accumulated depreciation (Note 19). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis.

The Company has reviewed the useful lives of the property, plant and equipment and revised them as at 1 January 2006. The depreciation periods 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.

The useful life and depreciation method are periodically reviewed and whereupon it is verified whether the depreciation method and useful life are in line with the economic benefits to be gained from the related asset or not. In this context, the Company reviewed the useful lives of the property, plant and equipment and revised the useful lives of certain property, plant and equipment effective from 1 January 2006. As a result of the stated revision, the depreciation expense decreased by approximately YTL 12.500 in the consolidated statement of income ending 31 December 2006.

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.

In accordance with IFRS 3, the carrying amount of negative goodwill at 31 December 2004 which arose from transactions before 31 March 2004, is written off from the financial statements by adjusting the opening balance of retained earnings on 1 January 2005 (Note 17).

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 periods 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".

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 is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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 through the impact of rate changes at the translation of foreign currency denominated assets and liabilities to local currency. These risks are monitored by the analysis of the foreign currency position (Note 29).

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

Long-term borrowings which are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

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 periods' 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 periods if the change affects both.

The Company periodically reviews the useful lives of the registered property, plant and equipment and it is verified whether the depreciation method and useful life are in line with the economic benefits to be gained from the related asset or not. In this context, the Company reviewed the useful lives of the property, plant and equipment in the first half of the year 2006. As a result of this review, the management revised the estimates of the useful lives and consequently the depreciation expense in the current period has decreased by YTL 12.500 in the consolidated statement of income ending 31 December 2006 as compared to the amount calculated with the previous useful lives.

The Company 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 property, plant and equipment 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 on the grounds of materiality due to the insignificance of its impact on the consolidated financial statements (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).

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 fulfil 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 period 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 in the consolidated 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 set off 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 Company arising from the retirement of the employees in accordance with the Turkish Labour Law and calculated by applying actuarial valuation methods. Liabilities payable within a 12-month period subsequent to the balance sheet date are accounted for in full and classified in the short-term provision in the consolidated financial statements (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 Company 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 Company (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company 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.

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.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash	23.996	19.737
Banks		
-demand deposits	81.571	50.984
-time deposits	25.206	101.713
Cheques in collection	321	184
Other cash and cash equivalents	194.382	144.318
	325.476	**316.936**

Effective interest rates on YTL and USD denominated time deposits, with details as disclosed in Note 29, are 18,7% (31 December 2005: 16%-19,25%), and 5,1%-11,04% (31 December 2005: 3,5%-6,08%), respectively. Effective interest rate of EUR denominated time deposits, with details as disclosed in Note 29, is 3,87% (31 December 2005: 1,5%-3%). Other cash and cash equivalents mainly include receivables on credit card slips with a maturity of less than one month (31 December 2005: less than one month).

The analysis of time deposits by maturity at 31 December 2006 and 2005 is as follows:

	2006	2005
1 - 30 days	22.426	96.836
31- 90 days	2.780	4.877
	25.206	**101.713**

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NOTE 5 - MARKETABLE SECURITIES

	2006	2005
Available-for-sale investments	135.075	60.132
Held-to-maturity time deposits	24.806	3.700
Total financial assets	**159.881**	**63.832**

Available-for-sale investments

	2006		2005	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Treasury bills and government bonds	14,22%-23,55%	100.770	13,53%-20,17%	26.534
Eurobond (USD)	7,38%-12,38%	33.356	7,38%-12,38%	32.746
Eurobond (Euro)	5,50%	949	5,50%	852
		135.075		**60.132**

Held-to-maturity time deposits:

	2006			2005		
	USD	Euro	YTL	USD	Euro	YTL
ABN Amro Bank	16.213	-	22.789	2.757	-	3.700
Koçbank Nederland N.V.	-	1.089	2.017	-	-	-
			24.806			**3.700**

Effective interest rates on USD and EUR denominated held-to-maturity time deposits are 9,81%-11,04% (31 December 2005: 8,11%-10,13%) and 8,56% (31 December 2005: None) respectively.

The analysis of debt securities by maturity at 31 December 2006 and 2005 is as follows:

	2006	2005
Period remaining to maturity:		
1-30 days	4.646	2.971
31-90 days	15.489	1.052
91-180 days	32.818	2.682
181 days-1 year	59.296	12.071
Over 1 year	47.632	45.056
	159.881	**63.832**

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NOTE 6 - FINANCIAL LIABILITIES

		2006		
	Effective interest rates p.a.	**USD**	**Euro**	**YTL**
Short-term bank borrowings				
With fixed interest rates	8%-8,25%	5.000	-	7.028
With floating interest rates	Euribor + 1,00%	-	800	1.482
Short-term bank borrowings		**5.000**	**800**	**8.510**
Current portion of long-term bank borrowings				
With fixed interest rates	2%-9,85%	1.718	124	2.644
With floating interest rates	Libor+1,6%-Libor +5,83% Euribor + 1,55%-Euribor+5,05%	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	2%-9,85%	2.663	1.116	5.810
With floating interest rates	Libor+1,6%-Libor +5,83% Euribor + 1,55%-Euribor+5,05%	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**

		2005		
	Effective interest rates p.a.	**USD**	**Euro**	**YTL**
Short-term bank borrowings	3,3% - 7,75%	2.251	1.012	4.627
Short-term bank borrowings		**2.251**	**1.012**	**4.627**
Current portion of long-term bank borrowings				
With fixed interest rates	2% - 9,85%	2.446	113	3.461
With floating interest rates	Libor+1,6%-Libor+5,83% Euribor+ 1,55%	35.164	5.165	55.382
Current portion of long-term bank borrowings		**37.610**	**5.278**	**58.843**
Long-term bank borrowings				
With fixed interest rates	2% - 9,85%	11.793	1.240	17.792
With floating interest rates	Libor +1,6%-Libor+5,83% Euribor+ 1,55%	384.443	75.294	635.375
Long-term bank borrowings		**396.236**	**76.534**	**653.167**
Total bank borrowings		**436.097**	**82.824**	**716.637**

The redemption schedule of long-term bank borrowings at 31 December 2006 is as follows:

	USD	Euro	YTL
2008	113.336	21.446	199.012
2009	108.961	21.149	192.313
2010	81.749	21.149	154.064
2011	5.165	2.326	11.566
2012 and after	8.569	1.652	15.105
	317.780	**67.722**	**572.060**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	2006	2005
Receivables from tenants and wholesale activities	34.041	32.660
Doubtful trade receivables	6.871	6.480
Deposits and guarantees given	2	66
	40.914	39.206
Less: Provision for doubtful receivables	(6.651)	(6.322)
Short-term trade receivables, net	**34.263**	**32.884**

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 periods reported is as follows:

	2006	2005
1 January	**6.322**	**3.879**
Increase in doubtful receivables due to acquisition of Subsidiary	-	1.119
Current year provision	1.068	1.796
Collections and reversal of provisions	(926)	(437)
Currency translation difference	187	(35)
31 December	**6.651**	**6.322**

The maturities of trade receivables are generally less than one month (2005: Less than one month).

