MiGROS

Migros Türk T.A.Ş.

Annual Report 2005

together
we're bigger

Making a major leap forward in 2005, Migros acquired Tansaş Perakende Mağazacalık T.A.Ş. and further strengthened its market-leading position. The synergies and increasing efficiencies that will be generated from the merger of the two entities under the Migros structure will enhance the competitive edge and bring about the opportunity to offer the goods and services to its customers at more competitive prices.

Tansaş MiGROS

stronger

corporate profile

Migros Türk T.A.Ş. was founded in 1954 in İstanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality. Embracing the mission of procuring food supplies and consumer goods from producers under the supervision of the municipal authorities and of serving these products to Stamboulites in hygienic conditions and at economic prices, Migros opened its first store in Beyoğlu at the Fish Market in 1957. 1975 marked the acquisition of the majority shares in Migros by Koç Group, upon which the number of stores grew rapidly.

As of 2005, Migros serves in various formats with its 79 M, 79 MM, 33 MMM, 311 Şok (discount stores) and 3 hypermarkets across all seven geographic regions of Turkey. Through its foreign subsidiaries, the global number of stores has come at 566 with 3 Ramstores in Azerbaijan, 49 in Russia, 5 in Kazakhstan, 3 in Bulgaria and 1 in Macedonia.

Having further strengthened its sectoral leadership in 2005 by purchasing the national chain store Tansaş, Migros, through this merger, seeks to achieve significant savings in cost items such as procurement, stocks, logistics, warehousing, distribution, fixed assets and information technology.

Being the undisputed leader of the modern retail sector in Turkey, Migros works to satisfy the needs of its customers through a broad range of offerings from stationery to glassware, white goods to books, cassettes to ready-to-wear clothing, in addition to food and consumer goods, in its efficiently designed vast stores.

Migros has prided itself on providing the best services to its customers, its investors, its employees and its suppliers. Migros' primary focus is above all customer satisfaction. Migros continues to serve its customers with a business philosophy built on its core values, corporate culture, commitment to social responsibilities and trust-building corporate identity.

THE ORDINARY GENERAL MEETING AT THE 51ST YEAR ACTIVITIES WAS HELD AT THE DİVAN HOTEL-İSTANBUL ON 12 APRIL 2006 AT 14:30

Contents

vision

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

mission

To become a benchmark and a strong regional retail chain by strengthening its leadership position in the Turkish retail sector and being either the first or the second in the countries of operation.

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 reliable, value-for-money and high quality service deriving from core Koç values.

more productive

Dedicated to creating value for all its shareholders, customers and employees, Migros also achieved successful results in 2005.

2,686 TRY million

Migros' consolidated sales increased by 18%.

107 TRY million

Migros' consolidated operating profit rose by 39%

140 million customers

The number of customers increased by 8%.

566 stores

The number of domestic and international stores increased by 12%.

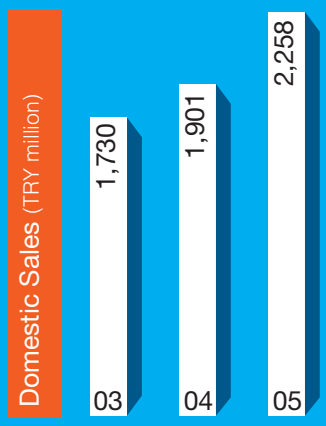
financial indicators

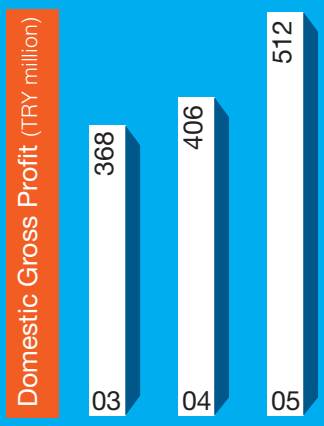
Consolidated Results (TRY thousand)

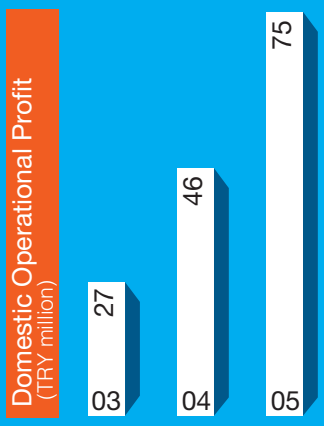
Sales and Margins	2005	%	2004	%
Sales	2,686,100	100.0	2,273,937	100.0
Gross Profit	636,996	23.7	511,045	22.5
Operational Profit	107,382	4.0	77,028	3.4
EBITDA	185,164	6.9	140,072	6.2
Pre-tax Profit	98,279	3.7	103,949	4.6
Net Profit	73,705	2.7	74,687	3.3

Domestic Results (TRY thousand)

Sales and Margins	2005	%	2004	%
Sales	2,257,813	100.0	1,901,310	100.0
Gross Profit	511,583	22.7	405,586	21.3
Operational Profit	74,787	3.3	45,821	2.4
EBITDA	139,330	6.2	98,197	5.2







51st year

Migros will step ahead along the path to be a stronger regional chain by stepping up its capex plan at home and abroad every year.

history

1954-1974 In 1954, Migros was founded in İstanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality. Initially, Migros operated 45 sales trucks delivering consumer goods to its customers, and opened its first non-mobile store in 1957 in Beyoğlu at the Fish Market, that was followed later by various stores around İstanbul.

1975-1979 In 1975, the Koç Group acquired the majority shares in Migros. Henceforth, Migros initiated a new understanding of operation boosted by Koç name and rapidly increased the number of stores in İstanbul.

1980-1990 In 1981, Migros opened its main warehouse in Bayrampaşa. It served many years, having undergone some refurbishment and improvements, and is used for the temperature-controlled and hygienic storage of foodstuffs and other perishables. Migros also invested in state of the art product storage and packaging in germ-free containers.

By the end of 1989, Migros serviced 34 stores across two big provinces, and consumers associated the Migros brand with an “Honest Retailer” identity.

1991-1993 In 1991, Migros went public and its shares were quoted on the İstanbul Stock Exchange Market (ISE). After expanding to new regions and having completed the necessary infrastructure, Migros established its Antalya Regional Office and opened its MMM Antalya store. Migros broadened its presence in Turkey with the addition of stores in holiday resort areas such as Marmaris, Bodrum, Silivri and Yalova to its existing branch network in the cities like İstanbul, İzmir, Ankara and Bursa.

In 1992, Migros began offering the advantage of payment by credit card.

1994-1995 On its 40th anniversary, Migros greeted its customers with an increased number of stores in the cities and regions where it already had a presence, and expanded its service network to cover the cities of Adana, Gaziantep, Edirne, Tekirdağ and Eskişehir, spread over a total of 17 cities in 5 geographic regions including Southeastern Anatolia. Migros was crowned the most successful company in Turkey by Euromoney magazine.

In 1995, Migros added the Şok discount markets to its portfolio, undersigning yet another brand-new incident.

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

Also setting up its first store in Eastern Anatolia with an MM Migros store in Erzurum in 1996, Migros was serving 75 million people in 20 cities over 6 geographic regions through 124 stores by the end of the year.

1997 Opening a Ramstore Shopping Mall in Moscow, Russia, Migros started to offer service in a second foreign country.

Migros became a pioneer of online shopping by introducing the Migros Virtual Market to its customers.

In 1997, Migros rendered service with 175 stores in total, having increased the number of stores to 169 domestically and to 6 internationally in Baku and Moscow.

1998 Operating across 6 geographic regions, Migros penetrated into new cities including Denizli, Hatay, Isparta, Elazığ and Kahramanmaraş. Migros now served in 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 7. Migros laid the foundations for a new Ramstore Shopping Mall in Kazakhstan also during this year.

To enhance customer loyalty and to conduct campaigns in line with customer demands, Migros initiated its first CRM practice: Migros Club.

1999 Migros continued its rapid international growth and entered a third foreign country: Kazakhstan. This brought the total number of stores and shopping malls abroad to 11. Migros developed the first and largest Ramstore Shopping Mall in Almaty in Kazakhstan into a giant retail and trade center that became an integral part of the daily life of the Kazakh consumers.

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”. As a sector leader, Kangurum started up with 48 stores and more than 25.000 products. By the end of the year the number of stores reached 60.

Migros opened 128 new stores at home and internationally, extending its network to a total of 450 stores.

2001 Stepping into the fourth country abroad, Migros opened a Ramstore in Sofia, Bulgaria. This initiative marked the westward expansion of Ramstores in addition to the eastward growth. The number of Ramstores abroad reached 16.

Offering 75,000 products in 28 categories from 59 stores, in 2001 Kangurum Online Shopping Center introduced B2B, a wholesale market concept enabling online wholesale and corporate procurement.

2002 With a total of 41 new investments, Migros opened domestically 1 MMM, 5 MM, 4 M, 23 Şok stores, and internationally 6 Ramstores in Russia, 1 in Bulgaria, and 1 in Azerbaijan.

The total number of stores reached 452 at the end of 2002 with 65 M, 58 MM, 30 MMM, 273 Şok stores and 3 shopping malls and hypermarkets in Turkey, and 3 Ramstores in Baku, 15 in Moscow, 3 in Kazakhstan, and 2 in Sofia.

2003 Achieving its goal of “one new store per week” by the end of 2003, Migros opened a total of 55 new stores. 3 MMM, 10 MM and 12 M stores along with 18 Şok stores in Turkey; and the rest opened abroad, namely 10 in Russia, 1 in Bulgaria and 1 in Azerbaijan.

In 2003, Migros could now boast 484 stores: domestically over seven geographic regions - 73 M, 68 MM, 33 MMM, 273 Şok stores, 3 shopping malls and hypermarkets; and internationally - 3 Ramstores in Baku, 25 in Moscow, 3 in Kazakhstan and 3 in Sofia.

In conjunction with its international expansion strategy, this year Ramstores were opened outside of Moscow for the first time in Russia. A Ramstore opened in Siberia's Krasnoyarsk region, and then in April another Ramstore started trading in Kazan, the capital of Tatarstan.

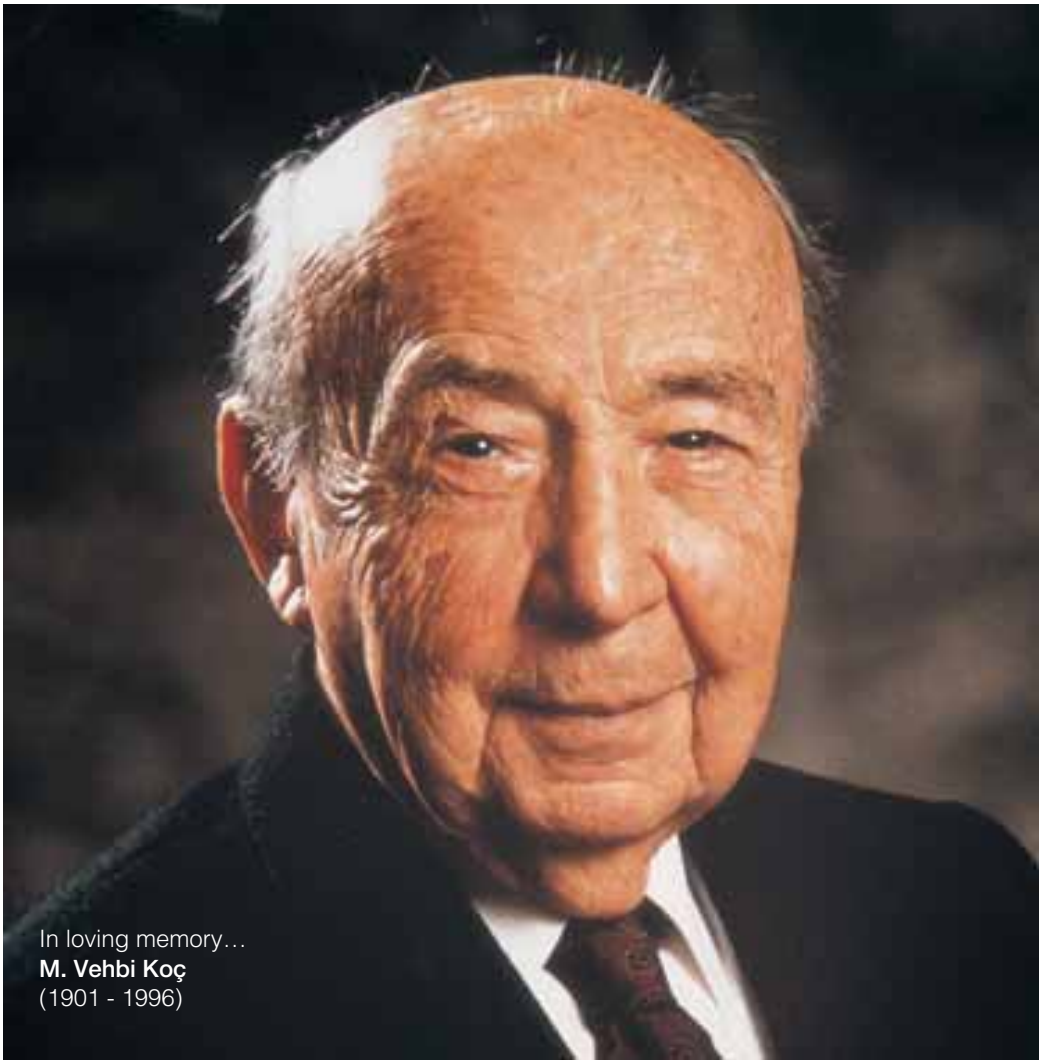
2004 2004 marked the festive celebration of the 50th anniversary of Migros, joined in by all its customers. Migros set alight the retail torch on the Galata Bridge, where it first set to road with 20 delivery trucks to create the leader of the modern retail sector in Turkey in the five decades ahead.

Migros made a total of 44 new investments in 2004, split into 6 Migros and 27 Şok stores in Turkey and 8 stores in Russia, 1 in Bulgaria and 2 in Kazakhstan.

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

5 new Ramstores opened their doors in Moscow in 2004. The service network in Russia was broadened to 32 stores with the addition of new links outside Moscow with Ramstore Rostov, Ramstore St. Petersburg and Ramstore Samara. Having started Ramstore Aynabulak and Ramstore Atakent in Kazakhstan, Migros also opened Ramstore Lozanets in Bulgaria.

board of directors


In loving memory…
M. Vehbi Koç
(1901 - 1996)

Meeting Agenda

1. Opening and roll-call of the Presidium,

2. Presentation, discussion and approval of the Board of Directors' Report, The Board of Auditors' Report, the Independent Auditors's Report of Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., Balance Sheet and Income Statement for the fiscal year 2005,

3. Formal discharge of the Board of Directors and Auditors for the operations of the Company for the fiscal year 2005,

4. Deliberations and decision on the proposal of the Board of Directors with regard to appropriation of the 2005 profit and its timing,

5. Determination of the number and term of office of the new Directors and their election,

6. Determination of the number and term of office of the new Auditors and their election,

7. Determination of the remuneration to be paid to the Board of Directors and Auditors,

Board of Directors

Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman
Cengiz Solakoğlu	Board Member
Dr. Nüsret Arsel	Board Member
Uğur Çatbaş	Board Member
F. Bülend Özaydınlı	Board Member
Y. Ali Koç	Board Member
Oktay Irsıdar	Board Member
H. Hasan Yılmaz	Board Member

Board of Auditors

Ali Yavuz	Auditor
Serkan Özyurt	Auditor
Ahmet Sönmez	Auditor

Senior Management

Aziz Bulgu	General Manager
Ender Alkaya	Assistant General Manager (Human Resources and Industrial Relations)
A. Fuat Yanar	Assistant General Manager (Investments)
Erkin Yılmaz	Assistant General Manager (Financial Affairs)
M. İhsan Usel	Assistant General Manager (Marketing)
Demir Aytaç	Assistant General Manager (Sales)

8. Informing the General Assembly of the donations given by the Company to tax-exempt organizations in 2005,

9. Approval of the Independent Audit Company selected by the Board of Directors according to the communiqué about independent auditing published by Capital Markets Board of Turkey,

10. Giving consent to the Board of Directors in accordance with the Turkish Code of Commerce, Articles 334 and 335, 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,

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

12. Closing.

Message from the Chairman

Dear Shareholders,

Welcome to the Annual General Meeting where we will discuss the operational and financial achievements for the 51st year of Migros Türk T.A.Ş.

The national economy followed a positive course in 2005. For the first time in over three decades, the inflation rate was finally down to single-digits. Interests on deposit accounts and real interests declined. The Turkish economy continued to grow for the fourth consecutive year since the 2001 crisis. We all take pride on the fact that Turkey is growing, and in parallel, enjoying an enhanced international esteem.

One of the fundamental developments in 2005 was the opening of the negotiations with the EU. Turkey's ultimate goal being full accession, we are all now on an irreversible path. Official debut of the negotiations signifies a crucial stride made.

Foreign capital inflows to our country gained momentum in 2005, a fact also contributed to by the positive developments in the international markets. The intense interest of the foreign investors in the privatizations lies as an obvious fact before our eyes.

A narrowed budget deficit, decreased public borrowing needs, tight fiscal policy, and a switch to inflation targeting and strict adherence to the policies in execution instilled a more confident outlook for the future. The decreased VAT rates on certain foodstuff and the reduction in corporate tax rates are important episodes that will prove to be beneficial in the combat against unregistered economy and unemployment.

2005 saw critical developments also in the retail sector. The sector witnessed numerous M&A's. As we go to print, our Company finalized the take-over of the national retail chain Tansaş and further strengthened its position as the sector leader. As Migros, we paid USD 351 million for a 64.25% stake in Tansaş. This acquisition was financed through the Company's own resources and bank loans. In the years ahead, our goal is to attain continued growth and to repay our loans. At present, Tansaş is a major company in the Turkish retail sector; both with regard to its operations and the position it holds. We are well aware of the importance and worth of the Tansaş name for the customers and particularly for the Aegean Region; for this, we will preserve this name. The financial structure of Tansaş reveals that it is a cash generating company with negligible financial liabilities. Migros now gets stronger with Tansaş. I sincerely wish that this cooperation would beget the best for all of us and for our country.

In 2005, Migros' investments continued at full speed, also abroad. Fast growth was maintained with the launch of new stores overseas through our foreign subsidiaries. The first operation in Macedonia was introduced in the capital city of Skopje with a new shopping mall. Thus, the number of foreign countries in which we operate stands at five. The first modern-format shopping mall in Macedonia received much interest and admiration of the customers. While our rapid expansion in Russia continues, the activities in Kazakhstan, Azerbaijan and Bulgaria are also on the right track. As we always say, we are progressing firmly towards becoming a powerful regional chain.

The nationwide Migros presence reached 505 stores across seven geographic regions. This figure is now 722 including Tansaş stores. Abroad, the service network consists of 61 stores inclusive of 12 shopping malls and hypermarkets. Having registered a Y-o-Y increase of 18.1%, the consolidated sales reached TRY 2,686 million. The gross profit margin went up from 22.5% to 23.7%. In parallel, operating profit totaled TRY 107.4 million with a Y-o-Y increase of 39.4%. The consolidated pre-tax profit of Migros stood at TRY 98.3 million and the net profit at TRY 73.7 million.

The importance we attach to ethical values is represented in the manner in which we conduct business. With our “honest retailer” identity, we further build our commitment to social responsibilities day by day, and deem it our mission to serve our country and our customers as a good corporate citizen.

On behalf of our Board of Directors and on my own behalf, I would like to share once again with you our confidence in the future of Migros, which is further strengthened with Tansaş.

I would like to take this opportunity to extend my thanks to our customers for always being byour side, to our suppliers for their continued support, to our employees for their hard and dedicated work, and to you, our shareholders, for participating in our Annual General Meeting.

Rahmi M. Koç
Chairman of the Board

report of the board of directors

Board of Directors

In 2005 the Board of Directors consisted of a college of 9 individuals, in which Rahmi M. Koç served as the Chairman, K. Ömer Bozer as the Vice Chairman, and Cengiz Solakoğlu, Dr. Nüsret Arsel, Uğur Çatbaş, F. Bülend Özaydınlı, Y. Ali Koç, Oktay Irsıdar and H. Hasan Yılmaz as members.

Pursuant to the decision made in the Ordinary General Meeting of Shareholders held on 08 April 2005, a monthly gross salary in the amount of TRY 1,100 was paid to each member of the Board of Directors.

The Board of Directors is empowered to decide on all matters other than those for which the General Assembly is authorized pursuant to the Turkish Commercial Code and to the articles of association.

According to Article 9 of the Articles of Association, the members of the Board of Directors are elected to serve 3-year terms of office, unless a shorter term is determined in the General Meeting in which they are elected. However, members whose terms of office expire may be re-elected, and the General Assembly may replace the Board members at any time, if it so deems necessary.

We thereby submit for your approval the election of members to the seats on the Board of Directors to succeed the members who were elected for 2005 and whose terms of office have expired.

Senior Management

The senior management consists of a team of 6 individuals, in which Aziz Bulgu served as the General Manager, Ender Alkaya, A. Fuat Yanar, Erkin Yılmaz, İhsan Usel and Demir Aytaç 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.

No changes occurred in the Company's senior management during the reporting period.

Our Company's Board of Directors decided as follows:

As of 01 January 2006, Mr. Özgür Tort, the Assistant General Manager responsible for Sales and Marketing of Ramenka Ltd. that is our Company's subsidiary in Russia will be appointed as successor to Ender Alkaya who retired from his post as Migros Türk Assistant General Manager responsible for Human Resources and Industrial Relations as of 31 December 2005.