	2006	2005
Deposits and guarantees given	777	562
Long-term trade receivables	**777**	**562**

Trade payables:

	2006	2005
Trade payables	954.964	686.528
Less: Unincurred financial expense on due date purchases	(13.883)	(9.406)
Short-term trade payables, net	**941.081**	**677.122**

The maturity of trade payables is generally less than three months as of 31 December 2006 (31 December 2005: less than three months) and they are discounted with annual rate of 18,48% (31 December 2005: 8,14%-13,53%).

	2006	2005
Trade payables	5.059	13.590
Deposits and guarantees received	8.019	6.290
	13.078	19.880
Less: Unincurred financial expense on due date purchases	(841)	(1.973)
Long-term trade payables	**12.237**	**17.907**

Long-term trade payables mainly consist of property, plant and equipment purchases and are discounted with an annual rate of 19,62% (2005: 13.80%).

NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

None (31 December 2005: None).

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES

Balances with related parties

Due from related parties:	2006	2005
Sanal Merkez T.A.Ş.	3.232	3.127
Ford Otosan San. A.Ş.	2.274	1.738
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	2.240	103
Palmira Turizm Tic. A.Ş.	1.551	741
Arçelik A.Ş.	663	484
Opet Petrolcülük A.Ş.	59	703
Other	1.576	745
	11.595	**7.641**

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Due to related parties:

Due to shareholders:	**2006**	**2005**
Koç Holding A.Ş.	461	377
Dividend liabilities to other shareholders	42	34
	503	**411**

Due to group companies:	**2006**	**2005**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	16.161	14.242
Beko Ticaret A.Ş.	15.684	4.563
Tat Konserve Sanayi A.Ş.	10.893	3.153
Türk Demir Döküm Fabrikaları A.Ş.	4.827	1.035
Ram Sigorta Aracılık Hizmetleri A.Ş.	4.614	2.857
Palmira Turizm Tic. A.Ş.	2.896	2.082
Entek Elektrik Üretimi A.Ş.	2.198	1.181
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	1.457	538
Ram Kofisa Pasific.Ltd.	-	1.020
Other	3.164	1.657
	61.894	**32.328**

Total due to related parties	**62.397**	**32.739**

Bank balances:	**2006**	**2005**
Yapı ve Kredi Bankası A.Ş. ("Yapı ve Kredi")		
- demand deposit	12.217	350
- time deposit	10.206	38.891
- other cash and cash equivalents (credit card slip receivables)	59.251	33.723
Koçbank A.Ş.		
- demand deposit	-	6.479
- time deposit	-	4.806
Koçbank Nederland N.V.		
- time deposit	11.086	12.597
Koçbank Azerbaijan		
- demand deposit	1.290	224
- time deposit	-	134
Yapı ve Kredi Bankası A.Ş. Bahrain		
- demand deposit	-	1.054
- time deposit	-	1.576
Koçbank Bahrain		
- time deposit	-	25.000
	94.050	**124.834**

Borrowings:	**2006**	**2005**
Yapı ve Kredi Bankası A.Ş.	139.215	137.199
Koçbank Nederland N.V.	11.086	12.617
	150.301	**149.816**

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Significant transactions with related parties

Sales of goods:	2006	2005
Tat Konserve Sanayi A.Ş.	18.686	15
Sanal Merkez T.A.Ş.	15.121	11.493
Palmira Turizm Tic. A.Ş.	8.516	6.803
Ford Otosan San. A.Ş.	4.154	38
Tüpraş Petrol Rafinerileri A.Ş.	1.019	-
Other	5.328	2.633
	52.824	**20.982**

Purchases of property, plant and equipment:	2006	2005
Koçtaş Yapı Marketleri Tic. A.Ş.	5.971	1.120
Ark İnşaat San. Ve Tic. A.Ş.	5.414	-
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	2.423	1.581
Koçnet Haberleşme Teknolojileri A.Ş.	1.101	85
Other	69	469
	14.978	**3.255**

Sales of property, plant and equipment:	2006	2005
Koç Finansal Kiralama A.Ş.	1.900	-
	1.900	**-**

Inventory purchases:	2006	2005
Tat Konserve Sanayi A.Ş.	95.761	22.777
Düzey Tüketim Mal. San. Paz.ve Tic. A.Ş.	86.930	60.355
Palmira Turizm Tic. A.Ş.	12.183	6.065
Türk Demir Döküm Fabrikaları A.Ş.	9.526	8.074
Ram Kofisa Pasific Ltd.	4.601	8.586
Other	5.316	8.739
	214.317	**114.596**

Service purchases:	2006	2005
Beko Ticaret A.Ş. (*)	116.945	45.156
Entek Elektrik Üretimi A.Ş.	17.695	8.971
Eltek Elektrik Enerjisi İth. İhr. ve Tic. A.Ş.	6.595	2.377
Koç Holding A.Ş.	5.223	2.809
Ram Sigorta Aracılık Hizmetleri A.Ş.	4.736	3.171
Ece Türkiye Proje Yönetim ve Tic. A.Ş.	-	3.982
Other	11.403	7.758
	162.597	**74.224**

(*) Major services purchased from Beko Ticaret A.Ş. are transportation, porterage, advertisement, security and warehouse management services.

Interest income:	2006	2005
Koçbank A.Ş.	9.921	2.823
Yapı ve Kredi (*)	3.827	883
Koçbank Nederland N.V.	685	704
Other	64	1.085
	14.497	**5.495**

(*) Yapı ve Kredi has been a group company of Koç Holding effective from 30 September 2005.

Interest expense:	2006	2005
Yapı ve Kredi	10.412	2.154
Koçbank Nederland N.V.	924	933
Other	493	24
	11.829	**3.111**

Dividends paid:	2006	2005
Koç Holding A.Ş.	10.546 (*)	10.546

(*) The dividend calculated based on the net income of the year 2005 and distributed in 2006 was not paid in cash, instead it has been distributed as bonus shares as an addition to the share capital. Total amount of dividend is YTL20.655.

Other related party transactions are as follows:

	2006	2005
Rent income	1.287	936
Rent expense	2.991	2.877
Management fee received	587	436
Donations	1.201	1.217

	2006	2005
Salaries and other benefits provided to the Board of Directors and the key management of Migros	14.022	10.313

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other Receivables	2006	2005
Receivables from personnel	1.783	495
	1.783	**495**

Other Payables

	2006	2005
T. Garanti Bankası A.Ş. ("Garanti Bankası")		
- Credit card collection account	-	33.914
	-	**33.914**

As of 31 December 2005, 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

	2006	2005
Raw materials	457	302
Work in process	977	1.952
Finished goods and merchandise stocks	390.179	263.436
Advances given	128	314
Other	4.023	2.892
	395.764	**268.896**
Less: Provision for diminution in net realisable value	(1.551)	(2.507)
	394.213	**266.389**

Cost of inventory included in the cost of sales for the year ending 31 December 2006 is YTL3.156.995 (31 December 2005: YTL2.007.714)

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 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 Russian Federation, Kazakhstan, Bulgaria and Azerbaijan are 24%, 30%, 10% and 22% respectively as of 31 December 2006 and 24%, 30%, 15% and 22% respectively as of 31 December 2005. The principal tax rate for Turkey is 20% and 30% as of 31 December 2006 and 31 December 2005, respectively.

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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 2006 and 2005 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2006	2005	2006	2005
Carry forward tax losses	136.122	266.415	27.224	79.845
Investment incentives	-	30.964	-	4.864
Unrealised financial cost	14.843	28.979	2.969	8.693
Provision for expenses and other provisions	10.515	12.860	2.230	3.763
Provision for employment termination benefits	11.757	13.782	2.350	4.132
Net difference between the tax base and the carrying value of inventories	1.200	3.781	247	1.039
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(170.757)	(130.422)	(37.512)	(35.670)
Allowance for unincurred interest expense	(14.724)	(11.379)	(2.945)	(3.414)
Deferred prepaid expenses	(3.350)	(2.266)	(733)	(680)
Adjustment for fair value of financial assets	(15.406)	(3.076)	(1.520)	(923)
Other	1.304	(383)	246	(40)
Deferred tax assets			35.266	102.336
Deferred tax liabilities			(42.710)	(40.727)
Deferred tax (liabilities)/assets, net			**(7.444)**	**61.609**

Movements in deferred taxes can be analysed as follows:

	Deferred tax(liabilities) / assets	
	2006	2005
1 January	**61.609**	**(35.472)**
Increase in deferred tax assets due to acquisition of Subsidiary (Tansaş)	-	99.105
Foreign currency translation difference	(2.186)	(43)
Current period expense (Note 41)	(66.270)	(2.209)
Current period effect in shareholders' equity (Note 3- Financial Instruments)	(597)	228
31 December	**(7.444)**	**61.609**

In accordance with Tax Procedural Law, previous years losses can be carried for a maximum of five years. It is estimated by the management that previous years losses in the amount of YTL 136.122 arising during the years 2002-2004 resulting from the acquisition of Tansaş can be offset against taxable profits during 2007. Details of previous years losses in terms of years that the Company plans to benefit from in the coming periods are as follows:

	2006
2002	63.992
2003	51.197
2004	20.933
	136.122

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

Other current assets	2006	2005
Value Added Tax ("VAT") receivables	34.682	25.017
Prepaid expenses	27.553	22.899
Deductible taxes and funds	6.736	1.844
Migros Club discount cheques	5.522	5.289
Prepayments for land leases	431	376
Other	671	381
	75.595	**55.806**

Prepaid expenses mainly consist of insurance costs and store rentals.

Other non-current assets	2006	2005
Prepayments for land leases	20.203	16.227
Prepaid expenses	10.227	9.778
VAT receivables	2.192	1.119
	32.622	**27.124**

Other short-term liabilities	2006	2005
Other taxes and funds payable	22.845	16.016
Payables to personnel	19.689	18.069
Deferred income	11.944	2.335
Expense accruals	10.541	8.241
Merchandise coupons	4.933	3.668
VAT payable	1.406	7.955
Other	1.323	1.770
	72.681	**58.054**

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

NOTE 16 - FINANCIAL ASSETS

	2006	2005
Held-to-maturity time deposits	132.226	145.189
Available-for-sale investments	38.926	34.461
Associates	8.701	3.010
Total financial assets	**179.853**	**182.660**

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Held-to-maturity time deposits:

	2006			2005	
	USD	Euro	YTL	USD	YTL
ABN Amro Bank	87.619	-	123.157	100.000	134.180
Koçbank Nederland N.V.	-	4.898	9.069	8.205	11.009
			132.226		**145.189**

Effective interest rates on Euro and USD denominated held-to-maturity time deposits are 9,81%-11,04% (31 December 2005: 8,11%-10,13%) and 8,56%, respectively (31 December 2005: None).

Available-for-sale investments:

	2006		2005	
	Share	Amount	Share	Amount
Quoted:				
Tat Konserve San. A.Ş.("Tat Konserve")	2,87%	6.269	2,87%	6.022
Unquoted:				
Koç Finansal Hizmetler A.Ş. ("KFS")	0,37%	28.007	0,37%	23.766
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9,24%	2.944	9,24%	2.944
Sanal Merkez Ticaret A.Ş.	69,99%	1.186	69,99%	1.186
Şok Marketler Ticaret A.Ş.	99,60%	520	99,60%	520
Sibernet Kültür ve Turizm İşl. Ltd. Şti.	-	-	20,00%	23
		38.926		**34.461**

Associates:

	2006		2005	
	Share	Amount	Share	Amount
Harranova Besi	50,00%	6.535	-	-
Tanı Pazarlama	32,00%	2.166	32,00%	3.010
		8.701		**3.010**

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

	2006	2005
1-2 years	45.658	18.449
2-3 years	43.784	43.495
3-4 years	39.768	41.706
4 years and over	3.016	41.539
	132.226	**145.189**

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

	2006	2005
Total Assets	10.155	12.247
Total Liabilities	3.387	2.840

As of 31 December 2006, net sales of Tanı Pazarlama is YTL7.586 (2005: YTL9.184) and net loss for the period is YTL2.639 (2005: YTL133).