Statutory Auditors

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

The provisions of Article 275 of the TCC are reserved. The General Assembly of Shareholders pursuant to Article 14 of the Articles of Association elects statutory auditors for a maximum term of office of 3 years.

According to the decision made in the Ordinary General Meeting held on 08 April 2005, a gross monthly salary of TRY 400 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 of office by the General Meeting of Shareholders convened in 2005. We thereby submit for the approval of our General Assembly of Shareholders the election of the statutory auditors whose terms expired and determination of their terms of office.

Audit Committee

Uğur Çatbaş and Oktay Irsıdar have been elected by our Board of Directors as the members of the audit committee set up pursuant to the CMB communiqué Serial: X, No: 19.

The audit committee oversaw the audit conducted and the independent auditors' report as of 31 December 2005. Based on this review, pursuant to the provisions of the CMB communiqué Serial: XI, No: 25, the committee opinion 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 fairly represent the Company's actual financial status on 31 December 2005 and the actual operational results for the said period.

Modifications to the Articles of Associationi

During the Ordinary General Meeting of 08 April 2005, it has been resolved that Article 3 of the Articles of Association concerning the purpose and scope, Article 6 concerning the capital be amended and provisional articles be added; it has also been resolved that Article 11 concerning the duties and powers of the board of directors, Article 26 concerning the distribution of profit, and Article 29 concerning announcements be amended in line with the preliminary approvals of the CMB dated 16 March 2005 and No. 7418, and of the

Ministry of Trade and Industry dated 16 March 2005 and No. 1791. The amendments to the Articles of Association have been registered at the İstanbul Trade Register on 19 April 2005, which was published in the Turkish Trade Registry Gazette issued on 22 April 2005 and No.6288.

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 paid-in capital of TRY 137,700,000 are as follows:

Migros Türk T.A.Ş. Capital Breakdown (TRY thousand)		
Shareholder	Share	Amount
Koç Holding A.Ş.	51.06%	70,307
Publicly Held	48.94%	67,393
Total	100,00%	137,700

Migros' Position in the Sector and 2005 Capital Spend

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, along with their wholesaling for retail consumption. Additionally, the Company also operates shopping malls in Turkey, and abroad through its subsidiaries.

Offering service at the domestic level with 79 M, 79 MM, 33 MMM, 311 Şok stores and 3 hypermarkets across seven geographic regions, Migros embodies a total of 566 stores including its growing network abroad through its subsidiaries and covering 3 Ramstores in Azerbaijan, 49 in Russia, 5 in Kazakhstan, 3 in Bulgaria and 1 in Macedonia. With its 50 years of experience, Migros continues to lead the sector.

In 2005, the Company launched the following 17 Migros stores:
Under the M format: İncek in Ankara; Kaş in Antalya; Güzel Çamlı in Aydın; Düzce in Düzce; Tepebaşı in Eskişehir; Lüleburgaz in Kırklareli; Güllük and Dalyan in Muğla;

Under the MM format: Söke in Aydın; Altınoluk, Erdek, Akçay in Balıkesir; Cennet, Çekmeköy, Büyükçekmece in İstanbul; Niğde in Niğde;

Under the MMM format: Şişli Cevahir in İstanbul.

The Company's presence further expanded with 29 stores under the Şok discount store format. Furthermore, the store refurbishments also continued during the reporting period.

The investments on the international scale were carried on with 18 new Ramstores in total, including 1 in Macedonia and 17 in Russia.

Financial Structure

The Company's financial results are prepared on a consolidated basis and in accordance with the Capital Markets Board's (CMB) accounting and reporting principles ("CMB Accounting Standards"). In its communiqué Serial: XI, No: 25 relating to accounting standards in capital markets, the CMB published an extensive set of accounting principles.

The Company registered a pre-tax profit figure of TRY 98.3 million, while its net profit for the period stood at TRY 73.7 million.

The communiqué stipulates that adherence to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) will alternatively constitute compliance with the CMB Accounting Standards. Due to the fact that Tansaş Perakende Mağazacılık T.A.Ş. was acquired as of 10 November 2005, the consolidated results of Migros Türk incorporate the latter's financial results for its operations thereafter.

In 2005, the consolidated sales of the Company reached TRY 2,686 million with a Y-o-Y increase of 18%. Consolidated gross profit amounted to TRY 637 million, up by 25%. This increase corresponds to a rise in a gross profit margin from 22.5% to 23.7%. As the gross profitability went up, operating profit increased 39%, exceeding TRY 107 million. In other words, the operating profit margin rose to 4% in 2005 from its level at 3.4% in the previous year. The improvements secured in domestic operations in particular have been a key factor in this increase. While the pre-tax profit of the Company stood at TRY 98.3 million, the net profit for the period was TRY 73.7 million.

The ratio of short and long-term liabilities within the liabilities and equity was 66%. Out of the total assets, 31% was allocated to current assets and 69% to fixed assets. The corresponding ratios for the prior year were 50%, 40% and 60%, respectively.

Proposal for Distribution of Profit and Conclusion

As a result of the operations in 2005, the Company registered a net consolidated profit of TRY 73,705,332.00 after taxes and minority interests. We hereby submit the following for your approval:

- Out of the above mentioned profit, to set aside the remaining TRY 71,451,976.27 as extraordinary legal reserve after deducting the first legal reserve in the amount of TRY 2,253,355.73 pursuant to the relevant provisions of the Turkish Commercial Code and of the Capital Market Legislation and of the Articles of Association, ,
- Out of the attributable profit in the amount of TRY 53,920,573.70 determined under the Capital Market Legislation, to distribute TRY 20,655,000 dividends through bonus issue, the sum of which comes from TRY 8,434,153.82, TRY 10,272,901.77 and TRY 1,947,944.41 in extraordinary reserves corresponding to other earnings for the years 1999, 2002 and 2003, respectively.
- To issue 15% bonus shares for each nominal share of TRY 0.01 and to initiate the process for the distribution of bonus shares immediately after the General Meeting of Shareholders.

In the event that our proposal is approved, the Company's paid-in capital currently in the amount of TRY 137,700,000 will raise by 15%, corresponding to TRY 20,655,000, and reach TRY 158,335,000.

Dear Shareholders,

We have presented above for your consideration the operations and results for the year 2005. The consolidated balance sheet and the income statement for the period ending 31 December 2005 are presented for your approval.

Yours truly,
Board of Directors

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 2005 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 Market Law and applicable legislation.

2. The books and records required to be kept 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 post-consolidation financial statements for the period ending 31 December 2005 fairly represent the Company's financial status on the said date and the operating results for the said period as they were prepared in accordance with the provisions of Communiqué Serial: XI, No: 25 concerning the "Accounting Standards in the Capital Market" issued by the CMB and they were non-inflation adjusted in accordance with the CMB resolution dated 17 March 2005 stipulating that inflation accounting will not be applied effective from 1 January 2005.

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

Consequently, we hereby present for your perusal that the Company activities summarized in the Board of Directors' report, the post-consolidation financial statements issued in accord with the Capital Market legislation, and the Board of Directors' proposal relating to the distribution of profit be approved, and the Board of Directors be discharged.

İstanbul, 16 March 2006

Yours truly,

Ali Yavuz Ahmet Sönmez Serkan Özyurt

2005 results

Out of a total portfolio of 566 stores, Migros operates its 79 M, 79 MM, 33 MMM, 311 Şok and 3 hypermarkets throughout all seven geographic regions of Turkey, and with 3 Ramstores in Azerbaijan, 49 in Russia, 5 in Kazakhstan, 3 in Bulgaria and 1 in Macedonia.


Migros
Su

2005 results

Economic Overview and the Retail Sector

After a 33-year gap, the Turkish economy finally recaptured the single-digit inflation rate in 2005. The inflation rate stood at 7.72% for CPI and 2.66% for PPI. This marks the fourth year in a row since 2002 in which inflation remained below the official targets. In parallel, the interest on deposits and real interests also took a downward turn. According to the Turkish Statistical Institute (TurkStat) data, the GNP growth rate was in 2005 7.6% in real terms, and solid growth figures were achieved, particularly in the construction industry.

During the reporting period, positive developments took place at the macroeconomic level, boosted by the international markets. The tight monetary policy was strictly adhered to throughout the year and a new IMF-backed economic program covering USD 10 billion financial aids was initiated. This program gained trust of the international and domestic markets. Driven also by the capital flows from international markets towards developing countries, the foreign capital inflow to Turkey displayed a drastic rise and neared USD 10 billion in 2005. This resulted in pressure over the exchange rates, and the TRY continued to gain value despite the FX buying interventions of the Central Bank of the Republic of Turkey (CBT). The foreign currency reserves of the CBT increased markedly. However, due to depreciating foreign currency, the raise in imports gained momentum and the current deficit, boosted by the increase in oil prices, exceeded 6% of the GNP and rose to USD 22.8 billion.

One of the crucial developments during the year was the kickstart of the negotiations with the EU on 03 October 2005. Along this long and bumpy road, Turkey achieved what it wanted and the negotiations officially started. This development marks a vital turning point for Turkey, with the ultimate goal set firmly as full accession.

Significant progress has been made in the privatization venue, as well. Profitable state enterprises including Erdemir, Tüpraş and Türk Telekom were sold via transparent tenders that attracted a great level of interest from foreign companies. In parallel, the public sector borrowing requirement (PSBR) decreased and privatization receipts took the pressure off the economy, even if only to a limited extent. For the first time in many years, the ratio of the budget deficit to the GNP went below the EU Maastricht criterion, which is 3%.

After the CBT announced the decision to move to inflation targeting in 2006, the inflation targets for the years 2006 through 2008 were set. These targets being 5%, 4% and 4% for 2006, 2007 and 2008 respectively are binding on the CBT, while they also provide crucial and valuable tools for the business world in making projections and formulating their investment plans accordingly.

One other key development in 2006 was the announcement that the corporate tax rates would be lowered from 30% to 20% effective from 2007, applicable to the profits generated in the 2006 fiscal year. This implementation will contribute positively to the combat against the informal economy and will

also encourage companies to increase their investments. It will also facilitate some progress in the fight against unemployment.

Issues including social security reform, the retirement law, unemployment, negotiations with the EU and the current deficit will continue to be on the agenda in 2006.

An assessment with regard to the retail sector reveals that the improvements in the economy proved to be insufficient in reviving the purchasing power of the consumers. Housing, auto and consumer loans boomed in the year as a result of the sliding interest rates. In keeping up with this, the rise in credit card-induced spend pushed consumers to sacrifice spending especially on luxury consumer goods, and clothing, food and spirits. The fast surge in oil prices during the year led to increased transportation costs for retail companies, as it did for all the others.

Food and beverage spending, shown under private final consumption within GDP calculated by expenditure method, exceeded TRY 101.4 million in 2005. In other words, as of year-end 2005, it reached USD 75.7 billion. Based on ACNielsen data, while total FMCG trade grew in volume by 11% in 2005, value growth on an inflation-adjusted TRY basis stood at 10.2%. Organized retailers have a share of 35.3% within total trade as of year-end 2005, according to the Retailing Institute Chain Insight Report, 2005.

The balance in the retail sector significantly tilted in Turkey in 2005. First, Gima was acquired by CarrefourSA, the French partnered retail chain. This was followed by the acquisition of Tansaş by our Company along with its principal shareholder Koç Holding, on 10 November 2005, a step that further strengthened the sectoral leadership of Migros. On a regional basis, the Kiler hypermarket chain acquired the Ankara-based Canerler. Another major development was the public offer of BIM that operates in the discount store format. Thus, the number of publicly listed retailers went up to 5.

At present, the Turkish food retail sector embodies key domestic and foreign retail companies and presents a structure characterized by gradually intensifying competition. On the non-organized retail trade axis, on the other hand, there still exists a segment operating in a grey area and causing unfair competition. This also leads to missing tax receipts for the government. At this point, the legal framework aimed at preventing unregistered economy is more urgently required than those directed towards chain markets operating in an organized retail segment. To put it in this perspective, the sector is anticipated to head for organized retailing also under the influence of the EU integration process. It is estimated that, in this sense, the share of organized retailing within the total sector will increase, and in turn, the consumers will come out as the winners.

The total net sales area for domestic and international operations soared 14% compared to the previous year to 481,997 sqm. With the addition of Tansaş, the total area increased to 616,186 sqm and the number of stores came at 783.

Capital Spend in 2005

Our Company provides its customers with the modern shopping experience under different formats including Şok discount stores, Ramstores, shopping malls, online market-Kangurum and wholesaling, in addition to its Migros banner stores. In 2005, Migros further strengthened its leadership in the sector, based on domestic organic and inorganic growth-oriented strategy. On the international front, efforts focus particularly on the Russian operations with a fast growth strategy.

During the reporting period, the Company opened in Turkey 17 Migros stores, broken down as 8 M, 8 MM and 1 MMM, and 29 Şok stores. A total of 18 Ramstores were opened in two different foreign countries. 64 new stores were opened in 2005 (vs 44 in 2004). As of year-end 2005, Migros has a presence consisting of 79 M, 79 MM, 33 MMM, 311 Şok stores and 3 hypermarkets across seven geographic regions nationwide, and of 3 Ramstores in Azerbaijan, 49 in Russia, 5 in Kazakhstan, 3 in Bulgaria and 1 in Macedonia, bringing the total number of its network to 566 stores.

Migros owns 5 shopping malls in Turkey, and serves with a total of 12 shopping malls abroad, 1 of which is in Kazakhstan, 1 in Macedonia and 10 in Russia. While the net sales area in Turkey increased 4% Y-o-Y, the same growth rate was 49% for the floor space of the stores abroad. The net sales areas of the Ramstores in Russia reached 120,000 sqm, up 59% against last year. At 481,997 sqm, the total net sales area for domestic and international operations expanded by 14%, as compared to the previous year. In addition to opening new stores, the Company continued its efforts to enrich the shopping experience through renovation of its stores under the Migros format.

2004-2005 Net Sales Area

	2005 (m^2)	2004 (m^2)	Change (%)
Turkey	343,040	330,448	3.8
HPM	23,115	23,115	0.0
MMM	98,460	103,405	(4.8)
MM	121,686	113,715	7.0
M	39,373	34,862	12.9
Şok	60,406	55,351	9.1
International	138,957	93,024	49.4
Russia	119,988	75,553	58.8
Kazakhstan	9,250	9,250	0.0
Azerbaijan	3,007	3,007	0.0
Bulgaria	4,364	5,214	(16.3)
Macedonia	2,348	-	-
Domestic and International Total	481,997	423,472	13.8

Number of Stores and Net Sales Area

	2005	2004	2003	2002
Turkey	505	463	450	429
HPM	3	3	3	3
MMM	33	33	33	30
MM	79	72	68	58
M	79	72	73	65
Şok	311	283	273	273
Domestic Net Sales Area (m^2)	343,040	330,448	324,28	299,149
International	61	44	34	23
Russia	49	32	25	15
Kazakhstan	5	5	3	3
Azerbaijan	3	3	3	3
Bulgaria	3	4	3	2
Macedonia	1	-	-	-
International Net Sales Area (m^2)	138,957	93,024	72,020	56,795

New stores of Migros welcomed their customers at numerous strategic locations in 2005. While the Company opened new stores in big cities including Ankara, İstanbul, İzmir and Bursa, it also increased its presence in touristic areas like Antalya and Muğla. The domestic network also expanded with investments made in the Anatolian cities of Aydın, Düzce, Isparta, İçel, Konya, Kırklareli, Niğde, Sakarya and Tekirdağ, as a result of being a nationwide retail chain. By year-end 2005, the Company was serving its customers in 42 cities.

Store Openings in 2005

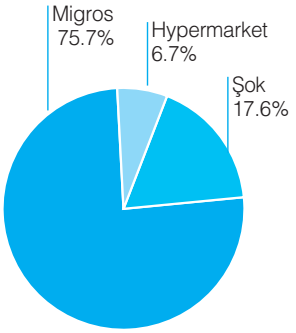
8 under M format: İncek in Ankara; Kaş in Antalya; Güzel Çamlı in Aydın; Düzce in Düzce; Tepebaşı in Eskişehir; Lüleburgaz in Kırklareli; Güllük and Dalyan in Muğla

8 under MM format: Söke in Aydın; Altınoluk, Erdek, Akçay in Balıkesir; Cennet, Çekmeköy, Büyükçekmece in İstanbul; Niğde in Niğde

1 under MMM format: Şişli Cevahir in İstanbul

29 under Şok discount store format: Çevre, Dikmen, Beytepe in Ankara; Işıklar Pazarı, Manavgat Lise, Memurevleri in Antalya; Çekirge İntam, Güzelyalı in Bursa; Mersin Pirireis, Susanoğlu in İçel; İstiklal in Isparta; Elmadağ, İstanbul Evleri, Fındıkzade Çukurbostan, Pendik Aydınlı Yolu, Ümraniye Atakent, Sahrayıcedit Eski Pazar, Selimpaşa, Bakırköy Cevizlik, Taçspor, Koşuyolu Park in İstanbul; Çandarlı in İzmir; Millet in Konya; Yatağan, Göltürkbükü in Muğla; Karasu in Sakarya; Şarköy, Demirkaya, Yeniçiftlik in Tekirdağ

Net Sales Area Breakdown as of 2005



18 under Ramstore format: Vardar (Shopping Mall) in Macedonia; Tobtim, Ismailovsky, Kazan-2, Garibaldi, Rublovsky, Akademika Pavlova, Volgagrad, Dostoyevsky, Gudovanseva, Udelny Park (SM), Sevastopolsky (SM), Krasnogorsk, Borovaya, Volsky, Cheov, Yaroslavsky, Kazan Ikea in Russia

Tansaş

The Company coupled with its parent company Koç Holding A.Ş. signed a share purchase agreement with Doğuş Group of companies on 18 August 2005 in relation to the purchase of the shares in Tansaş Perakende Mağazacılık Ticaret A.Ş. The acquisition price was set as USD 547,000,000, equivalent to the market capitalization.

As a result of the filing with the Turkish Anti-Trust Board on 25 August 2005 relating to the share purchase agreement concluded by and between the sellers and the buyers concerning the purchase of Tansaş Perakende Mağazacılık Ticaret A.Ş. shares from Doğuş Holding A.Ş. and other Doğuş Group companies by our Company and Koç Holding A.Ş., the Board approved the transfer of the shares to the buyers by its letter dated 01 November 2005 and No. 4573.

Following the approval, the purchase was closed in accordance with the Company's Board of Directors meeting of 10 November 2005. Within this scope 205,155,834,633 shares in Tansaş Perakende Mağazacılık Ticaret A.Ş., each with a nominal value of TL 1,000 and all with a total value of TL 205,155,834,633,000, corresponding to 64.25% of the company capital were purchased against USD 351,454,448 from the sellers, namely 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. The payment has been effected in cash upon transfer of shares. In the determination of share value, the cash value of each share was taken into account as USD 0.0017131097. Koç Holding, on the other hand, will pay USD 97.6 million in installments for 13.85% of the shares in Tansaş (USD 75.8 million in cash). Thus, the Koç Group holds 78.1% of the shares in Tansaş.

Tansaş is active in the Aegean, Marmara, Central Anatolia and Mediterranean Regions with a sales area of 134,189 sqm in 217 stores

Migros financed USD 351 million Tansaş acquisition from its own cash and by external financing of approximately USD 250 million. The loans secured at favorable interest rates relative to the market conditions have 5-year terms with one-year grace period.

Migros financed 64.25% of shares in Tansaş valued at USD 351 million without resorting to a rights issue, i.e. without calling for capital contribution from its shareholders. Migros aims to merge with Tansaş in 2006. The principal amount and the interest thereupon of the 5-year loan with one year grace period raised for the acquisition of Tansaş will be repaid by cash proceeds to be generated by the new entity in the coming years. In this way, the Migros shareholders will be holding the shares of a more value creating Company (Migros + Tansaş) without any cash contribution.

Koç Holding A.Ş. filed with the CMB in relation to the tender call after the share transfer, and the tender period lasted from 16 to 30 January 2006. The tender call price was based on the purchase price of the shares acquired in Tansaş from Doğuş Group companies. Accordingly, the price proposed by Koç Holding A.Ş. at the ISE for one Tansaş share with a nominal value of TRY 1.00 is the TRY equivalent of USD 1.7131097. The price on TRY basis was computed using the higher of the Central Bank of the Republic of Turkey (CBT) USD buying exchange rate on 10 November 2005, which is the date of Tansaş shares transfer/acquisition, or the indicative USD buying exchange rate announced by the CBT at 15:30 hours on the business day immediately preceding the commencement date of the tender call. In parallel, the final tender price stood at TRY 2.321 for each Tansaş share with a nominal value of TRY 1.00.

The shareholding structure of Tansaş after the tender call is presented below:

Tansaş Capital Breakdown

	Capital Breakdown (TL)	Share (%)
Migros Türk T.A.Ş.	205,155,834,633,000	64.25
Koç Holding A.Ş.	55,745,477,827,000	17.46
Other	58,401.066,665,000	18.29
Total	319,302,379,125,000	100.00

Founded in 1986, Tansaş is active in the Aegean, Marmara, Central Anatolia and Mediterranean Regions on a floor space of 134,189 sqm in 217 stores under Tansaş and Macrocenter banners (against 2004: 206 stores and a 123,053 sqm sales area).

Three stores closed their doors during the reporting period, while 14 new stores with a total net sales area of 12,539 sqm were opened. Tansaş stores are categorized under four different formats: Mini, Midi, Maxi and Exclusive-Macrocenter. The company produces the fresh meat products sold at its stores in its integrated meat production facility located in Buca, İzmir.