The financial information concerning Harranova Besi at 31 December 2006 which has been acquired by the Company at 30 June 2006 and included in the consolidated financial statements using the equity method of accounting as of 31 December 2006 is as follows:

	2006
Total assets	56.765
Total liabilities	47.619
Net sales	28.225
Net loss for the period (1 January-31 December 2006)	(8.429)
Net income for the period (30 June -31 December 2006)	3.106

Details related to the Company's acquisition of the associate Harranova Besi are as follows (further details related to Business Combinations are disclosed in Note 32).

Cash paid	4.982
Less: Fair value of total identifiable assets, liabilities and contingent liabilities	(3.020)
Goodwill	**1.962**

The movements of financial assets are as follows:

	2006	2005
1 January	**182.660**	**52.284**
Additions to held-to-maturity time deposits-net	8.143	111.751
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	4.488	9.626
Share in profit/(loss) of associates-net	709	(42)
Sale of available - for-sale-investments	(23)	(145)
Reversal of impairment loss on available-for-sale investments	-	2.142
Increase in financial assets due to acquisition of subsidiary	-	23
Capital increase in financial assets	-	7.021
31 December	**179.853**	**182.660**

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 fair value of Tat Konserve quoted on the Istanbul Stock Exchange is based on the closing price at the balance sheet date. The difference between the cost and fair value of Tat Konserve is recognized in the financial assets fair value reserve in the consolidated shareholders' equity.

KFS is stated at fair value calculated using the discounted cash flow method in the consolidated financial statements. Koçtaş is carried at its acquisition cost restated to the equivalent purchasing power until the end of the period in which inflation accounting was applied.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	Opening 1 January 2006	Additions	Disposals	Transfer	Closing 31 December 2006
Goodwill	175.812	-	-	62.262 (*)	238.074
Accumulated amortisation	(2.594)	-	-	-	(2.594)
Net book value	**173.218**	**-**	**-**	**62.262**	**235.480**

	Opening 1 January 2005	Additions	Disposals**	Closing 31 December 2005
Goodwill	5.510	170.302	-	175.812
Negative goodwill	(7.276)	-	7.276	-
Accumulated amortisation	336	-	(2.930)	(2.594)
Net book value	**(1.430)**	**170.302**	**4.346**	**173.218**

(*) Management decided that the below stated adjustment in the calculation of goodwill related to the acquisition of the Subsidiary (Tansaş) which was realised in 2005 is appropriate.

In the consolidated financial statements of the Company 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 Company 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 the current period rather than the consolidated financial statements as of 31 December 2005.

(**) In accordance with the requirements of IFRS 3, the carrying amount of negative goodwill which was YTL4.346 as of 1 January 2005 was derecognised with a corresponding adjustment to opening retained earnings.

Details of goodwill related to the purchase of subsidiary (Tansaş) in 2005 are as follows (details on business combinations are disclosed in Note 32):

Cash paid	476.080
Less: Fair value of total identifiable assets, liabilities and contingent liabilites	(243.516)
Goodwill	**232.564**

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NOTE 18 - INVESTMENT PROPERTY

	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**

	Opening 1 January 2005	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2005
Cost					
Land and Buildings	51.584	-	10.590	(1.864)	60.310
Accumulated depreciation					
Land and Buildings	(4.009)	(1.067)	-	146	(4.930)
Net book value	**47.575**				**55.380**

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The result of the work completed by an independent appraisal firm in order to estimate the fair value of the investment property at 31 December 2006 amounts to YTL 230.446
(31 December 2005: YTL 127.970). The valuation includes land that is under operating lease by the Company as it cannot be separated from the valuation of investment property.

Depreciation expenses for the period are recorded in general and administrative expenses.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	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	17.678	2.344	-	-	(11.771)	-	-	2.434	10.685
	1.478.650	**225.685**	**(7.220)**	**(11.947)**	**-**	**1.115**	**(41.207)**	**47.815**	**1.692.891**
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	**935.151**			**(4.289)**		**(266)**			**1.054.608**

(*) Please refer to Note 3 "Accounting policies, changes in accounting estimations and errors" for explanation.

Current period investments include costs related to the opening of new stores and shopping malls. Depreciation expenses for the period are recorded in general and administrative expenses.

	Opening 1 January 2005	Additions	Disposals	Impairment loss (Note 38)	Transfers	Transfers to investment property (Note 18)	Effect of changes in foreign exchange rates	Increase in property, plant and equipment due to acquisition of subsidiary (Tansaş) (*)	Closing 31 December 2005
Cost									
Land and buildings	346.016	37.648	-	-	67.929	-	(7.669)	9.073	452.997
Leasehold improvements	303.408	7.273	(7.892)	(90)	4.104	-	(87)	108.406	415.122
Machinery and equipment	365.520	16.289	(1.705)	-	4.662	-	(1.641)	22.504	405.629
Furniture and fixtures	91.343	22.305	(1.412)	-	2.798	-	(491)	30.262	144.805
Motor vehicles	3.321	511	(975)	-	26	-	(21)	-	2.862
Construction in progress	25.031	98.984	-	-	(72.743)	(10.590)	(1.128)	3	39.557
Advances given	16.128	8.383	-	-	(6.776)	-	(558)	501	17.678
	1.150.767	**191.393**	**(11.984)**	**(90)**	**-**	**(10.590)**	**(11.595)**	**170.749**	**1.478.650**
Accumulated deprecation									
Buildings	(41.521)	(8.422)	-	-	-	-	603	-	(49.340)
Leasehold improvements	(145.021)	(23.916)	4.363	65	-	-	7	-	(164.502)
Machinery and equipment	(238.005)	(26.845)	1.622	-	-	-	764	-	(262.464)
Furniture and fixtures	(57.083)	(9.598)	895	-	-	-	204	-	(65.582)
Motor vehicles	(1.966)	(543)	893	-	-	-	5	-	(1.611)
	(483.596)	**(69.324)**	**7.773**	**65**	**-**	**-**	**1.583**	**-**	**(543.499)**
Net book value	**667.171**			**(25)**					**935.151**

(*) The amount of property, plant and equipment considered in the calculation of goodwill related to the acquisition of Subsidiary is YTL109.707 (64,25% of YTL 170.749) (Note 32).

Borrowing costs of YTL4.821 (31 December 2005: YTL3.138) arising on financing specifically entered into for the construction of the new stores have been capitalised during the period. The capitalisation rate used represents the interest cost of the borrowing used to finance the project.

Leased assets included in property, plant and equipment where the Company is under a finance lease, comprise machinery and equipment with net book values as stated below:

	2006	2005
Net book value	24.700	35.291

NOTE 20 - INTANGIBLE ASSETS

	Opening 1 January 2006	Additions	Disposals	Effect of changes in foreign exchange rates	Closing 31 December 2006
Cost					
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**

	Opening 1 January 2005	Additions	Effect of changes in foreign exchange rates	Increase in intangible assets due to acquisition of Subsidiary	Closing 31 December 2005
Cost					
Trademark (Tansaş) (*)	-	-	-	174.158	174.158
Rights	9.189	2.405	(40)	2.319	13.873
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(5.496)	(1.531)	99	-	(6.928)
Net book value	**3.781**				**181.191**

(*) The Company 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 (2005: None).

NOTE 22 - RETIREMENT PLANS

The Group does not have any obligations regarding retirement plans (2005: None).

NOTE 23 - PROVISIONS

Short-term provisions	2006	2005
Tax and legal provisions	242	18.672
Less: Prepaid corporation tax	(162)	(15.313)
Tax provisions, net	**80**	**3.359**

The prepaid corporation tax is higher than the corporate tax provision as of 31 December 2006. Therefore, Migros has a net tax receivable of YTL6.446 which is classified in other current assets as deductible tax and funds (Note 15).

Provision for litigation (Note 31.f)	7.188	12.935
Provision for employment termination benefits (*)	-	4.803
Other	-	2.269
Other provisions	**7.188**	**20.007**
Total short-term provisions	**7.268**	**23.366**

(*) Provision for employment termination benefits which were expected to be paid by the Company in one year were included in short term provisions in full at 31 December 2005. As of 31 December 2006, the Company reversed the excess amount of the short-term portion of provision for employment termination benefits and included in other income in the consolidated statement of income, after completing the necessary payments during the period. As of 31 December 2006, there is no provision for employment termination benefits that is required to be classified in short term provisions.

Changes in the provisions for litigation during the period are as follows:

	2006	2005
1 January	**12.935**	**-**
Increase in provisions for litigation due to acquisition of Subsidiary	-	12.935
Payments in the period	(2.291)	-
Reversal of provisions	(3.782)	-
Current year charge	326	-
31 December	**7.188**	**12.935**

Long-term provisions	2006	2005
Provision for employment termination benefits	11.757	8.979

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 YTL1.857,44 (31 December 2005: YTL1.727,15) for each year of service at 31 December 2006.

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 long-term provision:

	2006	2005
Discount rate	5,71%	5,49%
Turnover rate to estimate the probability of retirement	87,40%	83% - 85,40%

The principal assumption is that the maximum liability of YTL 1.857,44 as of 31 December 2006 (31 December 2005: YTL 1.727,15) 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 YTL1.960,69 (1 January 2006: YTL1.770,62) which is effective from 1 January 2007 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:

	2006	2005
1 January	**13.782**	**6.268**
Increase due to acquisition of Subsidiary	-	1.654
Increase during the period	8.210	8.932
Payments in the period	(6.597)	(3.072)
Reversal of provisions	(3.638)	-
31 December	**11.757**	**13.782**

Payments made related to the employment termination benefits during the period are recognized in personnel expenses under operating expenses.

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NOTE 24 - MINORITY INTEREST/PROFIT - LOSS OF MINORITY INTEREST

Changes in minority interest during the period are as follows:

	2006	2005
1 January	**85.230**	**9.797**
Increase in minority interest due to Subsidiaries added to scope of consolidation	-	73.235
Decrease in minority interests due to increase in parent company shares in Subsidiaries	(17.526)	(905)
Net income attributable to minority interest	3.755	3.366
Translation reserve	3.812	(263)
Allocation of trademark value of Tansaş to minority interest (Note 17)	62.262	-
Transfer to equity due to the merger with the Subsidiary (Tansaş) (Note 33.g)	(137.334)	-
31 December	**199**	**85.230**

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 YKr1. The Company's historical authorised and paid-in share capital at 31 December 2006 and 31 December 2005 are as follows:

	2006	2005
Ceiling on registered share capital (historical)	190.000	190.000
Historical authorised and paid-in share capital	176.267	137.700

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 the Company and their shareholdings to capital with historical figures as at 31 December 2006 and 31 December 2005 are stated below:

	2006		2005	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding A.Ş.	50,83	89.601	51,06	70.307
Publicly held	49,17	86.666	48,94	67.393
Total capital	**100,00**	**176.267**	**100,00**	**137.700**
Adjustment to share capital (*)		(77.165)		(77.165)
Total paid-in capital		**99.102**		**60.535**

(*) 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 176.267 (31 December 2005: YTL 137.700) has been divided into 17.626.686.600 shares (31 December 2005: 13.770.000.000 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:

In accordance with the CMB decree 7/242 dated 25 February 2005, companies are required to distribute dividends calculated as per the minimum dividend distribution requirements and from the net distributable profit as defined by CMB regulations, unless such dividends exceed the distributable profit in the statutory financial statements. If the dividend amount calculated as per CMB regulations is more than the distributable profit in the statutory financial statements, then only that profit in the statutory books will be distributed. There will be no profit distribution in the case of a net year loss in any of the financial statements prepared in accordance with the CMB or legal requirements.

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% (31 December 2005: 30%) 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 2006 and 31 December 2005 according to the Communiqué XI-25 is as follows:

	2006	2005
Share capital	176.267	137.700
Capital surplus	18.854	18.854
Financial assets fair value reserve	14.865	11.829
Shareholders' equity restatement differences	175.758	175.758
Legal reserves	13.410	11.157
Extraordinary reserves	78.608	56.449
Translation reserve	(30.202)	(47.017)
Additional contribution to shareholders' equity related to merger	119.422	-
Net income for the period	78.686	73.705
Retained earnings	277.102	268.495
Total shareholders' equity	**922.770**	**706.930**

The details of the differences between the restated and historical amounts of statutory shareholders' equity items presented above are as follows:

	2006			2005		
	Historical amounts	Restated amounts	Shareholders' equity restatement differences	Historical amounts	Restated amounts	Shareholders' equity restatement differences
Share capital	176.267	99.102	(77.165)	137.700	60.535	(77.165)
Capital surplus	18.854	152.855	134.001	18.854	152.855	134.001
Legal reserves	13.410	38.664	25.254	11.157	36.411	25.254
Extraordinary reserves	78.608	172.276	93.668	56.449	150.117	93.668
Total	**287.139**	**462.897**	**175.758**	**224.160**	**399.918**	**175.758**