Tansaş Stores

Format	Number of Stores	Net Sales Area (m^2)
Mini	110	34,135
Midi	69	48,863
Maxi	32	46,860
Macrocenter	6	4,331
Total	217	134,189

Owing to the campaigns and promotional activities during the reporting period, the Company increased the number of its customers by 13% Y-o-Y, reaching 88 million. In parallel, the Company's net sales went up to TRY 1,270 million, signifying a Y-o-Y increase of 18%. The executed operational strategies brought the gross profit margin to 24.1% from the 23% level of the previous year. The increase in gross margin was also reflected in operating profitability, resulting in a net operating profit of TRY 46.4 million corresponding to a 3.7% margin in 2005, while it stood in the red territory at TRY 4.9 million for the previous year.

The Company carries a very low level of financial debt as of year-end 2005 and enjoys the status of a cash-generating operation.

“Net loss” that slid from 2002 until 2004 has turned into “net profit”. In 2005, Tansaş registered a net profit after taxes of TRY 14.2 million.

At present, Tansaş finances its growth and repayment of its financial loans from its internally generated cash, with no further need to resort to external financing.

Marketing and Sales Activities

Migros Club and CRM (Customer Relations Management) further expanded its customer-specific campaigns that differentiated Migros from its competitors in 2005. The so-called "360 Degrees Customer View" initiative helped improve the Company's capability to get insight into the customers, enabling it to further diversify of the customer-oriented campaigns.

With a Y-o-Y increase of 8%, the number of active Migros Club card customers exceeded 4.4 million. The purchases made using Migros Club cards had a 78.1% share. The usage ratio surpassed the 80% mark, especially in the second half of the year.

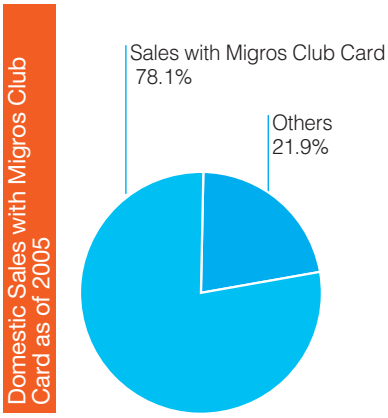
Infrastructure-related and analytic projects initiated in 2004 were carried on effectively and at a fast pace also in 2005. All campaigns that successfully passed the initial testing phase continued to be organized monthly. The customer-oriented marketing approach of Migros involving new customer attraction, customer regaining, and most importantly customer retention, was transformed into steady and rewarding strategies on the back of monthly rolling campaigns.

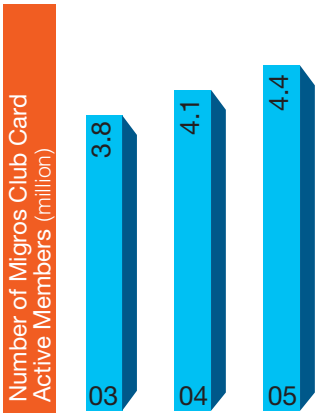
Direct mailing, a practice launched in the retail sector by Migros, increased in number. Mailings to each Migros Club card customer are enveloped with customer-specific money-off coupons and discount vouchers. Postings made to 850,000 customers during 10 different periods throughout the year have become a channel that has started to be used by other Koç companies, along with Migros. The response rate went up to as high as 43% particularly for mailings targeting lifestyles such as dieting and gourmet dining.

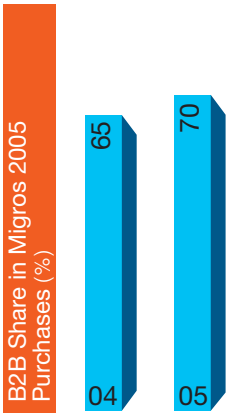
In 2005, Migros undersigned a major cooperation with Opet, another Koç Group filling station operator with a view to offering Migros Club cardholders with advantages in oil products, recognizing the equally as essential nature of these products with as foodstuffs. In this campaign, Migros Club and Opet cardholders collect bonuses on their shopping from Migros stores and Opet gas stations. These bonuses can be used for free shopping. The new customers attracted via this cooperation were provided with multiple gains in their fuel oil and food shopping.

2005 was a year in which Migros Club practices and CRM were awarded by the relevant agencies on account of the differentiation created in the sector by these initiatives. At the annual "Retail Days" conference, the Migros CRM practice was entitled to a "Maximum Special Prize" due to its innovative, creative and original approaches in the retail sector. Presented for the first time this year by Koç Holding, the "CRM Pioneer" award was also granted to Migros.

Migros Customers Continued to Enjoy the Campaigns and Special Offers in 2005...
"10% off from 9:00 am to 12:00", the "51st Year", "weekend discount for weekday shopping", "holiday discount for Ramadan shopping", "buy one Migros







Having completed its 6th year of operation, Kangurum Online Shopping Center brings over 100 thousand types of products to the customers over the Internet.

item and get the second one at 50% off", "buy one and get the second one at 25% off at Şok stores", "Buy one Şok item and get the second one at 50% off", "weekend discount campaign" and particularly "today's offer" given for fresh produce and meat products helped increase the number of customers and the sales. The number of customers served in 2005 surpassed 140 million, up 8%.

Migros B2B System has Become an Indispensable Platform for Our Suppliers…

Offering service around the clock, the B2B system has become an indispensable platform in efficient and effective management of the supply chain operations of Migros in collaboration with its business partners. By the end of the year, the companies that managed their entire order flow over the Migros B2B system numbered 677, translating into 70% of Migros' total procurement. The supplier companies monitor the sales, inventory, current account, invoice, returns and shipment data on this system and are also able to deliver their invoice records electronically to Migros.

Migros Places Orders Automatically...

An automatic ordering system was put in place in 2005 at Migros and Şok stores. The system makes order estimates on the basis of each store, taking into account inventory, date, delivery day, delivery lead-time and sales parameters, and conveys these order projections to delivery centers.

Tests are also underway for automatic creation of central purchasing orders. Delivery center orders for paper and personal care products have started to be made automatically.

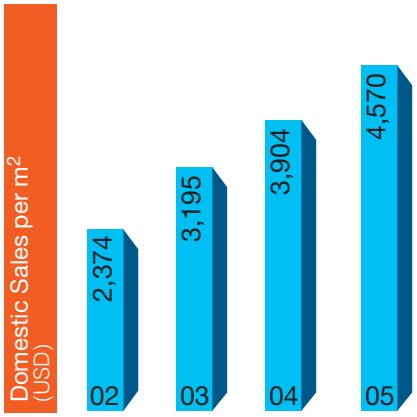
Migros Inflation

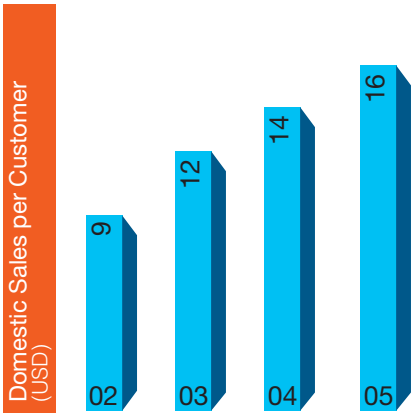
As in the last four years, Migros inflation remained below the headline inflation rates in 2005. Impacted by the discounts and campaigns, the average price change at Migros that increased only by half of the annual CPI average stood at 4.21%. The average CPI inflation as announced by TurkStat for the year 2005 is 8.18%.

Store Sales Efficiency

As an outcome of the campaigns and of enhanced customer satisfaction, the store efficiency increased both under Migros and Şok formats. Sales per sqm went up 93% from USD 2,374 in 2002 and reached USD 4,570 per annum in 2005, pointing to a Y-o-Y increase of 17%.

Average cheque that stood at USD 9 in 2002 went up to USD 15.6 in 2005. Excluding new store openings during the year, Migros and Şok stores that stayed open both in 2005 and 2004 like for like sales registered a 10% increase on a nominal TRY basis, a rise corresponding to 17% in terms of USD. While the Y-o-Y increase in the number of customers was 8%, the number of customers who visited Migros and Şok stores during one year exceeded 140 million. In other words, Migros welcomes 8 customers each second it is open.





Kangurum and Online Market

www.kangurum.com.tr

One of our Company's subsidiaries, Sanal Merkez T.A.Ş., operates both Kangurum and Migros Online Market. Having celebrated its 6th year anniversary, the Kangurum Online Shopping Center brings over 100 thousand types of products to customers over the Internet. In 2005, Kangurum organized across the country the successful delivery of an average of 358 orders (vs 335 in 2004) per day placed with select stores that have a proven track record with their brand names and good quality. The number of customers placing orders reached 47,764 by year-end 2005, a significant rise compared to the year-end 2004 figure of 35,375. The average value of orders that was USD 86.8 in 2004 escalated to USD 125.3, up 44%.

MiGROS
SANAL MARKET
www.migros.com.tr

Based on statutory results, Sanal Merkez T.A.Ş. increased its 2004 turnover of TRY 13.6 million to TRY 18.6 million in 2005. In other words, the Company uplifted its turnover by 36% on a Y-o-Y basis.

As a result of strategic alliances with Koçbank, Akbank, İşbank, Garanti and Yapı Kredi Banks, Kangurum offered shopping by installment payment opportunity to its customers in 2005.

Committed to its marketing principle focused on customer satisfaction, Kangurum maintains top service quality at all times, aware that it offers not just goods, but also service. The customer services respond carefully and thoroughly to the calls and emails received throughout the week. The messages expressing customer satisfaction endorse the success achieved in these efforts.

Accounting for the major part of the sales revenues derived by Kangurum, Migros Online Market served using 13 stores in 6 cities in 2005. The number of delivery trucks was raised to 23 and delivery staff to 75. With the sacrificial animal sales made available online prior to Al Eid in 2005 as in the previous years, orders were received both electronically and at Migros stores. Processed at Maret meat facilities and packaged, these orders were shipped to the addresses in İstanbul, İzmir and Ankara or to the charities depending on the customer's choice.

kangurum
www.kangurum.com.tr

Technologic Advancements and Projects

Our Company, having a full confidence in its human resources, puts continuous efforts into delivering the benefits of technological progress to its customers. The importance attached to information technology and the investments made in this area is tantamount to our strategy of being one step ahead in the sector at all times. The initiatives undertaken to this end also help us cut down on our costs.

Koç CRM Joint Loyalty Program

The introduction of the “Koç Group Customer” prototype practice by joining Migros and Opet loyalty programs granted the customers of both Companies the flexibility to earn and spend points on a joint program. Stands and cash register systems at Migros now also feature the added options of online bonus collection, voucher printing and bonus spending for Opet customers.

Migros Information Security Audit Review

In the last two quarters of 2005, an information security audit review was conducted on the Company's systems with access to the Internet, a requirement imposed by MasterCard and Visa for companies surpassing the 6,000,000 mark in credit card-based sales transactions. In August and December 2005,

Introduced in 2005, the mini computers (customer hand-held terminals) received great interest from our customers.

the MasterCard SDP (Site Data Protection) compliance report was obtained, a program approved by MasterCard and Visa.

In-Store Back Office Systems

The upgrades of the computers used at the stores were finalized. The selected operating system was Windows XP and the software programs were upgraded. Currently, the applications run at the stores can be monitored from the head office and their security levels are ensured to match the Koç Holding Information Technology standards.

Product Advertising/Promotion Stands

An alternative channel has been developed for in-store activities with a view to ensuring that the customers get information and make comparisons on the products. Featuring improved visual and audio effects, the stands are designed to create a differentiation in the stores.

Carry Your Cash Register Along - Self-Check-Outs

To present our customers with an easier and quicker shopping experience, the mini computers (customer hand-held terminals) were introduced in 2005.
The customers can carry these mini computers throughout their visit to the store, scan the barcodes of the purchased products, thus having the opportunity to monitor the total cost of their shopping at any phase, and pay easily at the check-out without having the goods re-scanned. Currently available at a certain number of MMM stores, this groundbreaking initiative was received with great interest from our customers.
During the year, the payment flexibility of self-check-out shopping systems was further expanded.
The hand-held computer screens also display the current offers, while digital and visual scales started to be used for fresh produce.

Wireless Applications in Overseas Stores

The hand-held terminals used inside stores were further expanded to cover the Ramstores, and have become standard not only in Turkey but also abroad. At present, hand-held terminals are used for the ordering system, price tag management, communications, reception/delivery procedures and inventories.

Human Resources and Training

The Company employed 6,790 people on average in Turkey during 2005, out of which 4,163 were full-time and 2,627 were part-time employees.

As at 31 December 2005, the total severance pay provision stood at TRY 7,671,965.04.

In addition to their monthly salaries and quarterly bonuses, the employees are given fringe benefits including fuel, annual leave, clothing and religious holiday bonuses, maternity, education, marriage, death and military service assistance, as well as Migros vouchers for monthly food purchases.

The HR strategies, processes and systems are structured to analyze the organization's current and future needs to ensure achievement of corporate strategic goals, to maintain a reliable, fast moving and proactive organizational structure, and to internally develop the human resources to best satisfy these needs. Considered as a privileged and strategic component to have competitive edge, the human resources draw upon their experience and creativity, and act as the driving force in ensuring fast adaptation to changing competitive conditions as well as in rapidly accommodating Migros to newly penetrated markets and capturing market leadership.

Individual competitive strength and development of each employee in his or her career ladder is regarded as the most important factor building upon the 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.

Within the scope of the Strategic Human Resources Plan, Integrated Human Resources Appraisal and Planning systems continued to be implemented successfully in the reporting period.

The short and long-term Strategic Human Resources Plan developed in line with the Company's strategic plan served to identify the Company's organizational requirements, to define the existing and potential staffing needs both quantitatively and qualitatively. Within this context, 360 degrees competence assessments of approximately 750 white-collar workers have been made every year. The outcomes from the assessments have been used to determine the development needs of the employees, and Development Planning and Career Management processes have been carried out with participation of over 1,100 white-collar workers including store managers. All 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 for upper level assignments. They can also view the development tools offered according to their identified improvement areas, and access them via the Company's e-learning system "AkadeMig".

The Performance Management System uses the Balanced Scorecard approach to spread the Company's strategies and targets across the organization, evaluates the employees' performances objectively under defined criteria that are disclosed to the entire organization. The results of these evaluations are used in steering the career development/succession, remuneration package and personal development policies. Within this context, for 833 white-collar employees working at all levels across Migros, the targets were set employing the objective deployment process carried out at the beginning of 2005, and performance appraisals were conducted at year end.

Integrated Human Resources systems are also structured for blue-collar workers by common principles. Defining the special skill and competency requirements specific to store management, the Performance Management System designed for blue-collar workers makes a valuable tool employed in the appointment of store supervisors for Şok stores.

Migros stores moved to the "Category Performance Management System" covering unionized employees. This system aims to ensure the individual adoption of category objectives and responsibilities at the stores, rewarding different performances and strengthening the team spirit within the store. Initiated on the basis of an agreement with the trade union, the system evaluates category-based performance by store according to specific indicators, and employees outperforming their monthly targets are paid performance bonuses. The employees are also rewarded with additional performance bonuses out of the total performance of the store and of Migros, with a view to enhance team spirit.

In relation to the flexible work model defined in the Labor Law, a model specific to Migros was designed with the related infrastructure and a protocol has been signed with the union administration upon agreement of the operating principles. The flexible work model aims to achieve balanced, efficient and productive use of working hours. In this way, working hours will be optimized according to differences in seasonal or temporary workload, ensuring service quality standards to be maintained at peak periods and store efficiency to be realized at targeted levels during relatively less intense periods.

Within the scope of Strategic Human Resources Planning, Integrated Human Resources Appraisal and Planning systems continued to be implemented successfully in 2005.

The flexible work model, which was initially introduced at seasonal stores in order to balance the customer intensity during summertime, is planned to expand to all Migros stores in 2006.

2005 was a year in which important steps were made to extend the HR know-how and processes to our foreign subsidiaries and to attain the active implementation of integrated human resources processes abroad.

The Migros Training Department works to foresee the structure that may result from the Company's strategic goals, and plans, formulates and implements the training requirements for development of human resources to create this structure with the use of technology.

Training requirements are mostly fulfilled through in-house resources and the strategic training partner, Koç University. Having at its disposal a broad base of educated human resources coming from different backgrounds peculiar to the nature of the sector, our Company usually resorts to its extensive and well-educated employee base in its training efforts.

In 2005, 11.84 training hours/employee were allocated across Turkey in order to enhance the service quality of its employees.

Training needs are identified based on the results derived from professional skill areas, competency and performance appraisal systems. "Development Plans" prepared in line with the arising training needs are used to extend the support its employees will need in their career paths and in tracking the potential candidates that the organization will need.

The development plans designed with a keen eye on the corporate priorities and strategies cover multiple modules such as regular classroom training sessions, e-learning, articles and books, supported with on-the-job training including project assignments, acting as assistant administrator, etc.

Modern business life necessitates e-learning. Parallel to the technological progress, our employees can access the "personal development plan" via "AkadeMig", our e-learning portal.

Serving as a platform whereby Migros employees are able to participate in e-learning programs, "AkadeMig" enables its employees to track their personal development, to take on further responsibilities and to monitor their developmental performance electronically. With a view to transforming education and learning into a steady process even in the off-the premises life, the technologic infrastructure was set up in 2005 to enable Migros employees to access "AkadeMig" from outside of their business places. At the point in time, all the employees are able to view their annual development plans, have remote access to personal and professional training programs, recommended articles and books from any location equipped with Internet access.

Some of our strategic training efforts are:
- Programs offered for potential Koç Group Managers at "Koç University - Migros Professional Management Training Center".
- "Strategic Marketing Management in Retailing" program for senior managers offered by the American Babson University faculty.

- "Store Manager Development Program" given by Georgia State University faculty to store managers to increase their knowledge and sharpen their managerial skills.
- "Occupational Health and Safety" educational program at the Food Technology and Sales Staff Education Center which was established in cooperation with the Ministry of Education of the Republic of Turkey.
- "Migros Venture to Excellence" education program for our unionised employees to increase service quality.

2005 saw new efforts spent to maximize our communications quality as required by our corporate culture. The "Migros Turuncu (Orange)" magazine, aiming to also strengthen internal communication within the Migros family started to be published. "Migros Turuncu" enhanced the existing communication platforms, and the voices of Migros employees started to be heard more forcefully than ever. "Migros Turuncu" is printed quarterly in 7,500 copies and distributed to all employees.

To make the most of the creative suggestions of Migros employees and to collect and process these under a project perspective, a "Migros Project Proposal" system was launched. Employee proposals are regarded as one of the most valuable tools that revitalize companies and make them resilient against competition. Employees who produce and realize projects within the context of the Kaizen approach contribute to their companies in terms of benefits, profitability, customer satisfaction and in similar matters. Migros employees share their proposals electronically under 7 categories. The projects are evaluated and receive well support for their translation into action and their extensive use.

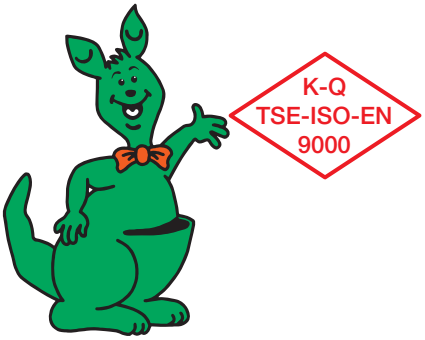
In August 2005, Migros was entitled to ISO 9001-2000 Quality Management System certification by integrating its process analysis and process-based documentation that had been in place for many years with the Quality Management System established in accordance with quality culture in accordance with ISO 9001:2000 standards.

This system helps ensure the continuity and further improvement of Migros' approach to quality, while also targeting maximizing customer satisfaction, which has always been a top priority.

Setting ISO 9001-2000 Quality Management System Standard as its guide, Migros' next target will not be confined merely to fulfilling the requirements of the standard, but to further upgrade the quality management system and undertake model initiatives in the sector, as it always had.

Thanks to our competent human resources, adequate infrastructure and ongoing approach to quality, the ISO 9001-2000 project was completed in a record seven-month time at 200 different locations, and was certified by the Turkish Standards Institution as a result of the latter's in-depth inspections.

Being fully aware that the Quality Certification is only the first step along the path to quality, Migros Türk T.A.Ş. continues to work at full steam to ensure the continuity and further improvement of the system.



commitment to social responsibilities

Migros always makes it a priority to be a good corporate citizen, and aims to continuously further its contribution to society, and provides resources for the realization of projects in education, culture, the arts, environment, sports and healthcare.

commitment to social responsibilities

With its deeply rooted social sensibility and its commitment to social responsibilities, Migros Türk always makes it a priority goal to be a good corporate citizen. Out of this firm devotion, the Company aims to continuously further its contributions to society.

With its continued collaboration with foundations and organizations putting dedicated efforts into social areas like education, culture, arts, environment, sports and health, our Company fulfills its commitment through extending support to such institutions, by either directly undertaking the organization of various events or by funding projects that are beneficial to the community.

The donations made for social assistance purposes to foundations and associations totaled TRY 1,422,043 in 2005.

Social Assistance

Regarding social sensibility as a key element of good corporate citizenship, Migros works with a variety of different foundations to draw the public attention to certain issues.