NOTE 29 - FOREIGN CURRENCY POSITION

	2006	2005
Assets	342.958	287.029
Liabilities	(911.924)	(801.926)
Net foreign currency liability position	**(568.966)**	**(514.897)**

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YTL equivalent of foreign currency amounts

	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	-	24.885	3.007	-	29.453
Total assets denominated in foreign currencies	**215.669**	**15.484**	**89.414**	**13.338**	**9.053**	**342.958**

	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**

	2005					
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Cash and cash equivalents	3.430	3.663	10.661	7.506	3.822	29.082
Trade receivables	6.623	464	1.811	248	764	9.910
Due from related parties	211	-	76	-	-	287
Marketable securities	36.446	852	-	-	-	37.298
Other current assets	4.574	-	36.607	494	410	42.085
Financial assets	145.189	-	-	-	-	145.189
Other non-current assets	-	-	23.178	-	-	23.178
Total assets denominated in foreign currencies	**196.473**	**4.979**	**72.333**	**8.248**	**4.996**	**287.029**

	2005					
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Short-term financial liabilities	53.484	9.986	-	-	-	63.470
Long-term financial liabilities	531.668	121.498	-	-	-	653.166
Trade payables	3.370	352	61.903	6.435	5.650	77.710
Due to related parties	1.053	-	57	-	-	1.110
Other liabilities	2.926	137	1.780	455	1.172	6.470
Total liabilities denominated in foreign currencies	**592.501**	**131.973**	**63.740**	**6.890**	**6.822**	**801.926**

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

As of the dates of the reporting periods, 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 2006 and 31 December 2005 are as follows:

	2006	2005
Letters of guarantees given	27.464	23.060

Assets of Rambutya in Samal shopping centre and hypermarket (25.050m^2) and Astana (3.194m^2) and Tastak (2.020m^2) supermarkets have been pledged as collateral for the IFC loan agreements in the amount of USD1.9 million signed on 22 November 2001 and in the amount of USD11 million signed on 30 July 1999.

Assets of Ramenka in Maryina Roscha (32.698m^2) and Kuntsevo (19.442m^2) shopping centres and hypermarkets, as well as Chertanova (1.752m^2) and Sokolniki (2.040m^2) supermarkets have been pledged as collateral for the IFC loan in the amount of USD30.5 million used in 1998. Shares of Ramenka have also been pledged as collateral for this loan.

b) Guarantees received at 31 December 2006 and 31 December 2005 are as follows:

	2006	2005
Guarantees obtained from customers	55.022	55.417

c) The future aggregate minimum lease payments under non-cancellable operating leases of land and stores are as follows:

	2006	2005
Payable within 1 year	12.749	9.891
Payable in 1 to 2 years	10.527	9.080
Payable in 2 to 5 years	25.838	26.410
Payable in 5 to 10 years	24.218	29.654
Payable after 10 years	26.314	13.280
Total	**99.646**	**88.315**

d) As of 31 December 2006, there are contractual commitments for the new hypermarket constructions of Ramenka amounting to YTL33.615 (31 December 2005: YTL39.643).

e) Russia, 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 Ramenka and Rambutya may not coincide with that of the management. As a result transactions may be challenged by tax authorities and Ramenka and Rambutya may be assessed for additional taxes, penalties and interest, which can be significant. The periods remain open to review by Russian and Kazakh tax authorities for three and five years, respectively.

f) 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 2006 such provisions amount to YTL 7.188 (31 December 2005: YTL12.935).

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**

On 10 November 2005 the Company acquired 64,25% of the shares of Tansaş for YTL476.080. Goodwill in the amount of YTL232.564, 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 10 November 2005 are as follows:

Purchase consideration (*)	**476.080**
Fair value of identifiable assets, liabilities and contingent liabilities	**243.516**
Goodwill (**)	**232.564**
Cash, cash equivalents and marketable securities	100.558
Inventory	49.245
Property, plant and equipment	109.707
Tansaş trademark (****)	111.896
Deferred tax assets (***)	61.937
Other assets	8.414
Bank borrowings	(6.716)
Trade payables	(150.527)
Other liabilities	(40.998)
Fair value of identifiable assets, liabilities and contingent liabilities	**243.516**

(*) Purchase consideration settled in cash.

(**) Goodwill is related to the synergies resulting from Tansaş stores which will increase the competition power and reduce the operating expenses.

(***) Utilisable deferred tax asset resulting from the carry forward tax losses of Tansaş in the amount of YTL21.754 will be utilised as a consequence of merger with Tansaş, hence considered as an identifiable asset and presented separately.

(****) Please refer to Note 17 for the current period amendment.

Goodwill (related to the acquisition of Macro stores) presented on the financial statements of Tansaş as of 10 November 2005 in the amount of YTL25.797 is not considered as an identifiable asset by the Group.

Other contingent liabilities and provisions that are not presented in the financial statements of Tansaş as of 10 November 2005 but identified by the Group are legal provisions and other provisions in the amount of YTL5.690 and YTL703 net of deferred tax, respectively.

Purchase consideration settled in cash	476.080
Cash and cash equivalents in Subsidiary acquired	(132.980)
Cash outflow on acquisition	**(343.100)**

NOTE 33 - SEGMENT INFORMATION

In these consolidated financial statements at 31 December 2006 and 2005, 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 different sectors on the grounds of materiality in accordance with IAS 14 and accordingly the business 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	**2006**	**2005**
Turkey(*)	3.701.184	2.257.813
Russian Federation (Note 44)	423.083	323.588
Kazakhstan	100.921	70.942
Bulgaria	33.940	22.045
Azerbaijan	15.743	11.712
	4.274.871	**2.686.100**

b) Operating profit/(loss)	**2006**	**2005**
Turkey (**)	166.781	73.819
Russian Federation	25.490	23.343
Kazakhstan	11.041	10.482
Bulgaria	2.474	(1.765)
Azerbaijan	807	796
	206.593	**106.675**

(*) Net sales of Tansaş between the acquisition date 10 November 2005 and the balance sheet date are YTL177.485 and have been included in the 2005 net sales.

(**) Net operating profit of Tansaş between the acquisition date 10 November 2005 and the balance sheet date is YTL8.386 and has been included in the consolidated operating profit.

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c) Segmental analysis for the period of 1 January-31 December 2006

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	3.701.184	15.743	33.940	423.083	100.921	4.274.871	-	4.274.871
Inter-segment revenues	8.753	-	-	-	-	8.753	(8.753)	-
Revenues	3.709.937	15.743	33.940	423.083	100.921	4..283.624	(8.753)	4.274.871
Cost of sales	(2.798.310)	(11.825)	(23.100)	(291.961)	(73.514)	(3.198.710)	8.753	(3.189.957)
Gross profit	911.627	3.918	10.840	131.122	27.407	1.084.914	-	1.084.914
Selling and marketing expenses	(558.929)	(114)	(4.622)	(74.834)	(5.223)	(643.722)	-	(643.722)
General and administrative expenses	(185.917)	(2.997)	(3.744)	(30.798)	(11.143)	(234.599)	-	(234.599)
Net operating profit/(loss)	**166.781**	**807**	**2.474**	**25.490**	**11.041**	**206.593**	**-**	**206.593**

d) Segmental analysis for the period of 1 January-31 December 2005

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	2.257.813	11.712	22.045	323.588	70.942	2.686.100	-	2.686.100
Inter-segment revenues	6.798	-	-	-	-	6.798	(6.798)	-
Revenues	2.264.611	11.712	22.045	323.588	70.942	2.692.898	(6.798)	2.686.100
Cost of sales	(1.738.239)	(8.776)	(16.504)	(230.549)	(50.368)	(2.044.436)	6.798	(2.037.638)
Gross profit	526.372	2.936	5.541	93.039	20.574	648.462	-	648.462
Selling and marketing expenses	(328.769)	(65)	(2.973)	(42.989)	(2.613)	(377.409)	-	(377.409)
General and administrative expenses	(123.784)	(2.075)	(4.333)	(26.707)	(7.479)	(164.378)	-	(164.378)
Net operating profit/(loss)	**73.819**	**796**	**(1.765)**	**23.343**	**10.482**	**106.675**	**-**	**106.675**

e) Geographical segment assets employed

	2006	2005
Total assets		
Turkey	2.337.003	2.032.631
Russian Federation	561.797	415.521
Bulgaria	60.457	54.165
Kazakhstan	58.597	41.651
Azerbaijan	9.088	6.862
Total combined	3.026.942	2.550.830
Less: Inter-segment elimination	(237.010)	(189.952)
Total assets as per consolidated financial statements	**2.789.932**	**2.360.878**

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	2006	2005
Net assets		
Turkey	886.257	772.993
Russian Federation (Note 44)	188.587	138.908
Kazakhstan	31.372	23.595
Bulgaria	26.857	20.879
Azerbaijan	6.941	5.956
Total combined	1.140.014	962.331
Less: Inter-segment elimination	(217.045)	(170.171)
Total net assets	922.969	792.160
Less: Minority interest	(199)	(85.230)
Total shareholders' equity as per consolidated financial statements	**922.770**	**706.930**

f) Capital expenditures, depreciation and amortisation

	2006	2005
Capital expenditures		
Turkey	123.183	73.713
Russian Federation	97.931	105.544
Kazakhstan	5.568	241
Azerbaijan	345	198
Bulgaria	890	14.102
	227.917	**193.798**

	2006	2005
Depreciation and amortisation		
Turkey	83.740	58.683
Russian Federation	16.738	9.735
Bulgaria	2.219	1.839
Kazakhstan	1.438	1.314
Azerbaijan	402	351
	104.537	**71.922**

g) Minority interest

	2006	2005
Bulgaria	199	135
Turkey (*)	-	73.221
Kazakhstan	-	11.561
Azerbaijan	-	313
	199	**85.230**

(*) The minority interest which is calculated in respect with the 37,75% shares belonging to the shareholders other than 64,25% of shares owned by the Company, amounts to YTL137.334 together with the current period amendment as stated in Note 17 (31 December 2005: YTL73.221). As Tansaş was dissolved as of 30 June 2006 and merged with Migros as of 1 July 2006, such minority interest stated above was transferred to the shareholders' equity accounts under "Additional contribution to shareholders' equity related to merger".

NOTE 34 - SUBSEQUENT EVENTS

(i) It has been decided that the real estate owned by the Company's Subsidiary, Ramstore Bulgaria, which has a book value of EUR 6.1 million including the land on which the Zapaden store was built, is to be sold to the company ON Bulgaria OOD for EUR 8.5 million, excluding VAT, and that there will be a preliminary contract signed with the company in question. Furthermore, as part of the review of overseas operations, the other two rented supermarkets operated by Ramstore Bulgaria have been closed down.

(ii) In the Company's Board of Directors Meeting held on 7 February 2007, it has been decided to obtain a five year loan in the amount of USD 10 million to be used for financing the investments of Ramenka.

(iii) Ramenka, resident in the Russian Federation, obtained a five year loan in the amount of USD 20 million in February to finance its capital expenditures.

NOTE 35 - DISCONTINUED OPERATIONS

As of the dates of the reporting periods, the Group has no discontinued operations.

NOTE 36 - OPERATING REVENUE

	2006	2005
Domestic sales	3.770.817	2.318.132
Foreign sales	553.938	415.060
	4.324.755	2.733.192
Other sales	26.739	17.549
	4.351.494	2.750.741
Less: Discounts and returns	(76.623)	(64.641)
Sales revenue - net	**4.274.871**	**2.686.100**
Cost of sales	(3.189.957)	(2.037.638)
Gross operating profit	**1.084.914**	**648.462**

Details of domestic and foreign sales are as follows:

	2006	2005
Retail sales	4.139.176	2.592.344
Rent income	111.579	82.795
Wholesale	74.000	58.053
	4.324.755	**2.733.192**

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NOTE 37 - OPERATING EXPENSES