- Migros collaborates with Educational Volunteers of Turkey in different projects.
- Various basic consumer goods were provided to 60 families without any basic income as determined by the local authority's office of Rumelihisarı District in Istanbul, via the Bosphorus University Social Services Club.
- Donations to the Turkish Society for Early Diagnosis of Autism (TOHUM) continued and the care of one child was pledged for one year.
- Within the scope of the endeavors of the Kütahya penitentiary vocational training centers, support was given for the informative stand set up at the Antalya Shopping Mall.
- Under the “Don't let the children be cold” campaign carried out with Migros-P&G cooperation, coats and boots were donated to children living in the homes of the Social Services and Child Protection Society.
- Support was provided for the basic necessities during Ramadan to the Mersin Association for Uniting and Developing the Visually Impaired and to the White Cane Association for the Sightless in Ankara.
- Within the scope of the celebration of the 82nd anniversary of the Turkish Republic, the Association of the Spouses of the Members of Diplomatic Missions organized an event, the proceeds of which to be entirely donated to the earthquake victims in Pakistan. Support was extended for this organization through our relevant regional directorate.
- Within the scope of the endeavors of the Turkish Air Force Cevizli Special Training Command, support was extended to the Eagle Foundation for providing funding to the families of Air Force members who lost their lives in mission.
- First initiated in 2004 in cooperation with P&G, the works continued under the campaign to support the Paralympics, and support was extended for the training of an additional 500 mentally handicapped athletes.
- Through the Online Market, animal lovers' assistance was delivered to 15 animal shelters in 6 cities.
- Displaying its social sensibility in environmental issues and traffic rules, Migros assumed a social oversight duty and started an implementation whereby a sticker is placed on its trucks, asking the people to

call a specific phone number if they notice any mistakes committed by the driver.
• Embracing all the generations of the society, Migros exhibited its social sensibility on 16 March, the World Elderly Day. The Head Office staff visited a home for the elderly and organized a Turkish music concert while enjoying the pleasure of being with different generations.
• During the Al Eid, an opportunity was created for customers to donate sacrifices via the stores and online market to foundations such as TEGV (Educational Volunteers of Turkey), Child Protection Society, Darülaceze (almshouse) and Darüşşafaka (children's home) Foundations, and LÖSEV (Ankara Foundation for Children with Leukemia).

Healthcare

Keen on contributing to society in every aspect, the Company tries to support the initiatives in healthcare as well.

• A volunteer partner in the Filiz Akın Yellow Band campaign that inspired hope for numerous patients in the diagnosis and treatment of cancer, Migros supported the sales of the bands through its stores. The proceeds were entirely donated for the purchase of ultrasound equipment to be used in the diagnosis polyclinic at the head office of the Breast Cancer Foundation of Turkey. This initiative was followed by the Blue Band campaign within the scope of which collaboration was established with the Oncology Foundation and support was given for this project as well.

• Assistance has been ongoing for people who uphold their joy for life and look to the future with hope, and wheelchairs were distributed to an additional 100 bodily handicapped citizens.
• Migros employees periodically donate blood to the Turkish Red Crescent Society every year.
• The donation boxes of LÖSEV (Ankara Foundation for Children with Leukemia) were placed in the stores for contributions to help fund primarily the healthcare and educational needs of children suffering from leukemia and other blood diseases. Additionally, to support the Anti-Cancer Society, donation boxes are placed in the same stores.
• Special parking spaces were allocated for handicapped citizens in the parking lots of Migros stores; additionally certain Migros stores feature motor-driven shopping carts specially designed to facilitate shopping for handicapped citizens.

Education

The vital component of social improvement and education takes the lead among top priorities for our Company, particularly in relation to children who are the foundation stones of our future.

• Within the scope of the celebrations for 19 May Commemoration of Atatürk, Youth and Sports Day, 42 senior class students at high schools were hosted in İstanbul from 41 cities in which Migros is active. Special advisory sessions were offered on university selection for the youngsters who represent our future. They were also given training on teamwork and leadership qualities, Migros in-house training sessions,

As a pioneer supporting cultural and social development, Migros takes part in a variety of activities targeting all segments of society.

and a tour of the Koç Holding. Cultural visits around the city were also organized to support their personal development.

• Support continued to the Silopi Koç Primary School built in 1998 by Migros in Silopi, Şırnak and handed over to the Ministry of Education. The necessary provisions of the school were identified, and Migros acted as an intermediary in their fulfillment.

• Contributions to the cooperation between the business world and university continued via KUMPEM (Koç University Migros Professional Manager Education Center) founded by Migros in 1999 within Koç University. The 25th National Convention of YAEM (Operations Research and Industrial Engineers) was held at Koç University and sponsored by Migros.

• Migros, together with its suppliers and employees, creates important resources for the educational activities developed and implemented by TEGEV (Foundation for the Development of Technological Education and Training).

• One TV-set was provided to Org. Kami ve Saadet Güzey Primary School in Beşiktaş to be used in classroom education activities.

• The Antalya region staff collected books were donated to the Ali Village Primary School in Isparta to enrich the school library.

• Within the framework of 19 May festivities organized by a branch of the ÇYDD (Association for Supporting Contemporary Life), supplies were provided to be used at the event that would host 300 children receiving educational grants from the association.

Environment

Migros uses every opportunity to express its environmental sensibility in the head office and store-based projects.

• Within the scope of annual initiatives undertaken to clean our seas, Migros continued to collaborate with Turmepa clean sea society in 2005 and actively supported the attempts to clean the seashores, showing its environmental sensibility once again.

• A direct donation was given to the "Ten Billion Oaks Campaign" by TEMA (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats), through announcements and promotions carried out at stands, and the collected donations were handed over to the foundation.

• A member of ÇEVKO (Environmental Protection and Packaging Waste Recovery and Recycling Trust), Migros continues its efforts in recycling and recovery. Acting in full environmental awareness, the Company collects its waste for recycling at its facility. For efficient use of energy resources, computer-aided lighting is made throughout the Company.

Culture and the Arts

Dedicated to support the cultural and social development, Migros takes part in a variety of activities aimed at all segments of society.

• 23 April Theater Festival - Organized since 1994 in cooperation with state theaters in 12 cities across Turkey, the festival offered 16,000 children the opportunity to watch plays for free.

• The Migros Children's Theater staged 55 plays in 7 cities throughout 2005 with themes focusing on the importance of healthy eating and love for books. Approximately 16,400 children had the chance to watch the plays for free.

Sports

A firm believer in the team spirit and positive effects inspired by sports, and in its various contributions to the personal development and creativity of the youth, Migros offers support in different branches of sports.

• Migros sponsored the Pamukspor Tennis Tournament in 2005, as it did in 2003 and 2004.
• The Company extended support to the 3rd Junior Basketball Festival organized by the Ankara Provincial Directorate for Youth and Sports, Basketball Committee.
• Migros competed in football, basketball, table tennis, volleyball and chess disciplines in the Koç Sports Festival organized for the 17th time in 2005. At the festival, the Company won the titles in basketball and table tennis. The chess branch was added to the Koç Sports Festival as a result of the efforts of Migros.

Migros Sports Club Association

• The Migros Sports Club Association founded by Migros employees, attaches a particular importance to women's basketball in Turkey. Making infrastructure one of its top priorities, Migros had the honor of contributing players to the national team in various categories over time and time again. This also indicates its sensibility towards training youngsters to serve Turkish sports.
• Migros Women's Basketball Team competes in the Women's Premier Basketball League. Our team ranked 6th at the closing of the 2004-2005 season. The team beat the Ceyhan Municipality team in the first round of the Turkey Cup in Diyarbakır. Migros that supports national basketball with its strong infrastructure and inoculating love for sports in young athletes was the runner-up in İstanbul and ranked 4th in the Turkey Championships in Afyon. It was an additional source of pride that the “Most Valuable Forward Player” polled at the end of the tournament was a player from the Migros team.

As a firm believer in the positive effects contributed by sports to personal development and creativity of the youth, Migros offers support in different disciplines.

foreign subsidiaries

Migros pursues operations in neighboring areas as a leading and key regional player, and operates under Ramstore banner in five foreign countries: Russia, Kazakhstan, Bulgaria, Azerbaijan and Macedonia.

foreign subsidiaries

In addition to its widespread national coverage, the Company pursues operations in neighboring areas as a leading and key regional player. Migros operates with the Ramstore brand name in five foreign countries: Russia, Kazakhstan, Bulgaria, Azerbaijan and Macedonia. Migros continued its fast growth abroad, especially in Russia. In 2005, the Company opened "Ramstore Mall" housing the Vardar hypermarket in Skopje, the capital of Macedonia. With this launching, the number of foreign countries in which the Company operates reached five. With 18 new stores opening in 2005, the number of malls and hypermarkets edged up to 12, and the total number of stores to 61.

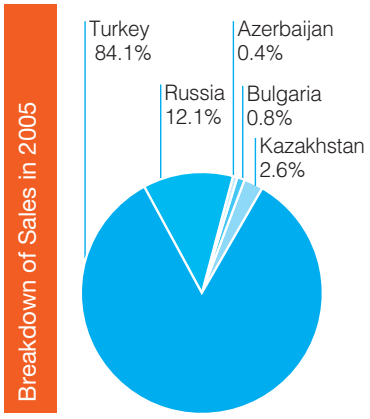
By the end of the year, the total net sales areas of the stores abroad grew 49.4% and reached 139 thousand sqm. Net revenues generated by foreign subsidiaries accounted for 15.9% of the total consolidated sales. Operating profit from foreign subsidiaries, on the other hand, had a 30% share within the total consolidated operating profit of Migros.

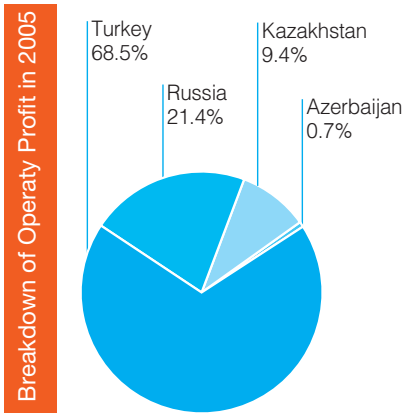
Ramenka (Russia)

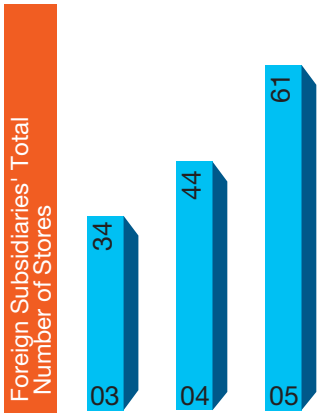
The Economy, Overall Structure of the Retail Market and Developments

Russia is one of the fastest growing consumer markets in the world. Nominal GDP increased 24% between 2000 and 2005. The economy gained stability and grew for the eighth year in a row. The GDP growth for 2005 stood at 6.2%, the estimates for 2006 remain in the same direction. Oil and gas contributed significantly to the economic growth, as the reforms supporting the growing market economy played an evident role in this development. The country's foreign currency reserves went up to USD 182.2 billion at year-end 2005 and the budget surplus stood at USD 54.3 billion, corresponding to 7.5% of the GDP. The economic growth enabled the Russian government to prepay part of its international loans and considerably improved the country's credit rating.

The rate of inflation in Russia was 12.5% in 2005. In 2006, it is expected to come down to 10.3%. Direct foreign capital inflow to Russia grew more than 50% in 2005 and registered USD 18 billion. Making up 7% of the country's entire population, Moscow is estimated to be generating 20% of the national GDP. The Muscovite economy is expected to display a 6% annual growth between 2005 and 2007.







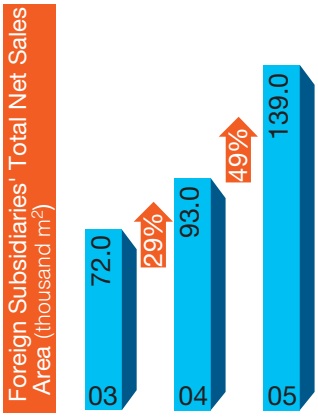
The current conditions in Russia indicate an accelerating growth potential in the consumption sector. Underlying the boom in consumption is the increased level of household income. The average monthly salary that stood at USD 64 in January 2000 climbed to USD 384 in December 2005.

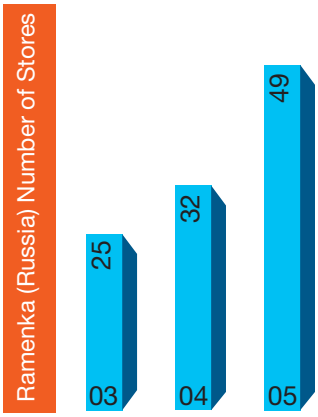
According to Rosstat, the retail sector increased year-on 12% in real terms and 27% on a nominal USD basis, and came to USD 245 billion. Food retail sales worth USD 112.7 billion constituted 46.1% of the total market value. The retail market amounted to 33% of the 2005 domestic GDP. Retail sales per person in the year under review were USD 1,697; this figure translates into 75% of the household expenditure on goods and services per person that stands at USD 2,273.

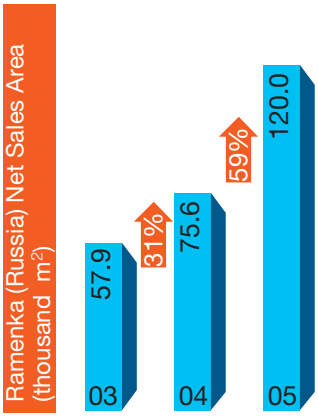
Currently, the combined market share of the new retail formats constituted by supermarkets, discount stores and hypermarkets makes up 22.2% of the market. While the grocery stores still enjoy the largest share with 41%, covered and open marketplaces have a high 21% share, despite some downslides. In 2005, the largest 15 food retailers had an 11% share in the total Russian food retail market, and the five largest retailers had a 6.5% share.

Ramenka Capex

Ramenka has decided to invest USD 400 million in Russia between 2005 and 2007. In line with this decision, the Company continued to open small- and medium-sized stores in addition to big malls that make major contributions to its operating profitability. Ramenka went ahead with its expansion policy in the regions that it stepped into starting with Krasnoyarsk and Kazan in 2003. In 2005, the Company opened 17 Ramstores in total, an investment worth USD 157 million, 3 of which were malls and hypermarkets. During 2005, Kazan, St. Petersburg Udelny Park, and the Sevastopolsky malls in Moscow opened their doors. While Krasnogorsk and Volgograd are cities in the newly penetrated region in 2005, Cheov and Yaroslavl are small cities in the vicinity of Moscow. As the number of regions where the Company operates mounted to seven, this regional expansion strategy called for a new organizational structure in terms of procurement and logistics. With the new stores opened, the number of stores in St. Petersburg, Kazan and Volgograd currently stand at four, five and two, respectively.







With 18 new stores opening in 2005, the number of malls and hypermarkets in five foreign countries went up to 12, bringing the total number of stores abroad to 61.

Activities

By year-end 2005, the number of stores reached 49 Ramstores, and the net sales area increased to 119,988 sqm, up 59%.

Due to the increased competition in 2005, Ramenka adopted a strategy underlining the freshness of its produce, high service quality and customer loyalty. The products and services offered to the customers were supported with various offers and discounts, as well as effective advertisements placed in printed and visual media.

Another important step was taken with the participation in the "Malina Card" program considered as Russia's largest scale loyalty program. This initiative enabled having access to companies operating in the non-retail sector and to other companies. Bonuses to be granted by the companies covered by this program are collected in a pool, with the target of giving the customers more lucrative gifts. By participating in this program, Ramenka aims to enhance customer loyalty and multiply its customer base with customers that may be channeled from other firms.

Ramstores served 38.5 million customers in 2005, with a 25% increase. During the reporting period, efforts in CRM were stepped up. Customers were sent emails and an in-depth analysis of the customer database gained momentum. To attain enhanced feedback from the leaflets, dispatch frequency was cut down to every two weeks in Moscow and the regions.

The stores are classified based on their pricing strategies. While category management works backed by a consultancy firm go on, some pilot stores switched to the implementation stage.

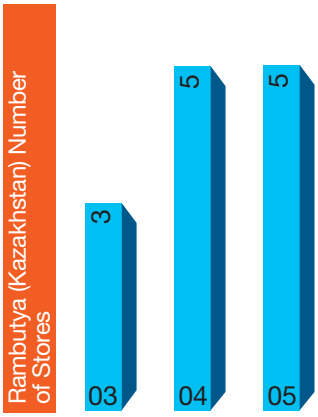
Ramenka also started central distribution activities in the past year. The leased warehouse with an area of 9,000 sqm is used in the distribution of 12 product categories including imported goods, fresh produce, dried foodstuffs and canned food.

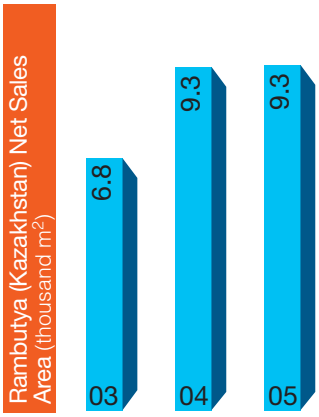
Initiated in the midst of 2005 within the scope of infrastructural improvement, the B2B project was put into place in a short period of time and became a major success. The Company started to work over the B2B platform with firms constituting 40% of its procurement (150 product suppliers). This initiative brought significant savings in terms of time and labor.

Rambutya (Kazakhstan)

The Economy, Overall Structure of the Retail Market and Developments

Having grown 10% on average in the past five years, the Kazak economy expanded 9.4% in 2005.
The economic buoyancy is driven by ongoing infrastructural public spending, the continued appreciation of the local currency Tenge, and increasing oil revenues. The industrial production had a Y-o-Y increase of 4.6% during January-December 2005 period. The reduction in oil and gas generation and in metallurgic production affected growth in the industry. In terms of annual rates of increase in investments, the cities of Kyzylorda and Aqmola take the top two places with 86.3% and 85.8% shares, respectively, followed by Karaganda with 75.3%, Zhambyl with 13.9% and Almaty with 19.8%.





Capex and Activities
While CPI increased by 7.5% 1.5 percentage points above the government target for 2005, the inflation estimation for 2006 rests between 5-7% range. On the other hand, wages in 2005 increased 12% in real terms on Tenge basis. The unemployment rate in the country was recorded as 8.1% in the past year.

The Kazakhstan retail market reached a size of USD 9.9 billion in 2005. The retail trade grew 12.4% on a Y-o-Y basis. Out of the retail trade, 41.5% took place in Almaty and 5.9% in Astana.

Throughout the year, 4.2 million customers were served in a total of 5 stores covering a sales area of 9,260 sqm. The implementation steps of the CRM project were initiated in May, followed by sending out discount coupons to 30,000 customers as planned.

Campaigns and activities aimed at increasing the sales and number of customers were carried out through the year. Marketing efforts featured offers such as “buy 3, pay 2”, ”shock discounts” for special days and occasions including Valentine's Day, World Women's Day, Ramadan and Al Eid, which were communicated to customers via “Ramposts”, fliers and advertisements placed with media channels.

The customers showed great interest and admiration in imported products that are not available to the competitors. The value added generated by these products took its positive toll on the Company's turnover and profit figures. Owing to the fact that fresh produce imported from Turkey saw brisk demand and was highly appreciated, new orders were placed in larger quantities.

The 6th year of operation of the Samal store was celebrated with a special Rampost issue, media-backed lottery draw and gift campaign. Over 100 gifts including two automobiles were given away. Also were promotional activities organized in cooperation with the Atakent Shopping Mall administration.

Ramstore (Bulgaria)

The Economy, Overall Structure of the Retail Market and Developments
2005 was characterized for Bulgaria by a record economic growth, an increased foreign trade deficit and a wide raft of measures adopted for accession to the EU. It is estimated that the economic growth in 2005 was between 5.7 to 5.9% and that it will slip to 4-5% in 2006. With its population at 7.8 million, the national income per capita stands at around EUR 2,000.

The industrial production was up 3.2% in 2005. The current deficit nearing 9% of the GDP ascribed to the slow-down in the industrial production in the last quarter of the year and to the ongoing private sector investments led to a deceleration of economic growth as well. Throughout the year, the Bulgarian people owed approximately Lei 2.5 billion (EUR 1.3 billion) from the banks. The housing loans and consumer loans increased 101% and 49%, respectively.

The annual rate of inflation in the country climbed to 6.5% which is the highest ever achieved in the last five years. The foreign capital inflow to Bulgaria had a Y-o-Y decrease of 17.6%, down to EUR 1.8 billion. The country fully prepaid its debt in the amount of EUR 340 million to the IMF and the World Bank. Standard and Poor's raised the country's credit rating on foreign currency basis to BBB.

Ramstores served 38.5 million customers in 2005, indicating a 25% increase Y-o-Y.

Retail sales were USD 10.3 billion in 2005, within which 60%, or USD 6 billion, was spent on food. The retail trade increased 9.1% on a Y-o-Y basis.

Capex and Activities
The Company did not open any new stores in the reporting period. The Lozanetz store was closed down in August. Display and support of the products that were not carried by the competition were given impetus, with a view to increasing the gross profit margin. The number of products imported from Turkey increased and efforts focused particularly on supplying fresh produce from Turkey.

To achieve the objective of addressing a broader customer segment, an agreement was reached with Sodexho on acceptance of "Sodexho Pass" food vouchers at Ramstores. Another agreement was made with the local "EuroLine" company offering installment card services. The use of this company's POS equipment will bring down the commission rates applied to VISA and AMEX credit cards.

Ramstore (Azerbaijan)

The Economy, Overall Structure of the Retail Market and Developments
While GDP grew 27% in 2005, the increase in industrial production exceeded 33%. Despite the inflation rate of 9.8%, per capita income climbed to USD 2,000, up by 33%. Wages increased 22%, and the average monthly salary in the country stood at USD 140 by year-end 2005.

It was announced that the foreign debt of Azerbaijan reached USD 1.6 billion (12.6% of its GDP) in 2005.

Fitch Ratings determined the credit rating of Azerbaijan on a local and foreign currency basis as BB. On 1 January 2006, Azerbaijan made 1 New Manat equal to 5,000 Manat and a switchover to the new currency. The retail sector in the country has a size of USD 3.7 billion, 66% of which is accounted for by foodstuffs.

Capex and Activities
The Company did not open any new stores in 2005. The Company currently pursues its operations in 3 stores with a total sales area of 3,007 sqm. Throughout the year, about 923 thousand people shopped at Ramstores. The Company constantly improves its profitability through promotional activities and cost-cutting initiatives.

In May 2005, Migros increased its shareholding in Ramstore Azerbaijan to 94.25% through acquisition of 22% of shares in the hands of the minority shareholders.

Ramstore (Macedonia)

The Economy, Overall Structure of the Retail Market and Developments
The EU granted Macedonia accession country status on 17 December 2005. With 2 million people, Macedonia is one of the countries that has the smallest population in Europe. The capital city of Skopje is the undisputed number one economic center of the country with its population of 450,000 people. The economy grew 3.8% in 2005 in real terms. Per capita national income is USD 2,723. The industrial production had a Y-o-Y increase of 7%. CPI was up 0.5% and PPI 3.2% during the January-December 2005 period.

The size of the retail market in 2005 was USD 2.5 billion. 60% of the retail outlays are spent on foodstuffs. The sector continues to be dominated by open marketplaces and mini markets, while organized retailers get a 7% share.

Capex and Activities
Having started its operations in June as a subsidiary of Ramstore Bulgaria, "Ramstore Macedonia" is the fifth foreign country where Migros operates. "Ramstore Mall" opened in Skopje and the Vardar store began offering world-class modern shopping facilities to the Skopje people and created a new market for Turkish products. Representing the largest Turkish investment made in Macedonia and built on a total closed area of 25,000 sqm, the Ramstore Mall houses numerous stores providing customers with modern, practical and advantageous shopping options, along with various social areas.

An assortment of activities served to promote sales in various product groups. With a view to increasing the shopping per basket, an agreement has been reached with the Diners Club Card to enable installment purchases. Ramstore undertook a two-months long campaign for the first time in Macedonia.

financial results and evaluation

Continuing at full speed with its investments in Turkey and via its subsidiaries abroad, Migros was serving in a total of 566 stores by year-end 2005, having expanded its net sales area to 481,997 sqm and having realized a physical growth of 13.8%.

Including Tansaş on the other hand, the total number of stores reached 783 and the total net sales area to 616,186 sqm.

The total net sales area growth of Migros was 46%.

Our Company's consolidated sales at year-end 2005 were TRY 2,686 million.

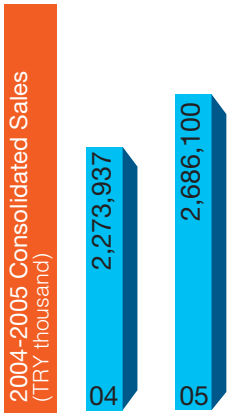
The gross profit soared to TRY 637 million up 24.6%, and the gross profit margin went up from 22.5% to 23.7%. Owing to the improvements in domestic operations in particular, operating profit increased 39.4% and reached TRY 107.4 million. Keeping apace, the operating profit margin mounted to 4% from 3.4%.

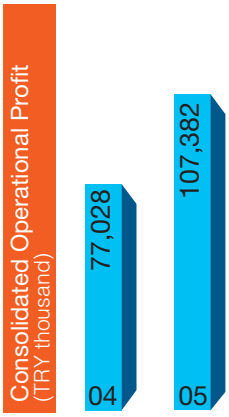
The consolidated EBITDA margin of Migros came to the 7% mark, at par with and even outpacing the levels of strong retail chains operating in Europe. The Company's pre-tax profit slipped from TRY 103.9 million down to TRY 98.3 million and net profit from TRY 74.7 million to TRY 73.7 million. This decline stems from the generation of monetary gain in the amount of TRY 11.3 million in the previous year due to inflation accounting. This year, on the other hand, inflationary adjustment was not made pursuant to applicable legislation, resulting in non-generation of monetary gain. It should also be noted that the financial statements show the 2004 figures at purchasing power as of 31 December 2004, reflecting the inflationary adjustments made. The foregoing must be taken into consideration to accurately analyze the Company's pre-tax profit and net profit performance for 2005.

Consolidated Results (TRY thousand)

Summary	2005	%	2004	%
Sales	2,686,100	100.0	2,273,937	100.0
Gross Profit	636,996	23.7	511,045	22.5
Operational Profit	107,382	4.0	77,028	3.4
EBITDA	185,164	6.9	140,072	6.2
Pre-tax Profit	98,279	3.7	103,949	4.6
Net Profit	73,705	2.7	74,687	3.3

As the domestic sales registered TRY 2,258 million during the reporting period, an 18.8% sales increase was posted in turnover. Gross profit derived from domestic sales exceeded TRY 511 million. The cost-cutting initiatives and promotional activities had doubled the operating profit in 2004 compared to 2003. The improvement trend continued also in the reporting period and the domestic operating leapt up 63%. Under the current economic conditions characterized by decreasing real interests and financial returns, it is apparent that this development is of





The goal of Migros-Tansaş merger is to enhance the return on equity and to distribute a greater amount in dividends to the shareholders consistently over the coming years.

crucial importance. Migros generates a net operating profit of 3.3% of its direct domestic sales. This rise in operating profitability had a positive impact also on the EBITDA, pushing it from the 5.2% level of the previous year up to 6.2% in 2005.

Domestic Results (TRY thousand)

Summary	2005	%	2004	%
Sales	2,257,813	100.0	1,901,310	100.0
Gross Profit	511,583	22.7	405,586	21.3
Operational Profit	74,787	3.3	45,821	2.4
EBITDA	139,330	6.2	98,197	5.2

The sales in the Russian operations increased 12% on a TRY basis. While the sales revenues from the Ramenka operations, under Migros' consolidated sales, stand at 12% of consolidated sales, operating profit generated by Ramenka operations makes up 21.4% of the consolidated operating profit. The drop in the operating profit and EBITDA results from Ramenka's expansion in regions outside of Moscow and from the effects of its heavy capex program. However, the EBITDA margin standing at 10.2% still remains high even in comparison to the European countries where organized retail is more developed. In this sense, we are pleased with the margins enjoyed by our Russian operations.

Running five stores in Kazakhstan, Rambutya achieved a sales figure of TRY 70.9 million. Although no new stores were opened in 2005, Rambutya operations achieved a 17% increase in sales. While Rambutya sales constitute a mere 2.6% of the Migros' consolidated sales, the operating profit generated makes up 9.4% of the consolidated operating profit.

Rambutya operations, achieving the margins among the foreign countries where the Company invests, are deemed to be highly successful, as are the Russian operations.

The data on Ramstore Bulgaria and Ramstore Azerbaijan operations making up 0.8% and 0.4% of the consolidated sales respectively are presented in the tables below. The Macedonia operations, where the Company made its debut in the reporting period, are to be consolidated under Ramstore Bulgaria operations.

Ramenka - Russia (TRY thousand)

Summary	2005	%	2004	%
Sales	323,588	100.0	288,719	100.0
Gross Profit	96,213	29.7	82,765	28.7
Operational Profit	23,343	7.2	25,187	8.7
EBITDA	33,078	10.2	32,990	11.4

Rambutya - Kazakhstan (TRY thousand)

Summary	2005	%	2004	%
Sales	70,942	100.0	60,527	100.0
Gross Profit	20,693	29.2	18,066	29.8
Operational Profit	10,221	14.4	8,076	13.3
EBITDA	11,535	16.3	9,233	15.3

Ramstore - Azerbaijan (TRY thousand)

Summary	2005	%	2004	%
Sales	11,712	100.0	10,295	100.0
Gross Profit	2,959	25.3	2,490	24.2
Operational Profit	796	6.8	123	1.2
EBITDA	1,147	9.8	451	4.4

Ramstore - Bulgaria (TRY thousand)

Summary	2005	%	2004	%
Sales	22,045	100.0	13,086	100.0
Gross Profit	5,548	25.2	2,491	19.0
Operational Profit	(1,765)	(8.0)	(2,179)	(16.7)
EBITDA	74	0.3	(799)	(6.1)

Integration with Tansaş, Outlook and 2006 targets

Along with its parent company, Koç Holding A.Ş., Migros, made a major leap forward in 2005, acquired Tansaş Perakende Mağazacılık T.A.Ş. and further strengthened its market leadership. In the General Meetings of Shareholders of Migros held on 24 February 2006 and of Tansaş held on 27 February 2006, the management bodies of the two entities were authorized for the merger. IFRS-based stand-alone financial statements dated 31 December 2005 will be taken as a basis in the merger. Upon completion of the merger-related works, the Companies will file with the CMB and present their statement to be prepared on the basis of the report of an independent professional appraiser and that of the experts appointed by the Commercial Court. The report will cover, in addition to alternative valuation methods, the method opted for the merger, the merger ratio and the swap ratio of Tansas to Migros shares to be given to Tansaş shareholders at the time of the merger. Following the approval of the CMB, the final merger decision will be discussed in the subsequent General Meetings of Shareholders of both Companies. In the aftermath of the General Meetings, Migros and Tansaş will merge under the Migros Türk T.A.Ş. structure.

Assuming that the merger is realized, 2006 will be a true year of integration. The synergy that will be born out of the two companies' merger under Migros Türk T.A.Ş. is expected to create a more effective management, as well as cost savings opportunities, in sales and marketing and in overall administrative matters. Major savings are targeted to be achieved in cost items including procurement, stocks, logistics, warehousing, distribution, fixed assets and information technology, which will be duplicating under both companies due to the merger. In this way, our competitive strength in the market will enhance, on the back of the increasing operational efficiency, which in turn will lead to more advantageous price offers for the customers. Additionally, Migros Türk T.A.Ş. will solidify its sectoral leadership and multiply its investment capability inside and outside of Turkey. Consequently, the goal of this merger is to enhance the return on equity and to consistently distribute a greater amount in dividends to shareholders.

Migros aims to achieve a sales volume of TRY 3.8 billion in 2006, together with Tansaş. The investments in Turkey will not slow down on account of the integration. On the contrary, the plan is to open 19 Migros, 30 Şok and 20 Tansaş stores during the year, edging close to 80 new stores in total.

Setting the goal of achieving around a 30% growth on a USD basis abroad, fast physical expansion is planned for 2006 with new malls and Ramstores in Russia. Over 20 stores are on the cards in Russia, with four malls. From among these, the Vernadskovo Mall, underway in Moscow, will capture Moscow's largest Ramstore title with its closed area in excess of 120,000 sqm. Furthermore, two stores each are planned to open in Kazakhstan and Macedonia. One of the stores to be opened in Kazakhstan is planned to be located outside Almaty and Astana.

corporate governance principles compliance report and financial statements

MİGROS TÜRK T.A.Ş.
corporate governance principles compliance report 2005

Statement of Comhliance with Corporate Governance Principles

Migros Türk T.A.Ş. adheres, as a matter of principle, to the "Corporate Governance Principles" that were adopted by the Capital Markets Board of Turkey (CMB) resolution 35/835 dated 4 July 2003 and publicly announced for the first time in July 2003. Migros is aware of the benefits that the execution of these principles will have for our Company, its stakeholders, and ultimately our country. The practical deficiencies are reviewed with a view to continuous improvement, and works are under way to weed out these shortcomings in order for our Company to be a model one in such issues.

PART I: SHAREHOLDERS

Investor Relations-Investor Relations Unit

As a matter of policy, our Company attaches a great importance to investor relations. A unit that responds to the shareholders' requests for information about the Company has been set up and works under the responsibility of the assistant general manager for financial affairs. This unit manages processes related to Company general meetings, share capital increases, and dividend payments. It also answers all shareholder questions about capital increases and dividend payments and handles all procedures related to such matters.

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 thus have not yet exercised their bonus stock options and/or claimed their dividend entitlements to perform these transactions quickly and securely.

This unit also responds to requests for information about the Company. Migros shareholders and brokerage analysts issuing Company reports are kept informed using as many channels of communication as possible such as direct contacts, conferences, meetings, the internet, telephone, information bulletins, etc. In addition to preparing the Company annual report, the unit also coordinates Company activities and operations related to corporate governance. It identifies points that need to be improved and supports the Company's senior management in keeping up with the philosophy of continuous development so that Migros can be a model company in such matters.

All shareholders requesting information about our Company can submit it by sending e-mail to the unit's investor_relations@migros.com.tr account.

Assistant General Manager for Financial Affairs:
Erkin Yılmaz
Address: Turgut Özal Bulvarı No. Ata 6 Ataşehir 34758 Ataşehir Kadıköy/İstanbul-Turkey
Telephone: (+90 216) 579 3000 (ext. 3214)
E-mail: erkiny@migros.com.tr

Investor Relations Assistant Manager:
Dr. Affan Nomak
Telephone: (+90 216) 579 3000 (ext. 3142)
E-mail: affann@migros.com.tr

A total of 86 Migros shareholders who had not yet exercised their bonus stock options in due time or claimed their dividend entitlements did so subsequently at the Company's headquarters. Numerous individuals requesting information about current-year transactions were responded to and they were forwarded to Koçbank branches to exercise their rights.

Shareholders who hold printed stock certificates and have not already received the bonus shares of stock issued by the Company in previous years and/or exercised their dividend rights should apply directly to 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 Koç Yatırım's (Koç Invest) İstanbul-Harbiye branch or at any branch of Koçbank. Dividends from 2000 and later years may also be collected by presenting dividend coupons to Koç Yatırım's İstanbul-Harbiye branch or any branch of Koçbank.

Additionally, the Central Registry Agency (CRA) started on 28 November 2005 to carry out the 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 need to call at Koçbank branches and have their certificates registered and have them received the tradeable stock status. Our Company will in no way print physical shares in the ensuing capital increases.

Shareholders' Exercise of Their Right to Obtain Information

Disclosure

The Investor Relations Unit responds to all information requests about the Company. During the reporting period, shareholders requested information about the current year's dividends in terms of their amount and the manner and place of their payment, attendance in the general meeting, and how to exercise their rights arising from the Company's capital increase. Announcements about such matters are made in the newspapers as well as through the Migros corporate website. Over the course of the year, shareholders also requested information about the number of stores as at the end of the reporting periods, the floor space of the stores, the number of stores scheduled to open during the year, year-end sales targets, etc. The Investor Relations Unit keeps Migros shareholders and brokerage analysts informed using as many channels of communication as possible such as direct contacts, conferences, meetings, the 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 through its quarterly investor bulletin in which the most recent financial results have started to be interpreted and published. General information about the Company is also provided in these bulletins which, like the Company's annual report are accessible by the shareholders from 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 meeting of shareholders. In practice, Migros' statutory auditors are elected by the general meeting for each year.

In addition and as required by Capital Market External Independent Audit Regulations published by CMB every year, a firm is also appointed to be the Company's independent auditor. For 2005, the general meeting approved the firm of Başaran Nas Serbest Muhasebeci Mali Müşavirlik AŞ as the Company's independent auditor. This firm had been selected by the Board of Directors, which recommended it to the general meeting.

In addition, the Migros Board of Directors has formed a two-person auditing committee. Uğur Çatbaş and Oktay Irsıdar were chosen to be the members of this committee to serve until the general meeting at which the Company's 2005 results were to be discussed.

Information about General Meetings

The ordinary general meeting for the year 2005 where the activities and accounts of Migros Türk Ticaret Anonim Şirketi for the year 2004 were examined was held at Divan Hotel at the address of Cumhuriyet Caddesi No. 2, Elmadağ, Şişli-İstanbul at 11:30 on 08 April 2005 under the supervision of Nurgün Örs, a trade ministry commissioner appointed for that duty by letter 17863 dated 07 May 2005.

As per the law and the Company's articles of association, invitations concerning the general meeting and its agenda, were made and published in the issue 6266 dated 23 March 2005 of Turkish Trade Registry Gazette and in the 22 March 2005 national edition of the daily Milliyet. The date and location of the general meeting were also announced to shareholders via the Company's corporate website.

To prevent traffic congestion in shareholders' registrations, the announcement also said that 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 should obtain their meeting passes at least two days before the meeting date. In practice all requests for passes were honored even on the eve of the meeting. Shareholders who made their request on the meeting date were admitted to the meeting as observers. Passes continued to be handed out until the time at which the meeting was scheduled to start. Shareholders who wished to have themselves represented at the meeting by a proxy were instructed to have their power of attorney 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 9 March 1996 issue of Official Gazette.

Our Company's 2004 balance sheet, income statement, Board of Directors' annual report, statutory auditors' report, independent auditors' report, and dividend payment proposal were made available to shareholders for their examination at the Company's headquarters from 23 March 2005.

According to the general meeting's attendance roster, a total of 86,900,164,425 shares out of 137,700,000,000 shares for the Company's total capital of TRY 137,700,000 were represented at the meeting of which 70,307,365,050 shares corresponding to TRY 70,307,365.05 were present in person and 16,592,799,375 shares corresponding to TRY 16,592,799.375 were present in proxy. A number of media representatives also attended the meeting. During the meeting the presiding officer gave the floor to shareholders wishing to address the meeting and express their views and opinions about the Company and its activities. Migros general meetings are open to all of the Company's stakeholders.

The general meeting's minutes and attendance roster were reported to the İstanbul Stock Exchange the same day immediately after the meeting. In addition, the minutes of the general meeting were published in the issue 6288 of the Turkish Trade Registry Gazette dated 22 April 2005 and also faxed to shareholders who requested it. Copies of the minutes and attendance rosters for the most recent five years' general meetings are available for shareholders to examine on the Company's corporate website.

Voting Rights and Minority Rights

As stipulated in our articles of association, none of our Company's shares incorporate privileged voting rights. Every shareholder exercises one vote for each share of stock he holds at general meetings and all votes are equal. There are no shareholders with which there are cross shareholding interests.

Dividend Payment Policy and Timing

There are no privileged rights concerning anyone's participation in the Company's profits. Dividends are paid within the legally prescribed periods of time.

Migros has been successfully reporting a net profit every year since it was first quoted on the stock market in 1991. Similarly our Company has uninterruptedly paid a dividend over the last fifteen years in different percentages of its capital depending on the net profit. Paying a dividend is a matter that Migros has always regarded as important from the standpoint of its shareholders' interests and in this direction is guided our dividend payment policy. The crucial balance between our Company's growth strategies and its dividend payment policy is managed with the utmost care.

Dividends that correspond at least to 20% of the attributable profit computed taking into account the Company's long-term strategies, investment, financing plans and profitability and in accordance with the CMB communiqués can be distributed in cash or in the form of bonus shares of stock.

According to CMB communiqués XI: 25 and IV: 27, when calculating attributable profit; a subsidiary, or a joint venture or an affiliate's profit is not to be taken into account in the parent company's consolidated financial statements where they might be included, unless these participations made such a resolution for profit attribution in their individual general meetings.

Transferring Shares

The Company's articles of association contain no provisions restricting the transfer of shareholding interests. The Board of Directors is authorized to issue shares of stock that are worth more than their nominal value and to impose limitations on existing shareholders' rights to acquire new shares.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

Company Disclosure Policy

The Company's public disclosures are made in an accurate and timely manner with respect to the issues governed by CMB communiqué VIII: 39 concerning principles of public disclosure about special circumstances. In addition, public disclosures are also made on important issues that might affect the decisions of shareholders as well as stakeholders.

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

Migros' public disclosure policy requires it to share any and all information upon demand unless such information is in the nature of a business secret or would engender a competitive advantage for third-party individuals or entities at the expense of Migros were it to be divulged.

Special Circumstance Announcements

During 2005, our Company made a total of 78 special circumstance announcements (not including announcements about Migros made by Takasbank (Clearing House), Central Registry Agency and other publicly held companies) within the framework of CMB communiqué VIII: 39 concerning principles of public disclosure about special circumstances. In cases where ISE requested additional explanation relating to the news that appeared in the press, these requests were urgently fulfilled by our Company.

Corporate Internet Site and Its Content

Customers' needs are always in the forefront of Migros' attention. While distinguishing itself in the sector through the investments in technology, Migros also offers these technological advantages for the use of its customers. The Company launched its website at www.migros.com.tr for its shareholders and customers in 1997. In the reporting period, the corporate website was upgraded in line with the increasing requirements. The new design structured in line with the expectations feature "About Migros", "Customer Relations", "Migros Club", "Campaigns", "Our Stores", "Migros Brands", "Investor Relations", "Press Room", and "Human Resources" sections and sub-sections as well as many more issues including those stipulated in article 1.11.5 of section II of CMB's Corporate Governance Principles.

Disclosure of Majority Controlling Physical Shareholders

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

Migros Türk T.A.Ş.
Paid-in Capital (TRY thousand)

Shareholder	Share (%)	Amount
Koç Holding A.Ş.	51.06%	70,307
Publicly Held	48.94%	67,393
Total	100%	137,700

There are no shares with any privileged rights.

Public Disclosure of Those Who May Have Access to Insider Information

The names of the members of our Company's Board of Directors, of 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 our annual report.