	2006			2005		
	General and Administrative Expenses	Selling and Marketing Expenses	Total	General and Administrative Expenses	Selling and Marketing Expenses	Total
Staff costs	70.988	246.664	317.652	53.341	134.894	188.235
Rent expense	5.747	139.514	145.261	2.390	82.495	84.885
Depreciation and amortisation	104.373	-	104.373	72.082	-	72.082
Transportation and porterage expenses	-	65.583	65.583	-	39.015	39.015
Repair, maintenance, cleaning and security	11.569	50.480	62.049	6.265	28.957	35.222
Energy expenses	1.376	52.694	54.070	1.245	35.497	36.742
Advertising expenses	-	45.258	45.258	-	26.545	26.545
Taxes and other fees	7.648	1.569	9.217	6.060	1.204	7.264
Communication expenses	2.924	5.837	8.761	2.812	2.929	5.741
Travelling expenses	4.846	2.710	7.556	2.459	1.624	4.083
Warehouse expenses	-	7.406	7.406	-	3.739	3.739
Mechanisation expenses	1.970	4.147	6.117	1.022	3.535	4.557
Parent company service charges	3.530	1.693	5.223	2.809	-	2.809
Insurance premiums	1.687	3.368	5.055	1.455	2.436	3.891
Stationary expense	1.288	2.109	3.397	439	1.782	2.221
Donations	1.741	-	1.741	1.433	-	1.433
Employment termination benefits-net	374	1.239	1.613	1.438	4.422	5.860
Other	14.538	13.451	27.989	9.128	8.335	17.463
Total	**234.599**	**643.722**	**878.321**	**164.378**	**377.409**	**541.787**

NOTE 38 - OTHER OPERATING INCOME/EXPENSE AND GAINS/LOSSES

Other operating income and gains

	2006	2005
Foreign exchange gain	33.244	5.461
Interest income on bank deposits	32.963	16.291
Due date charges on credit sales	21.777	8.462
Unutilised provisions	15.452	256
Interest income on marketable securities	9.960	25.353
Scrap good sales	2.212	1.490
Income from sale of property, plant and equipment	946	524
Rediscount interest income	-	2.477
Other	4.563	6.210
	121.117	**66.524**

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

	2006	2005
Impairment loss of leasehold improvements (Note 19)	4.289	25
Credit cards commission expense	2.235	1.685
Bad debt provision expenses	1.082	1.998
Foreign exchange loss	238	1.452
Other	1.940	2.318
	9.784	**7.478**

NOTE 39 - FINANCIAL EXPENSES

	2006	2005
Interest expense on term purchases	65.636	33.250
Interest expense on bank borrowings	52.000	19.857
Foreign exchange loss from financial activities	41.791	9.913
Other	444	1.014
	159.871	**64.034**

NOTE 40 - MONETARY GAIN/LOSS

There is no gain/loss on net monetary position since inflation accounting has not been applied in 2006 and 2005.

NOTE 41 - TAXES ON INCOME

Turkish tax legislation does not permit a parent company and its subsidiaries 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 2006 is 20% (2005: 30%). 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 (SIS WPI increase rate). Since these conditions in question were not fulfilled in 2005 and 2006, 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% (2005: 30%) on their corporate income. Advance tax is declared by the 10th 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.

Investment allowance exemption:

The investment allowance application which had been in force for a significant period of time and calculated as 40% of capital expenditures, with a certain lower limit, was abolished effective from 1 January 2006 by Law No.5479 dated 30 March 2006. However, in accordance with temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005:

a) Investment allowance amounts that were calculated in accordance with the effective legislation as of 31 December 2005 over the investment expenses related to the investments initiated before 1 January 2006, to be subject to withholding tax of 19,8% if utilised, in the scope of the investment incentive certificates filed on applications before 24 April 2003.

b) Investment allowance amounts at the rate of 40% which will be calculated in accordance with the effective legislation as of 31 December 2005 over the investments that display technical and economical integrity related to the investment initiated before 1 January 2006, in the scope of article No19 of Income Tax Law, that was repealed after 24 April 2003.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends or voting rights at the rate of a minimum 50% are considered as Controlled Foreign Corporations "CFC" and CFC profit will be subject to corporation tax in Turkey provided that the below conditions are fulfilled:

a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;

b) The CFC must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,

c) Gross revenue of the CFC must exceed the equivalent of YTL 100 in a foreign currency in the related period.

CFC profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. CFC profit that has already been taxed in Turkey as per this article will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation.

Russian Federation

The applicable income tax rate is 24% in the Russian Federation (2005: 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% (2005: 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 Kazakhstan, Bulgaria, Macedonia and Azerbaijan are 30%, 15%, 15% and 22% respectively (2005: 30%, 15%, 15% and 22%). The applicable tax rate in Kyrgyzstan was 10% in 2006, while the income tax rate in Bulgaria has been changed to 10% in 2007.

The taxation on income for the periods ended at 31 December is summarised below:

	2006	2005
Current period taxation charge	(10.053)	(22.365)
Deferred tax charge (Note 14)	(66.270)	(2.209)
Taxation on income	**(76.323)**	**(24.574)**

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:

	2006	2005
Net income attributable to the shareholders	78.686	73.705
Weighted average number of shares with YKr 1 face value each (Note 25)	17.626.686.600	17.626.686.600
Earnings per share (YKr)	**0,45**	**0,42**

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

(i) The Company has a 50% interest in Joint-venture Ramenka which operates retail supermarkets and shopping malls in Moscow. The following amounts represent the Company's 50% share of the assets, liabilities, sales and net income of Ramenka and are included in the consolidated balance sheet and income statement.

	2006	2005
Property, plant and equipment	431.005	303.480
Other non-current assets	26.446	29.072
Current assets	104.346	82.969
	561.797	**415.521**
Long-term bank borrowings	(175.966)	(171.294)
Provisions	(18.201)	(13.722)
Short-term liabilities	(179.043)	(91.597)
	(373.210)	**(276.613)**
Net assets	**188.587**	**138.908**

	2006	2005
Net sales	**423.083**	**323.588**
Income before tax	28.067	9.085
Income tax	(8.669)	(2.943)
Net income	**19.398**	**6.142**

(ii) As stated in Summary of Significant Accounting Policies (Note 3), during the year 2006 the Company reviewed the useful lives of its property, plant and equipment considering the improvements in maintenance periods and the nature of the investments and in this context, revised the useful lives of property, plant and equipment effective from 1 January 2006. As a result of such a revision, the depreciation expense has decreased by approximately 12.500 compared to the amount calculated with the previous useful lives and deferred tax expense has increased by YTL 2.500 in the consolidated statement of income for the period ending 31 December 2006. Consequently, consolidated net income for the period ending 31 December 2006 has increased by YTL 10.000.

(iii) As of 31 December 2006, although the short-term liabilities of the Company exceed its current assets in the amount of YTL 260.659, the maturities of the short-term liabilities are longer than the maturities of the current assets. While the maturities of trade payables and due to related parties which constitute approximately 79% of the short-term liabilities are shorter than three months on average, the maturities of the significant amount of current assets is one month on average. Furthermore, the Company has a net cash inflow from its operating activities (please refer to the consolidated statements of cash flows).

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