Rahmi M. Koç	Chairman
K. Ömer Bozer	Vice Chairman
Cengiz Solakoğlu	Board Member
Nüsret Arsel	Board Member
Uğur Çatbaş	Board Member
F. Bülend Özaydınlı	Board Member
Y. Ali Koç	Board Member
Oktay Irsıdar	Board Member
H. Hasan Yılmaz	Board Member
Ali Yavuz	Statutory Auditor
Ahmet Sönmez	Statutory Auditor
Serkan Özyurt	Statutory Auditor
Aziz Bulgu	General Manager
Ender Alkaya	Assistant General Manager
A. Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
İhsan Usel	Assistant General Manager
Demir Aytaç	Assistant General Manager

PART III: STAKEHOLDERS

Keeping Stakeholders Informed

Migros' corporate governance practices guarantee the rights to which stakeholders are entitled by laws and regulations and under contractual obligations.

The Company's employees, shareholders, and subsidiaries and the third-party individuals and entities with which the Company has business relationships may submit suggestions or report violations on such issues directly to the Company's management. Such direct submissions and reports are evaluated and a feedback is given to those concerned.

Migros publishes the names of the Company's department heads and their contact information on its corporate website thus making it possible for stakeholders to directly contact the manager who is in charge of a particular issue and direct their questions etc on any issue to the appropriate person first-hand. The objective of this structure and model is to permit communication between the Company and its stakeholders to be more transparent and more effective.

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

The aspects of Migros' business ethics principles concerning employees are presented under the heading "Rules of ethics". Other principles are presented below.

Migros' Responsibilities Towards Other Companies

1. Migros complies with the requirements of law in all its activities.
2. No unjustified gain may be secured from any individual or organization for any reason whatsoever. Migros makes all its goods and services procurement decisions in line with established and publicly disclosed criteria.
3. It is important for Migros that its business partners refrain from tarnishing the image and reputation of Migros in their own business activities and that they give importance to Migros' proven business values.
4. Migros checks to ensure that the services it obtains on a continuous basis from other organizations are provided in compliance with the requirements of law and it takes necessary action accordingly.
5. Migros does not divulge confidential information it receives from a company that serves it to third parties without that company's permission.

Migros' Responsibilities Towards the Community
1. Migros makes every effort to uphold the standards that its customers expect of it.
2. Migros seeks to fulfill all of its tax and other obligations in full and on time and to be an example to the community on such matters.
3. Migros does not make humiliating, 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 and it complies with all the requirements of law on such matters.
5. Migros defends its business ethics in its sector and strives for calcification, furtherance, and acceptance of these principles.

The Responsibilities of Employees Towards the Company
1. Migros employees strictly reject any offers of material or moral benefits from third parties made to influence their conduct of activities falling within the areas of their individual responsibility.
2. Migros employees inform their immediate superior whenever 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, and they take action with his knowledge.
3. Migros employees exhibit maximum attention and care when fulfilling the duties given to them and they make every effort so that the work they do can be of higher quality, faster, and more economical.
4. Migros employees refrain from any act or behavior that would damage the Company's image and reputation. During working hours they remain within the modes of dress and behavior that have already been established by Company management or are generally accepted.
5. Migros employees are neither indifferent nor unresponsive when confronted by any situation that is contrary to the Company's interests and they notify the appropriate Company units instead.
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 make use of anything the Company provides them to do their jobs for their own private benefit.
7. Migros employees do not divulge outside the Company any confidential or private information that they become aware of as a consequence of their position or the work that they do. Without the written approval of the Company's management they do not give interviews or make statements of any kind to any media organization.

The Responsibilities of Employees towards Employees
1. Migros employees do not divulge private information concerning other Company employees that they come into as a consequence of their jobs except where it is a requirement of their jobs.

In General
The Migros Committee on Business Ethics 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.

Stakeholder Participation in Management
Article 7 of "The Company's responsibilities towards its employees" section of Migros Principles of Business Ethics says: 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 care on this matter. Migros employees for their part have the means to forward their suggestions and demands to the Company's senior management and directors.

Human Resources Policy
The Migros Human Resources Department aims to develop systems that will ensure the constant improvement, motivation, and management of human resources that will create competitive advantages in the execution of the Company's strategies and to implement them in line with the Company's corporate principles.

As our founder, the late Vehbi Koç, once 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

• The Strategic Importance of Human Resources
Human resources management at Migros focuses on the importance given to people by recognizing their strategic value and creates awareness that human resources must be treated as a unique element. Human resources strategies are structured so as to create a reliable, go-getter, and proactive organizational structure so that Migros is able to maintain its sectoral leadership in 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 adapting to changing competitive conditions and to rapidly accommodating ourselves to newly-penetrated markets and establishing our leadership in them.

• Superior Business Ethics and Honesty
In all our dealings with our employees, it is our fundamental principle to act fairly, in good faith, and understanding and to abide by the law and the rules of ethics.

• Workplace Safety
Migros is committed to fulfilling all of its obligations towards its employees 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 the sector standards concerning ergonomics and the improvement of the working environment. In the case of civil defense activities, which are of such great importance in our country, theoretical and practical training is also provided in cooperation with the public authorities concerned.

• Equality of Opportunity
In its Turkish and foreign subsidiaries, Migros provides service through employees who have tremendous diversity in terms of language, religion, race, and nationality. All human resource related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. The human resource evaluation systems that Migros has set up enable it to monitor and assess the competencies, skills, and performances of its employees objectively within a framework of common principles to which all are subject. On the basis of evaluation results, the Migros Integrated Human Resources System makes it possible to achieve equality of opportunity in the training, progression, career development, and compensation of its employees.

• Human Resources and Industrial Relations
The management of human resources processes and of employee relations in line with established human resources policies and principles is under the responsibility of the Assistant General Manager for Human Resources and Industrial Relations at our Company and is clearly defined and committed to in the Company regulations and business ethics principles.

• Participation and Transparency
Managers and employees are inseparable elements of human resources practices at Migros. Employees are kept informed about their roles and responsibilities in human resources practices and provided with guidance as to how those responsibilities are to be fulfilled.

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

• Competitiveness
Migros plans and manages the professional development of its employees not only to keep them competitive within the Company but also on all professional platforms so as to enable them to create positive value for the economy, environment, and community of which they are part.

• Commitment to Common Values
Values shared in common make up the foundation of our corporate culture. These values are:
• Giving priority to customer satisfaction
• Being progressive and dynamic
• Honesty and trustworthiness
• Respect for the law and for individual rights
• Sensitivity towards society and the environment
• Ability for teamworking

Actions of the employees against the Company's common values are sanctioned appropriately and impartially through warning systems and a Discipline Committee procedure.

Conducting relations with employees at Migros is the primary function of the Company's Industrial Relations Department. Consisting of a team of nine (9) people, 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.

Relations with Customers and Suppliers

Underlying Migros' over fifty years of leadership of its sector is a dynamic corporate culture infused with experience and the ability to early move under changing conditions. A thorough familiarity with both customer and market, an ability to keep abreast of developments and act proactively, and serving as a vanguard of change are important elements of Migros' innovative style and the reasons why many firsts in the sector, such as consumer rights as early as the 1960s and 1970s, began to take hold in the sector only after being introduced by Migros. In 1998 Migros introduced another first in the Turkish retail business in the form of its Migros Club system, which is designed to enable the Company to become better acquainted with its customers and provide them with better and more differentiated service. Analysis of customer data makes it possible to approach customers not as an anonymous crowd but rather as individuals. In addition to its modern supermarkets, Migros also enhances the ability of customers to reach it through alternative platforms tailored according to their needs such as the discount outlets introduced in 1995 and the Migros virtual market introduced in 1997.

The well-entrenched innovation element of in Migros' corporate culture and technological investments designed to support it are what enable us to achieve differentiation in our customer relations.

In the 1990s, Migros was the first to introduce the barcode system and electronic cash registers that have reduced customer waiting times at the check-outs and Company operating costs so dramatically in the sector. The same pioneering spirit led the Company to set up its B2B system for its suppliers. By reducing operating and logistical costs while providing savings and gains for all sides, this system creates benefits for all our stakeholders, and especially for our customers.

For the purpose of identifying customer expectations in advance and acting proactively to self-improve, Migros has been conducting a customer satisfaction survey since 1994 in which 6,500 people are polled. Data from these surveys are analyzed to determine existing levels of customer satisfaction and to develop models to spot future trends in customers' expectations. In addition, occasional surveys conducted from stands inside stores on specific issues give customers a chance to make themselves heard and express their expectations. The feedback from these activities helps us understand their expectations not just about the present but about the future as well and to review and revise our own objectives.

Migros Club data are analyzed and the results are used to assess customer relations management practices. Our mystery customer program is designed to develop employees' customer relations skills while also providing information that can be used to develop new customer relations management practices. Mystery customer surveys are a unique Migros quality-based performance tool that employs scientific methods to measure and benchmark the quality of service provided at points of sale within the framework of our corporate culture and Company rules, from the standpoint of physical standards and customer relations, and in line with customers' views and evaluations.

Some of the more important of the other activities that are carried out to achieve customer satisfaction are summarized below.

- In August 2005, Migros was entitled to ISO 9001-2000 Quality Management System certification as an outcome of integrating its process analysis and process-based documentation that had been in place for many years and the Quality Management System established in accordance with quality culture with ISO 9001:2000 standard.
- Migros is meticulously selecting every supplier from which it procures goods. The Company's suppliers are audited at regular intervals by the Food Science and Technology Research Institute of the Scientific and Technical Research Council of Turkey, which also periodically conducts quality control analyses. Migros private label products are also subjected to the same quality control process as well.
- Every new product that is put up for sale on store shelves by Migros goes through a preliminary quality control process.
- Before supplier-originated products enter Migros warehouses, food engineers subject them to sensory, chemical, physical, and microbiological quality control tests. Goods that do not satisfy quality control conditions are rejected.
- Products in Migros stores, warehouses and on the shelves are regularly checked by veterinarians to ensure food safety.
- Personnel employed in all Migros stores attend training programs to make them aware of hygiene and food safety-related issues.
- During the promotional actions, products are offered for sale at discount prices for two-week periods, whereby Migros guarantees that the goods will not run out of stock.
- All customer suggestions, inquiries and complaints are addressed and responded to as quickly as possible by the store itself or by head office as appropriate. Customers can forward their complaints quickly and easily to the Company through store managers, via a toll-free customer line, and by means of e-mail directed to management at every level.

Social Responsibility

Migros' responsibilities towards the community are spelled out in Migros Rules of Ethics as follows:

1. Migros makes every effort to uphold the standards that its customers expect from it.
2. Migros seeks to fulfill all of its tax and other obligations in full and on time and to be an example to the community on such matters.
3. Migros does not make humiliating, 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 and it complies with all the requirements of law on such matters.
5. Migros defends its business ethics in its sector and strives for calcification, furtherance, and acceptance of these principles.

Migros is aware that companies as well as the state, non-governmental organizations, and national and international standards are responsible for the sustainable development of a contemporary way of life both in Turkey and globally in the other countries in which it operates, for improving standards of living, and for efficiently using limited resources.

The corporate culture that our Company has developed over more than half a century, the importance given to public health and hygiene, the sensitivity shown towards identifying and satisfying the needs of society, the organization of and participation in exemplary educational, cultural, sports, and social activities that are essential for social development, and a strong environmental awareness are what make up Migros' identity as "an honest retailer".

As a requirement of its social awareness, Migros acts in compliance with laws, moral standards, and human rights in all the services that it offers to consumers; fulfills the responsibilities incumbent upon it to combat the unregistered economy; and contributes to employment by defending employees' rights. The Company also shares its sense of social responsibility with all its stakeholders–employees, suppliers, subsidiaries, investors, and customers–as well as with the public at large and gives importance 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 gives importance to ethics and honesty in everything it does. It knows that trust cannot be bought; that it is a bond that grows and develops slowly and over a long period of time between a company and its customers and not through quick-fix concepts or by mouthing slogans. Since 1954, Migros has been safeguarding the health and rights of its customers. Many innovative practices introduced by Migros to encourage good shopping habits and foster consumer awareness subsequently became standards in the sector and some have even been embodied in the law.

As its point of departure, taking the philosophy that quality is a search for perfection, Migros seeks to achieve the highest possible level of customer satisfaction by means of control mechanisms that it has set up to monitor quality at every stage from procuring the goods that are sold on the shelves to their consumption by customers.

Specific details of the Company's activities under the heading of social responsibility are presented in the relevant sections of the annual report.

PART IV: THE BOARD OF DIRECTORS

Structure and Formation of the Board of Directors; Non-Executive Board Members

The Migros board of directors consists of nine members who are elected by the general assembly of shareholders. Its members are:

Rahmi M. Koç
K. Ömer Bozer
Cengiz Solakoğlu
Dr. Nüsret Arsel
Uğur Çatbaş
F. Bülend Özaydınlı
Y. Ali Koç
Oktay Irsıdar
H. Hasan Yılmaz

In the allocation of duties that the members of the board have made among themselves, Rahmi M. Koç serves as the chairman and K. Ömer Bozer serves as the vice chairman. Currently the only executive director is K. Ömer Bozer.

Qualifications of Board Members

All of the members of the Company's 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. At the same time, they are also professionals whose knowledge, experience, and educational backgrounds are exemplary both in our sector and in the business world.

Mission, Vision, and Strategic Goals of the Company

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

Our Company's mission is to strengthen its leading position in the Turkish retailing sector and to become a strong regional retail chain that is regarded as a role model in the sector by ranking first or second in other countries in which it operates.

In line with its mission, Migros Türk TAŞ structures its strategies so as to achieve sustainable quality and earn respect as a sectoral leader by means of 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 this mission in light of the vision as defined by the Board of Directors. To this end, our basic strategy is to provide our customers with high-quality service that is modern, dependable, economical, and in keeping with our traditional Koç values. Targets are set in order to measure the degree to which these strategies are realized and these targets are made known to all organizational units and supported by business plans. A Corporate Performance Management System that has been set up makes it possible to monitor and evaluate these targets and business results so that both targets and strategies can be reviewed and revised whenever circumstances make that necessary.

Yearly, quarterly, and monthly reporting structures have been created to enable the Board of Directors to carry out such basic administrative functions as planning, organizing, and oversight.

Board members are kept informed of the progression and direction of the Company's business by means of annual meetings at which the updated current long-term five-year plan is presented and reviewed, annual budget and review meetings, and quarterly meetings at which the most recent quarter's results are presented and the board's feedback is obtained. In addition, detailed monthly progress reports are prepared and submitted to the board. In these ways, the board members are able to monitor the Company's efforts to achieve its objectives and immediately intervene and provide guidance when necessary.

Risk Management and Internal Control Mechanisms

Migros' internal control system consists of two separate internal control modules: financial control and operational control. Also incorporated into the system are all of the Company's risk management control mechanisms. The main features of the Migros internal control system are summarized below.

The Migros financial control module 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 ways that are independent, systematic, and quantifiable.

By means of this system, decision makers are able to:
- Perform financial controls
- Observe customer-focused processes
- Assess whether or not resources are being used effectively and economically
- Spot transactions that are not effective or economical
- Identify practices and activities that are inconsistent with the Company's aims and objectives.

In addition to revealing the existence of problems, the system also allows users to determine a range of possible solutions.

The Migros operational control module is designed to oversee the effectiveness of operational processes and practices as they are taking place within the Company. The most important step in this oversight process is taken at the level of individual store operations and indeed this module might also be called a "store performance monitoring system" inasmuch as it seeks to achieve the following special aims apart from those of the financial control module.
- Ensure that the customer shopping experience is central to all business strategies.
- Reveal both the relationship between the Company's vision, mission, and philosophy on the one hand and the service being delivered on the other as well as any discrepancies between them.
- Achieve continuous improvements in service quality and customer satisfaction.

• Analyze employee behavior within the framework of the customer service cycle.
• Determine the added value that is created by improvements in service quality at every stage of business processes.

The Migros internal control system also incorporates the systematic reviews that the internal control unit of its principal shareholder, Koç Holding AŞ, 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.

In 2005, a new Internal Audit Department was set up that will be responsible for continuously developing Migros' risk management and internal control mechanisms in parallel with the Company's changing needs and for organizing all activities so that reporting can be made to the Audit Committee and the Board of Directors.

Authorities and Responsibilities of Company Board Members and Executives

The duties and authorities of board members directors are clearly spelled out 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 of shareholders as per the Turkish Commercial Code and the Company's articles of association.

Operating Principles of the Board of Directors

During 2005, the Board of Directors passed 36 resolutions on a variety of matters. At least six (6) directors attended all of the meetings that were held. Pre and post-meeting activities are organized by a secretariat responsible for such matters. At board meetings, views are freely expressed and if there are dissenting votes against any decision, the reasons for dissent are entered into the meeting's minutes. There were no dissenting opinions entered into the minutes of any board meetings held in 2005. Questions that are raised by board members at meetings are also entered into the record along with any responses made to them.

Each member of the Migros Board of Directors controls one vote. No members have preferential voting rights or the right to veto board decisions.

Prohibition on Doing Business or Competing With the Company

Migros has a leasehold relationship in two stores with its 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.

Rules of Ethics

Migros' principles of business ethics are grouped under the following five headings:
• Responsibilities of the Company towards its employees
• Responsibilities of employees towards the Company
• Responsibilities of the Company towards other companies
• Responsibilities of the Company towards society
• General responsibilities.

Our Company's responsibilities towards its employees are summarized in the main outline below. Information about the other categories of our business ethics principles is presented in other sections of this corporate governance compliance report.

Our Company regards its employees as one of the greatest assets it possesses in today's difficult market conditions. Our two greatest competitive advantages are our business experience and the qualities that our employees have and are continuously improving upon.

Migros' Responsibilities Towards its Employees

1. Migros completely fulfills all of its legal obligations towards all of its employees. In situations where the requirements of law are not sufficiently clear, Migros consults those who have specialized knowledge on the matter.
2. Migros is mindful of the rights of its employees within the framework of its rules of business ethics in situations where the rule of law provides for less.
3. In all hirings, promotions, and appointments, the only criteria to be taken into account are the qualifications for the position: Migros creates equality of opportunity among its employees.
4. Migros is not involved in the personal affairs or private lives of its employees and holds all of the private information it has about its employees in strict confidence.
5. Migros provides training opportunities for its employees to improve themselves professionally and personally.
6. In all of its dealings with its employees, Migros does not discriminate in any way on the basis of sex, age, ethnic origin, or creed.
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 of the Company's business and it seeks to improve them to the utmost it can.
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 come into possession of in any way whatsoever.

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

A two-person Audit Committee has been formed within the Migros Board of Directors. The individuals chosen to be members of this committee during the reporting period are Uğur Çatbaş and Oktay Irsıdar and they will hold these positions until the general meeting at which the Company's 2005 results are to be discussed. The Audit Committee convenes four times a year.

Financial Rights Provided to the Board of Directors

At the general assembly convened on 08 April 2005 to discuss Migros Türk T.A.Ş.'s results in 2004, shareholders voted to pay the chairman and members of the Board of Directors a gross salary of TRY 1,100) a month each.

Migros Türk T.A.Ş.
convenience translation into English of consolidated financial statements for the period 1 january-31 december 2005 together with auditors' report

Migros Türk Ticaret Anonim Şirketi

Independent Auditors' Report

For The Period 1 January-31 December 2005

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have audited the accompanying consolidated balance sheet of Migros Türk Ticaret Anonim Şirketi (the "Company") at 31 December 2005 and the related consolidated statement of income for the period then ended. We conducted our audit in accordance with generally accepted auditing standards issued by the Capital Market Board ("CMB") and our work contains controls over the accounting records and other necessary audit methods.

2. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Migros Türk Ticaret Anonim Şirketi at 31 December 2005 and the consolidated results of its operations for the year then ended in accordance with accounting principles issued by the CMB (Note 2).

Additional paragraph for US Dollar and Euro conversion:

3. As explained in Note 2 to the consolidated financial statements US Dollar ("USD") and Euro ("EUR") amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and are translated from New Turkish Lira ("YTL"), 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 2005. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into USD and EUR at these or any other rates.

Additional paragraph for convenience translation into English:

4. The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Accounting Standards") 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 basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Migros Türk Ticaret Anonim Şirketi
Consolidated Financial Statements
For The Period 1 January - 31 December 2005

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Migros Türk Ticaret Anonim Şirketi

Consolidated Balance Sheets

At 31 December 2005 and 2004
(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 2005 EUR	USD	31 December 2005	Restated 31 December 2004
ASSETS					
Current assets					
Cash and cash equivalents	4	199.646	236.203	316.936	184.354
Marketable securities (net)	5	37.878	44.814	60.132	125.554
Trade receivables (net)	7	20.714	24.507	32.884	28.314
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	4.813	5.695	7.641	4.935
Other receivables (net)	10	312	369	495	719
Biological assets (net)	11	-	-	-	-
Inventories (net)	12	167.804	198.531	266.389	147.865
Construction contract receivables (net)	13	-	-	-	-
Deferred tax assets	14	-	-	-	-
Other current assets	15	35.153	41.590	55.806	35.290
Total current assets		466.320	551.709	740.283	527.031
Non-current assets					
Trade receivables (net)	7	354	419	562	148
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	117.392	138.888	186.360	52.284
Goodwill/negative goodwill (net)	17	109.114	129.094	173.218	(1.430)
Investment property (net)	18	34.885	41.273	55.380	47.575
Property, plant and equipment (net)	19	589.071	696.937	935.151	667.171
Intangible assets (net)	20	114.136	135.036	181.191	3.781
Deferred tax assets	14	38.809	45.915	61.609	-
Other non-current assets	15	17.086	20.215	27.124	20.102
Total non-current assets		1.020.847	1.207.777	1.620.595	789.631
Total assets		1.487.167	1.759.486	2.360.878	1.316.662

These consolidated financial statements have been approved by the Board of Directors on 16 March 2006.

*US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 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.

Migros Türk Ticaret Anonim Şirketi

Consolidated Balance Sheets

At 31 December 2005 and 2004
(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 2005 EUR	USD	31 December 2005	Restated 31 December 2004
LIABILITIES					
Current liabilities					
Financial liabilities (net)	6	2.915	3.448	4.627	671
Current portion of long-term financial liabilities (net)	6	37.066	43.854	58.843	25.215
Finance lease payables (net)	8	-	-	-	1.009
Other financial liabilities (net)	10	21.363	25.275	33.914	-
Trade payables (net)	7	426.534	504.637	677.122	384.024
Due to related parties (net)	9	20.623	24.399	32.739	28.967
Advances received	21	-	-	-	-
Construction progress billings (net)	13	-	-	-	-
Provisions	23	14.719	17.414	23.366	901
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15	36.569	43.266	58.054	32.200
Total current liabilities		559.789	662.293	888.665	472.987
Non-current liabilities					
Financial liabilities (net)	6	411.444	486.784	653.167	137.078
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)		-	-	-	-
Trade payables (net)	7	11.280	13.346	17.907	4.372
Due to related parties (net)	9	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23	5.656	6.692	8.979	6.268
Deferred tax liabilities	14	-	-	-	35.472
Other liabilities (net)	15	-	-	-	-
Total non-current liabilities		428.380	506.822	680.053	183.190
Total liabilities		988.169	1.169.115	1.568.718	656.177
MINORITY INTERESTS	24	53.688	63.519	85.230	9.797
SHAREHOLDERS' EQUITY					
Share capital	25	86.740	102.623	137.700	137.700
Adjustment to share capital	25	-	-	-	-
Capital reserves	26	130.042	153.854	206.441	199.695
Share premium		11.877	14.051	18.854	18.854
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve		7.451	8.816	11.829	5.083
Shareholders' equity restatement differences		110.714	130.987	175.758	175.758
Profit reserves	27	12.969	15.344	20.589	18.043
Legal reserves		7.028	8.315	11.157	8.225
Statutory reserves		-	-	-	-
Extraordinary reserves		35.558	42.069	56.449	48.935
Special reserves		-	-	-	-
Investment and property sales income to be added to the capital		-	-	-	-
Translation reserve		(29.617)	(35.040)	(47.017)	(39.117)
Net income for the period		46.428	54.930	73.705	74.687
Retained earnings	28	169.131	200.101	268.495	220.563
Total shareholders' equity		445.310	526.852	706.930	650.688
Total liabilities and shareholders' equity		1.487.167	1.759.486	2.360.878	1.316.662
Commitments, contingent assets and liabilities	31				

*US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 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

Migros Türk Ticaret Anonim Şirketi

Consolidated Statements of Income

For the Period 1 January - 31 December 2005 and 2004
(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.
Currencies other than YTL are expressed in thousands unless otherwise indicated)

	Notes	*2005 EUR	USD	2005	Restated 2004
OPERATING REVENUE					
Sales (net)	33,36	1.692.031	2.001.863	2.686.100	2.273.937
Cost of sales (-)	33,36	(1.290.774)	(1.527.131)	(2.049.104)	(1.762.892)
Service income (net)	36	-	-	-	-
Other operating income	36	-	-	-	-
Gross operating profit		401.257	474.732	636.996	511.045
Operating expenses (-)	37	(333.615)	(394.704)	(529.614)	(434.017)
Net operating profit	33	67.642	80.028	107.382	77.028
Other income and profit	38	41.460	49.051	65.817	72.533
Other expenses and losses (-)	38	(4.711)	(5.573)	(7.478)	(9.222)
Financial expenses (net) (-)	39	(40.336)	(47.722)	(64.034)	(43.344)
Operating profit		64.055	75.784	101.687	96.995
Share of loss of associates	16	(26)	(31)	(42)	(1.435)
Monetary gain	40	-	-	-	11.310
Income attributed to minority interest	24	(2.121)	(2.509)	(3.366)	(2.921)
Income before tax		61.908	73.244	98.279	103.949
Taxes on income	41	(15.480)	(18.314)	(24.574)	(29.262)
Net income		46.428	54.930	73.705	74.687
Weighted average number (000's) of shares with face value of YKr 1 each	42	13.770.000	13.770.000	13.770.000	13.770.000
Basic and diluted earnings per share (YKr)	42	0,34	0,40	0,54	0,54

*US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 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.

Migros Türk Ticaret Anonim Şirketi

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended 31 December 2005 and 2004

(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	Net income for the period	Retained earnings	Total shareholders' equity
Balances at 31 December 2003 -as previously reported	137.700	18.854	-	175.656	4.447	50.235	(24.977)	81.016	166.141	609.072
Change in accounting policy – IAS 39 (Note 2)	-	-	5.373	-	-	-	-	-	(5.373)	-
Balances at 31 December 2003 -as restated	137.700	18.854	5.373	175.656	4.447	50.235	(24.977)	81.016	160.768	609.072
Transfers	-	-	-	102	3.778	16.601	-	(81.016)	60.535	-
Dividends relating to 2003	-	-	-	-	-	(17.901)	-	-	(740)	(18.641)
Currency translation differences	-	-	-	-	-	-	(14.140)	-	-	(14.140)
Financial assets net fair value loss, net of tax	-	-	(290)	-	-	-	-	-	-	(290)
Net income for the period	-	-	-	-	-	-	-	74.687	-	74.687
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
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 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

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, Tansaş and Şok stores, shopping centers, 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 throughout the period 2005 is 11.806 (31 December 2004: 9.871). Migros and its subsidiaries are operating in 783 (31 December 2004: 507) supermarkets with a net retail space of 616.186 (2004: 423.472) square meters. Retail is the main business segment of Migros and its subsidiaries and constitutes almost 94,8% (31 December 2004: 93,9%) 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.

On 18 August 2005, for 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 realized on 10 November 2005 (Notes 16 and 34). 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 with 217 stores. 21.9% of Tansaş shares are publicly listed on the Istanbul Stock Exchange.

Subsidiaries:
The Company has the following subsidiaries ("the Subsidiaries"). The nature of the business of 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 segm	Nature of business
Tansaş Perakende Mağazacılık Ticaret A.Ş.	Turkey	Turkey	Retail
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore Azerbaycan")	Azerbaijan	Azerbaijan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Retail
Limited Liability Company Rambutya ("Rambutya")	Kazakhstan	Kazakhstan	Retail
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	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.

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

Tansaş Perakende Mağazacılık Ticaret A.Ş.
Mithat Paşa Cad. 103 Sok. No: 4/B
35290 Göztepe, İzmir

Ramstore Qapali Tipli Sehmdar Cemiyeti
Babek Prospekti 1129.cu Mehelle
Baku, Azerbaijan
Macedonia

TOO Rambutya
226 Furmanov St.,
Almaty 480099, Kazakhstan

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

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

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. ("Enka")	Russian Federation	Russian Federation	Retail Sales and Shopping Mall Management

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

Leningradskoe Shosse, Bldg. 9,125171
Moscow, Russian Federation.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting 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. The consolidated financial statements of the Company presented for comparison purposes are expressed in the purchasing power of New Turkish Lira ("YTL") at 31 December 2004. 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.

Financial reporting in hyperinflationary periods

The Company did not apply inflation accounting in accordance with the decision of the CMB dated 17 March 2005 and stating that effective from1 January 2005, the application of inflation accounting was no longer required for companies preparing their financial statements in accordance with CMB Accounting Standards. The comparative consolidated balance sheet presented as of 31 December 2004 and previous period consolidated income statements are expressed in terms of the purchasing power of YTL at 31 December 2004.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

Date	Index	Conversion factor	Cumulative three-year inflation rates %
31 December 2004	8.403,8	1,000	69,7
31 December 2003	7.382,1	1,138	181,1
31 December 2002	6.478,8	1,297	227,3

The main guidelines for the above-mentioned restatement are as follows:

- Previous period financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at 31 December 2004.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the statement of income are restated by applying the relevant (monthly) conversion factors and stated in terms of the measuring unit current at 31 December 2004.
- The effect of inflation on the net monetary liability position of the Company is included in the previous period statement of income as gain on net monetary position.

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 foreign undertakings of the Company 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 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.

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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 2005	31 December 2004
Tansaş (1)	64,25	-
Ramstore Azerbaijan (1)	94,75	79,75
Ramstore Bulgaria (1)	99,99	99,99
Rambutya (1)	51,00	51,00
Ramstore Macedonia (1), (2)	99,00	94,95
Şok Marketler (3)	99,60	99,60
Sanal Merkez (3)	69,99	69,99

(1) The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company and its Subsidiaries in the Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Ramstore Macedonia which is included in the consolidated financial statements as a Subsidiary was established on 3 October 2003 and has started its operations as at 11 June 2005 after completing its first level of investments .

(3) Şok Marketler and Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. These Subsidiaries have been accounted for as if they are available-for-sale investments (Note 16).

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 2005	31 December 2004
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 significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

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

	Proportion of ownership interest (%)	
Associate	31 December 2005	31 December 2004
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00

e) Investments in which the Group has an interest of below 20%, or over which the Group does not exercise a significant influence are 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. All other investments are classified as "Available-for-sale Investments" (Note 16).

f) The results of foreign Subsidiaries and Joint-venture are translated into New Turkish Lira at average rates for the period. The assets and liabilities of foreign undertakings of the Company 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 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 recognized 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 in the opening retained earnings according to the International Financial Reporting Standard 3 ("IFRS 3") "Business Combinations".

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 New Turkish Lira ("YTL"), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate of YTL 1,3418=USD 1,00 for purchases of USD and YTL 1,5875=EURO 1,00 for purchases of EURO at 31 December 2005. Thus, USD and EURO amounts do not form part of the consolidated financial statements prepared in accordance with CMB Accounting Standards at 31 December 2005. 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 – Goodwill).

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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 and commission, and exclude sales taxes (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 and sales premiums are accounted on 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 dividend is established.

Inventories
Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories comprises cost of purchase and 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 depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Buildings	10-50
Leasehold improvements	Over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-10
Motor vehicles	4-8

(*) Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

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

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

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

Intangible assets

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

Goodwill arising on acquisitions of the Group before 31 March 2004 is capitalised and amortised using the straight-line method over its estimated useful life of 5 years, until 31 December 2004. 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 the 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 the 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 recognized in the consolidated statements of income.

In accordance with IFRS 3, the carrying amount of negative goodwill at 31 December 2004 which aroused 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 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. For the Group, each store is considered as a cash-generating unit.

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 and 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 incur. 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".

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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.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets were recognised in the statement of income until 31 December 2004. The Group changed its accounting policy as required by IAS 39 retrospectively and accordingly the changes in the fair values of available-for-sale financial assets, net of deferred tax, were adjusted and 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 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 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 by 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 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 and limited by the analysis of 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, including cash and amounts due from banks, 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 be their fair values.

The fair values of available-for-sale investments are considered to approximate their carrying 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.

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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. (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 influence to 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 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 a 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 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 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.

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 (Note 8).

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 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 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).

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 short-term provision in the consolidated financial statements (Note 23).

Cash flow
Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

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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 insignificant risk of changes in value.

Significant accounting estimates and judgements
Preparation of financial statements require 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

	2005	2004
Cash	19.737	9.028
Banks		
- demand deposits	50.984	25.725
- time deposits	101.713	33.877
Cheques in collection	184	70
Other cash and cash equivalents	144.318	115.654
	316.936	184.354

Effective interest rates on YTL and USD denominated time deposits, with details as disclosed in Note 29, are 16-19,25% (2004: 21-23%), and 3,5-10,13% (2004: 3,2-8,09%), respectively. Effective interest rates of EUR denominated time deposits, with details as disclosed in Note 29, are 1,5-3% (2004: 4,3%). Other cash and cash equivalents mainly include receivables on credit card slips with a maturity of less than one month (2004: less than two months).

The analysis of time deposits by maturity at 31 December 2005 and 2004 is as follows:

	2005	2004
1 - 30 days	96.836	29.032
31 - 90 days	4.877	4.172
91 - 180 days	-	673
	101.713	33.877

NOTE 5 – MARKETABLE SECURITIES

Available-for-sale investments

	2005		2004	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Eurobond (USD)	7,38%-12,38%	32.746	8,00%-12,38%	32.185
Treasury bills and government bonds	13,53%-20,17%	26.534	20,17%-29,83%	93.233
Eurobond (Euro)	5,50%	852	-	-
Foreign currency bonds (USD)	-	-	3,00%	136
		60.132		125.554

The analysis of debt securities by maturity at 31 December 2005 and 2004 is as follows:

	2005	2004
Period remaining to maturity:		
1-30 days	583	719
31-90 days	73	5.712
91-180 days	2.349	22.145
181 days-1 year	12.071	35.729
Over 1 year	45.056	61.249
	60.132	125.554

NOTE 6 – FINANCIAL LIABILITIES

		2005		
	Interest rate p.a.	USD	Euro	Thousand 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

		2004		
	Interest rate p.a.	USD	Euro	Thousand YTL
Short-term bank borrowings	3,50%	500	-	671
Short-term bank borrowings		500	-	671
Current portion of long-term bank borrowings				
With fixed interest rates	9,73% - 9,85%	1.797	-	2.412
With floating interest rates	Libor+ 2,35% - Libor+5,83%	16.991	-	22.803
Current portion of long-term bank borrowings		18.788	-	25.215
Long-term bank borrowings				
With fixed interest rates	9,73%- 9,85%	5.895	-	7.912
With floating interest rates	Libor+ 2,35% - Libor+5,83%	94.983	-	129.166
Long-term bank borrowings		100.878	-	137.078
Total bank borrowings		120.166	-	162.964

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The redemption schedule of long-term bank borrowings at 31 December 2005 is as follows:

	USD	Euro	Thousand YTL
2007	83.996	18.948	142.784
2008	113.286	18.948	182.085
2009	109.002	18.948	176.338
2010	81.789	18.948	139.824
2011 and over	8.163	742	12.136
	396.236	76.534	653.167

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	2005	2004
Receivables from tenants and wholesale activities	32.660	28.446
Notes receivable	-	36
Doubtful trade receivables	6.480	4.052
Deposits and guarantees given	66	-
	39.206	32.534
Less: Provision for doubtful receivables	(6.322)	(3.879)
Less: Unearned financial income on term sales	-	(341)
Short-term trade receivables, net	32.884	28.314

The Company'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 provision for doubtful receivables in the period is as follows:

	2005	2004
1 January	3.879	3.452
Increase in doubtful receivables due to acquisition of Subsidiary	1.119	-
Current year provision	1.796	1.044
Reversal of provisions	(437)	(562)
Foreign currency translation effect	(35)	(55)
31 December	6.322	3.879

The maturities of trade receivables are generally less than one month and they are discounted with the rate 16,29% as of 31 December 2004. Due to the immateriality of the amount, trade receivables are not discounted as of 31 December 2005.

	2005	2004
Deposits and guarantees given	562	148
Long-term trade receivables	562	148

Trade payables

	2005	2004
Trade payables	686.024	395.481
Less: Unincurred financial expense on due date purchases	(8.902)	(11.457)
Short-term trade payables, net	677.122	384.024

The maturity of trade receivables is generally less than three months as of 31 December 2005 and they are discounted with the rates 8,14- 13,53% (31 December 2004: 16,29%).

	2005	2004
Trade payables	13.590	-
Deposits and guarantees taken	6.290	4.372
Less: Unincurred financial expense on due date purchases	(1.973)	-
Long-term trade payables	17.907	4.372

Long-term trade payables mainly consist of property, plant and equipment purchases and are discounted with the rate of 13,8%.

NOTE 8 – FINANCE LEASE RECEIVABLES AND PAYABLES

	2005		2004	
	Euro	YTL	Euro	YTL
Short-term lease payables	-	-	552	1.009

Effective interest rates of lease payables as of 31 December 2004 vary between 7-11% p.a.

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES

Balances with related parties

Due from related parties:	2005	2004
Sanal Merkez T.A.Ş.	3.127	809
Ford Otosan San. A.Ş.	1.738	1.699
Palmira Turizm Tic. A.Ş. (*)	741	-
Opet Petrolcülük A.Ş.	703	43
Arçelik A.Ş.	484	501
Beko Elektronik A.Ş.	161	2
Koçbank Nederland N.V.	113	-
Tanı Pazarlama ve İletişim Hizmetleri	103	-
Setur Servis Turistik A.Ş.	-	320
Setur Servis Turistik A.Ş. Divan Oteli (*)	-	1.240
Other	471	321
	7.641	4.935

(*) As of 1 July 2005, Palmira Turizm Ticaret A.Ş is established under Setur Servis Turistik A.Ş as a result of a partial split-off from that Company.

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Due to related parties:

	2005	2004
Due to shareholders:		
Koç Holding A.Ş.	377	181
Dividend liabilities to other shareholders	34	23
	411	204
Due to group companies:		
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	14.242	16.386
Beko Ticaret A.Ş.	4.563	5.226
Tat Konserve Sanayi A.Ş.	3.153	35
Ram Sigorta Aracılık Hizmetleri. A.Ş.	2.857	2.904
Palmira Turizm Tic. A.Ş.	2.082	-
Entek Elektrik Üretimi A.Ş.	1.181	-
Türk Demirdöküm Fabrikaları A.Ş.	1.035	677
Other	3.215	3.535
	32.328	28.763
Total due to related parties	32.739	28.967

Bank balances:	2005	2004
Yapı ve Kredi Bankası A.Ş. ("Yapı ve Kredi") (*)		
- demand deposit	350	-
- time deposit	38.891	-
- other cash and cash equivalents (credit card slip receivables)	26.318	-
Yapı ve Kredi Bankası A.Ş. Bahrain (*)		
- demand deposit	1.054	-
- time deposit	1.576	-
Koçbank A.Ş.		
- demand deposit	6.479	2.799
- time deposit	4.806	25.400
- other cash and cash equivalents (credit card slip receivables)	7.405	16.716
Koçbank Nederland N.V.		
- time deposit	12.597	7.002
Koçbank Azerbaijan		
- demand deposit	224	313
- time deposit	134	-
Koçbank Bahrain		
- time deposit	25.000	-
	124.834	52.230

Borrowings:	2005	2004
Yapı ve Kredi Bankası A.Ş. (*)	137.199	-
Koçbank Nederland N.V.	12.617	7.002
	149.816	7.002

(*) Since Yapı ve Kredi has been acquired by Koç Group in 2005, its balances as of 31 December 2004 are not disclosed as a related party.

Significant transactions with related parties

	2005	2004
Sales of goods:		
Sanal Merkez T.A.Ş.	11.493	10.853
Setur Servis Turistik A.Ş. Divan Oteli	3.523	4.894
Palmira Turizm Tic. A.Ş.	2.433	-
Setur Servis Turistik A.Ş.	847	1.412
Arçelik A.Ş.	724	616
Aygaz A.Ş.	381	317
Other	1.581	3.183
	20.982	21.275

	2005	2004
Purchase of property, plant and equipment:		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.581	2.332
Koçtaş Yapı Marketleri Tic. A.Ş.	1.120	-
Birleşik Motor San. ve Tic. A.Ş.	199	266
Otokoç A.Ş.	126	298
Tanı Pazarlama ve İletişim Hizmetleri	10	571
Other	219	446
	3.255	3.913

	2005	2004
Inventory purchases:		
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	60.355	92.184
Tat Konserve Sanayi A.Ş.	22.777	292
Ram Kofisa Pasific Ltd.	8.586	7.505
Türk Demir Döküm Fabrikaları A.Ş.	8.074	3.737
Palmira Turizm A.Ş.	6.065	-
Setur Servis Turistik A.Ş. Divan Sütlüce	4.395	7.066
Other	4.344	882
	114.596	111.666

The Company started to make inventory purchases directly from Tat Konserve Sanayi A.Ş. in 2005, whereas until 2004 such purchases were made via Düzey Tüketim Mal. San. Paz.ve Tic. A.Ş.

	2005	2004
Services purchases:		
Beko Tic. A.Ş.	45.156	19.564
Entek Elektrik Üretimi A.Ş.	8.971	2.972
Ece Türkiye Proje Yönetimi ve Tic. A.Ş.	3.982	8.866
Ram Sigorta Aracılık Hizmetleri A.Ş.	3.171	3.510
Koç Holding A.Ş.	2.809	2.247
Eltek Elektrik Enerjisi İth. İhr. ve Tic. A.Ş.	2.377	4.476
Koçnet Haberleşme Tekn. ve İlet. Hizm. A.Ş.	1.664	1.958
TNT Lojistik Dağıtım Hizmetleri A.Ş.	85	5.771
Other	6.009	3.194
	74.224	52.558

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

	2005	2004
Interest income:		
Koçbank A.Ş.	2.823	3.672
Koratrade MTMC Ltd.	895	-
Yapı ve Kredi (*)	883	-
Koçbank Nederland N.V.	704	34
Other	190	12
	5.495	3.718

(*) Since Yapı ve Kredi has been acquired by Koç Group in 2005, its balances as of 31 December 2004 are not disclosed as a related party.

	2005	2004
Dividends paid:		
Koç Holding A.Ş.	10.546	9.521

Other related party transactions are as follows:

	2005	2004
Interest expense	3.111	231
Rent income	936	780
Rent expense	2.877	2.804
Management fee received	436	337
Donations	1.217	1.395

	2005	2004
Salaries and other benefits provided to the Board of Directors and the key management of Migros	10.313	8.701

NOTE 10– OTHER RECEIVABLES AND PAYABLES

Other receivables

	2005	2004
Receivables from personnel	495	719
	495	719

Other payables

	2005	2004
T. Garanti Bankası A.Ş. ("Garanti Bankası")		
- Credit card collection account	33.914	-
	33.914	-

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

None.

NOTE 12 - INVENTORIES

	2005	2004
Raw materials	302	-
Semi-finished goods	1.952	-
Finished goods	17	-
Merchandise stocks	263.419	146.730
Advances given	314	390
Other	2.892	1.706
	268.896	148.826
Less: Provision for obsolescence	(2.507)	(961)
	266.389	147.865

NOTE 13 – CONSTRUCTION CONTRACT RECEIVABLES 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 of 30%, 24%, 30% and 15% for Turkey, Russian Federation, Kazakhstan and Bulgaria, respectively. The principal tax rate is 22% and 24% for Azerbaijan as of 31 December 2005 and 2004 respectively.

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 2005 and 2004 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2005	2004	2005	2004
Carry forward losses	266.415	693	79.845	166
Investment incentives	16.212	-	4.864	-
Provision for employee termination benefits	13.782	6.268	4.132	1.880
Provision for expenses and other provisions	11.330	-	3.399	-
Allowance for unearned interest income		341	-	102
Net difference between the tax base and the carrying value of inventories	8.931	7.060	2.584	2.047
Unrealised financial cost	2.125	2.832	637	850
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(82.705)	(130.301)	(21.355)	(36.125)
Finance lease obligations	(20.863)	1.009	(6.259)	303
Allowance for unincurred interest expense	(11.379)	(11.457)	(3.414)	(3.437)
Adjustment for fair value of financial assets	(3.076)	(3.837)	(923)	(1.151)
Deferred prepaid expenses	(2.266)	-	(680)	-
Other	(4.003)	(433)	(1.221)	(107)
Deferred tax assets			95.461	5.348
Deferred tax liabilities			(33.852)	(40.820)
Deferred tax assets/(liabilities), net			61.609	(35.472)

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Movements in deferred taxes can be analysed as follows:

Deferred tax assets/(liabilities)

	2005	2004
1 January	(35.472)	(34.201)
Increase in deferred tax assets due to acquisition of Subsidiary (Tansaş)	99.105	-
Foreign currency translation difference	(43)	1.581
Current period expense (Note 41)	(2.209)	(4.559)
Current period effect in shareholders' equity (Note 3 – Financial instruments)	228	1.707
31 December	61.609	(35.472)

In accordance with the Tax Procedural Law, previous years losses can be carried for a maximum of 5 years. It is estimated by the management that previous years losses resulting from the acquisition of Tansaş can be offset against taxable profits during the period between the years 2006 and 2009. Details of previous years losses in terms of years that the Company plans to benefit from through acquisition of Tansaş in the coming periods are as follows:

	2005
2001	119.996
2002	73.298
2003	51.197
2004	20.933
	265.424

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

Other current assets

	2005	2004
Value Added Tax ("VAT") receivables	25.017	13.366
Prepaid expenses	22.899	15.563
Migros Club discount cheques	5.289	988
Deductible taxes and funds	1.844	4.809
Prepayments for land leases	376	342
Other	381	222
	55.806	35.290

Other non-current assets

	2005	2004
Prepayments for land leases	16.227	13.518
Prepaid expenses	9.778	5.757
VAT receivables	1.119	573
Other	-	254
	27.124	20.102

Other short-term liabilities

	2005	2004
Payables to personnel	18.069	7.117
Taxes and funds payable	16.016	9.405
Expense accruals	8.241	3.273
VAT payable	7.955	4.861
Merchandise coupons	3.668	3.674
Deferred income	2.335	2.221
Other	1.770	1.649
	58.054	32.200

Expense accruals include provisions for expenses such as electricity, water, communication and provisions related to Migros Club discount cheques.

NOTE 16 – FINANCIAL ASSETS

	2005	2004
Held-to-maturity time deposits	148.889	33.438
Associates	3.010	3.053
Available-for-sale investments	34.461	15.793
Total financial assets	186.360	52.284

Available-for-sale investments:

	2005		2004	
	Share	Amount	Share	Amount
Quoted:				
Tat Konserve San. A.Ş. ("Tat Konserve")	2,87%	6.022	2,87%	6.565
Unquoted:				
Koç Finansal Hizmetler A.Ş. ("KFS")	0,37%	23.766	0,37%	5.448
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9,24%	2.944	9,24%	1.929
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	-	-
Ece Türkiye Proje Yönetimi ve Tic. A.Ş. ("Ece Türkiye")	-	-	2,00%	145
		34.461		15.793

Equity method of accounting is not applied to Sibernet Kültür ve Turizm İşl. Ltd. Şti. on the grounds of materiality as of 31 December 2005.

Associates:

	2005		2004	
	Share	Amount	Share	Amount
Tanı Pazarlama	32,00%	3.010	32,00%	3.053

Held-to-maturity time deposits:

	2005		2004	
	Share	Amount	Share	Amount
ABN Amro Bank	102.757	137.880	20.198	27.107
Koçbank Nederland N.V.	8.205	11.009	4.717	6.331
		148.889		33.438

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

	2005	2004
2006	3.700	265
2007	18.449	10.003
2008	43.495	18.951
2009	41.706	1.056
2010 and over	41.539	3.163
	148.889	33.438

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

	2005	2004
Total assets	12.247	14.781
Total liabilities	2.840	5.242

As of 31 December 2005, net sales of Tanı Pazarlama is YTL 9.184 (2004: YTL 10.127) and net loss for the period is YTL 133 (2004: YTL 4.485).

The movement of financial assets is as follows:

	2005	2004
1 January	52.284	15.318
Additions to held-to-maturity time deposits	115.451	33.438
Increase in the fair value of available-for-sale investments -net	9.626	779
Capital increase in financial assets	7.021	-
Reversal of impairment loss on available-for-sale investments	2.142	-
Financial assets additional stock purchases	-	4.184
Increase in financial assets due to acquisition of subsidiary	23	-
Share in loss of associates	(42)	(1.435)
Sale of unquoted available-for-sale investment ("Ece Türkiye")	(145)	-
31 December	186.360	52.284

Şok Marketler and Sanal Merkez are Subsidiaries excluded from 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 in the consolidated financial statements. As of 31 December 2005, Koçtaş is valued and carried at cost restated to the equivalent purchasing power at 31 December 2004 since inflation accounting is no longer applied in the current period. Consequently, the carrying value of Koçtaş is considered to approximate its fair value without having significant effect to the consolidated financial statements.

NOTE 17 – GOODWILL/NEGATIVE GOODWILL

	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

(*) In accordance with the requirements of IFRS 3, the carrying amount of negative goodwill which was YTL 4.346 as of 1 January 2005 was derecognised with a corresponding adjustment to opening retained earnings.

	Opening 1 January 2004	Additions	Closing 31 December 2004
Goodwill	5.510	-	5.510
Negative goodwill	(7.276)	-	(7.276)
Accumulated amortisation	(1.095)	1.431	336
Net book value	(2.861)		(1.430)

Details of purchase of subsidiary (Tansaş) in the period are as follows (details about business combinations are disclosed in Note 32):

Cash paid	476.080
Less: Fair value of total identifiable assets, liabilities and contingencies	(305.778)
Goodwill	170.302

NOTE 18 – INVESTMENT PROPERTY

	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

	Opening 1 January 2005	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2005
Cost					
Land and buildings	56.937	-	546	(5.899)	51.584
Accumulated depreciation					
Land and buildings	(3.315)	(1.037)	-	343	(4.009)
Net book value	53.622				47.575

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 2005 amounted to a range of YTL 109.000 and YTL 128.000 (31 December 2004: YTL 99.672). The valuation includes land that is under operating lease by the Company, as it cannot be separated from the valuation of investment property.

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NOTE 19 – PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2005	Additions	Disposals	Impairment loss (Not 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 depreciation									
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 Subsidiary acquisition is YTL109.707 (64,25 % of YTL170.749) (Note 32). Current year investments comprise new stores and shopping malls.

	Opening 1 January 2004	Additions	Disposals	Impairment loss (Note 38)	Transfers	Transfers to investment property (Note 18)	Effect of changes in foreign exchange rates	Closing 31 December 2004
Cost								
Land and buildings	347.420	3.348	(688)	-	10.628	-	(14.692)	346.016
Leasehold improvements	293.877	4.636	-	(2.728)	7.639	-	(16)	303.408
Machinery and equipment	352.043	13.398	(3.463)	-	6.516	-	(2.974)	365.520
Furniture and fixtures	82.721	8.053	(586)	-	1.849	-	(694)	91.343
Motor vehicles	2.960	487	(329)	-	-	-	203	3.321
Construction in progress	15.631	35.325	-	-	(24.209)	(546)	(1.170)	25.031
Advances given	3.899	17.168	(2.414)	-	(2.423)	-	(102)	16.128
	1.098.551	82.415	(7.480)	(2.728)	-	(546)	(19.445)	1.150.767
Accumulated deprecation								
Buildings	(34.716)	(7.813)	-	-	-	-	1.008	(41.521)
Leasehold improvements	(127.253)	(19.921)	-	2.152	-	-	-	(145.021)
Machinery and equipment	(217.805)	(24.397)	3.418	-	-	-	779	(238.005)
Furniture and fixtures	(51.337)	(6.629)	573	-	-	-	311	(57.083)
Motor vehicles	(1.556)	(623)	329	-	-	-	(117)	(1.966)
	(432.667)	(59.383)	4.320	2.152	-	-	1.981	(483.596)
Net book value	665.884			(576)				667.171

Borrowing costs of YTL 3.138 (2004: YTL 505) arising on financing specifically entered into for the construction of the new stores were 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:

	2005	2004
Net book value	14.428	20.051

NOTE 20 – INTANGIBLE ASSETS

	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

	Opening 1 January 2004	Additions	Effect of changes in foreign exchange rates	Closing 31 December 2004
Rights	7.253	2.042	(106)	9.189
Other intangible assets	88	-	-	88
Accumulated amortisation	(4.537)	(1.004)	45	(5.496)
Net book value	2.804			3.781

(*) 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 YTL 174.158 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 live 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 live 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 does not have any advances received.

NOTE 22 – RETIREMENT PLANS

The Group does not have any obligations regarding the retirement plans.

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NOTE 23 – PROVISIONS

Short-term provisions

	2005	2004
Tax and legal provisions	18.672	20.951
Less: Prepaid corporation tax	(15.313)	(20.050)
Tax provisions, net	3.359	901
Provision for legal disputes (Note 31.f) (*)	12.935	-
Provision for employment termination benefits (*)	4.803	-
Provision for unused vacation rights (*)	2.269	-
	20.007	-
Total short-term provisions	23.366	901

(*) These provisions are included in the consolidated financial statements as a result of acquisition of Tansaş and thus do not have any balance as of 31 December 2004. These provisions account for the amounts which are expected to be paid in the twelve-month period subsequent to 31 December 2005.

Long-term provisions

	2005	2004
Provision for employment termination benefits	8.979	6.268

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 YTL 1.727,15 (31 December 2004: YTL 1.574,74) for each year of service at 31 December 2005.

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:

	2005	2004
Discount rate	5,49%	5,45%
Turnover rate to estimate the probability of retirement	83-85,40%	84,80%

The principal assumption is that the maximum liability of YTL 1,727.15 as of 31 December 2005 (31 December 2004: YTL 1,574.74) for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 1,727.15 (31 December 2004: YTL 1,574.74) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

Movements of the provision for employment termination benefits in the period are as follows:

	2005	2004
1 January	6.268	5.445
Increase due to acquisition of subsidiary	1.654	-
Increase for the period (Note 37)	5.860	1.620
Less: Monetary gain	-	(797)
31 December	13.782	6.268

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

Changes in minority interest during the period are as follows:

	2005	2004
1 January	9.797	7.048
Increase in share capital	-	362
Increase in minority interest due to Subsidiaries added to scope of consolidation	72.330	-
Net income attributable to minority interest	3.366	2.921
Translation reserve	(263)	(534)
31 December	85.230	9.797

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 2005 and 31 December 2004 are as follows:

	2005	2004
Limit on registered share capital (historical)	190.000	190.000
Historical authorised and paid-in share capital	137.700	137.700

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of free capital shares to existing shareholders.

The shareholders of the Company and their shareholdings to capital with historical figures as at 31 December 2005 and 31 December 2004 are stated below:

	2005		2004	
Shareholders	Share %	Amount	Share %	Amount
Koç Holding A.Ş.	51,06	70.307	51,06	70.307
Publicly held	48,94	67.393	48,94	67.393
Total capital	100,00	137.700	100,00	137.700
Adjustment to share capital (*)		(77.165)		(77.165)
Total paid-in capital		60.535		60.535

(*) Adjustment to share capital represents the restatement effect of cash contributions to share capital at 31 December 2004 equivalent purchasing power.

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In accordance with article 1 of the Law Concerning the Amendments to the Turkish Commercial Law No.5274 dated 9 December 2004, which came into force on 1 January 2005, the nominal value of a share certificate is at least one Yeni Kuruş. Accordingly, the Articles of Association of the Company was changed in the General Assembly at 8 April 2005 as "Issued and paid-in share capital amounting to YTL 137.700 is divided into 13.770.000.000 shares with a nominal value of one Yeni Kuruş each". As of 31 December 2004, there were 137.700.000.000 shares each with a nominal value of TL 1.000. There are no privileged shares.

NOTE 26 - 27 - 28 - CAPITAL RESERVES, PROFIT RESERVES AND RETAINED EARNINGS

Capital surplus
Capital surplus (share premium) represents the net proceeds from the offering of the Company's shares remaining from unutilised pre-emptive rights at the share capital increase in 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that, in accordance with the Board of Directors Resolution dated 5 August 1998, the Company sold 75.000.000 shares in foreign stock exchange markets and obtained funds at a net amount of YTL 152.855 expressed in terms of the purchasing power of the YTL at 31 December 2004 (historic cost: YTL 18.854). This surplus is also recorded in 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 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 case of a share capital increase as a result of a transfer from shareholder's equity reserve accounts, such an increase will be made from the lesser of the amounts as determined by CMB regulations or legal requirements.

In accordance with Communiqué XI-25, effective from 1 January 2004, companies are obliged to distribute at least 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 30% 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, joint-ventures and associates, included in consolidated net income, is not considered in profit distribution if a decision of 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 total as restatement difference.

The restatement difference of shareholders' equity can only be netted off against prior years' losses and used as an internal source in capital increase where extraordinary reserves at historical amounts can be netted off against prior years' losses, used in the distribution of bonus shares and distribution of dividends to shareholders.

In accordance with the above explanation, the composition of the Company's shareholders' equity as at 31 December 2005 and 2004 according to the Communiqué XI-25, is as follows:

	2005	2004
Share capital	137.700	137.700
Capital surplus	18.854	18.854
Legal reserves	11.157	8.225
Extraordinary reserves	56.449	48.935
Financial assets fair value reserve	11.829	5.083
Shareholders' equity restatement differences	175.758	175.758
Translation reserve	(47.017)	(39.117)
Net income for the period	73.705	74.687
Retained earnings	268.495	220.563
Total shareholders' equity	706.930	650.688

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

	2005			2004		
	Historical amounts	Restated amounts	Shareholders' equity restatement differences	Historical amounts	Restated amounts	Shareholders' equity restatement differences
Share capital	137.700	60.535	(77.165)	137.700	60.535	(77.165)
Capital surplus	18.854	152.855	134.001	18.854	152.855	134.001
Legal reserves	11.157	36.411	25.254	8.225	26.732	18.507
Extraordinary reserves	56.449	150.117	93.668	48.935	149.350	100.415
Total	224.160	399.918	175.758	213.714	389.472	175.758

NOTE 29 - FOREIGN CURRENCY POSITION

	2005	2004
Assets	287.029	146.884
Liabilities	(801.926)	(238.659)
Net foreign currency liability position	(514.897)	(91.775)

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YTL equivalent of foreign currency amounts

				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	32.746	852	-	-	-	33.598
Other current assets	4.574	-	36.607	494	410	42.085
Financial assets	148.889	-	-	-	-	148.889
Other non-current assets	-	-	23.178	-	-	23.178
Total assets denominated in foreign currency	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 currency	592.501	131.973	63.740	6.890	6.822	801.926

				2004		
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Cash and cash equivalents	9.827	6.845	9.393	2.499	1.624	30.188
Trade receivables	5.768	-	2.564	240	86	8.658
Due from related parties	14	-	-	-	58	72
Marketable securities	32.321	-	-	-	-	32.321
Other current assets	6.063	-	18.044	279	635	25.021
Financial assets	33.173	-	-	-	-	33.173
Other non-current assets	1.763	-	15.508	-	180	17.451
Total assets denominated in foreign currency	88.929	6.845	45.509	3.018	2.583	146.884

				2004		
	USD	Euro	Russian ruble	Kazakhstan tenge	Other currencies	Total YTL
Short-term financial liabilities	25.886	-	-	-	-	25.886
Long-term financial liabilities	137.078	-	-	-	-	137.078
Finance lease payables	-	1.009	-	-	-	1.009
Trade payables	5.517	482	52.845	5.403	2.628	66.875
Due to related parties	32	-	-	-	-	32
Other liabilities	1.943	165	4.242	560	869	7.779
Total liabilities denominated in foreign currency	170.456	1.656	57.087	5.963	3.497	238.659

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

None. However, investment incentives of Tansaş as of 31 December 2005 amount to YTL37.399. Investments are completed in 2005 and investment incentive certificates have been signed off.

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given at 31 December 2005 and 31 December 2004 are as follows:

	2005	2004
Letters of guarantee given	23.060	16.960

Assets of Rambutya in Samal shopping centre and hypermarket (25.050m2) and Astana (3.194m2) and Tastak (2.020m2) supermarkets are pledged as collateral for the IFC loan agreements in the amount of USD 1.9 million signed on 22 November 2001 and in the amount of USD 11 million signed on 30 July 1999.

Assets of Ramenka in Maryina Roscha (32.698m2) and Kuntsevo (19.442m2) shopping centres and hypermarkets, as well as Chertanova (1.752m2) and Sokolniki (2.040m2) supermarkets are pledged as collateral for the IFC loan in the amount of USD 30.5 million used in 1998. Shares of Ramenka are also pledged as collateral for this loan.

b) Guarantees taken at 31 December 2005 and 31 December 2004 are as follows:

	2005	2004
Guarantees obtained from customers	55.417	57.119

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

	2005	2004
Payable within 1 year	9.891	4.129
Payable in 1 to 2 years	9.080	3.840
Payable in 2 to 5 years	26.410	10.391
Payable in 5 to 10 years	29.654	10.393
Payable after 10 years	13.280	3.628
Total	88.315	32.381

d) As of 31 December 2005, there are contractual commitments for the new hypermarket constructions of Ramenka amounting to YTL 39.643 (31 December 2004: YTL 81.780).

e) Russian and Kazakhstan 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 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 Kazakhstan 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 outcomes of these lawsuits and financial effects thereof, and required provisions are made in accordance with expected gains and liabilities. As of 31 December 2005 such provisions amount to YTL 12.935.

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NOTE 32 – BUSINESS COMBINATIONS

On 10 November 2005 the Company acquired 64,25% of the shares of Tansaş at YTL 476.080. Goodwill in the amount of YTL 170.302, 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. The net effects of operations to net sales and net income of the Group between the date of acquisition and the balance sheet date are YTL 177.485 and YTL 6.365, respectively. If the acquisition had occurred on 1 January 2005, total Group revenue would have been YTL 3.710.297 and net income would have been YTL 76.475. 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	305.778
Goodwill (**)	170.302

Cash, cash equivalents and marketable securities	100.558
Inventory	49.245
Property, plant and equipment (Note 19)	109.707
Tansaş trademark (Note 20)	174.158
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	305.778

(*) 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 YTL 21.754 will be utilised as a consequence of merger with Tansaş, hence considered as an identifiable asset and presented separately.

Goodwill (related to the acquisition of Macro stores) presented on the financial statements of Tansaş as of 10 November 2005 in the amount of YTL 25.797 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 YTL 5.690 and YTL 703 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 for the periods 1 January-31 December 2005 and 2004, 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. Within this framework, retailing is presented as the sole reportable business segment in these consolidated financial statements.

a) Net sales

	2005	2004
Turkey (*)	2.257.813	1.901.310
Russian Federation (Note 44)	323.588	288.719
Kazakhstan	70.942	60.527
Bulgaria	22.045	13.086
Azerbaijan	11.712	10.295
	2.686.100	2.273.937

b) Operating profit/(loss)

	2005	2004
Turkey (**)	74.787	45.821
Russian Federation	23.343	25.187
Kazakhstan	10.221	8.076
Azerbaijan	796	123
Bulgaria	(1.765)	(2.179)
	107.382	77.028

(*) Net sales of Tansaş between the acquisition date 10 November 2005 and the balance sheet date is YTL 177.485 and is included in the net sales.
(**) Net operating profit of Tansaş between the acquisition date 10 November 2005 and the balance sheet date is YTL 8.386 and is included in the consolidated operating profit.

c) 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	2.257.812	11.712	22.045	323.589	70.942	2.686.100	-	2.686.100
Inter-segment revenues	6.798	-	-	-	-	6.798	(6.798)	-
Revenues	2.264.610	11.712	22.045	323.589	70.942	2.692.898	(6.798)	2.686.100
Cost of sales	(1.753.027)	(8.753)	(16.497)	(227.376)	(50.249)	(2.055.902)	6.798	(2.049.104)
Gross profit	511.583	2.959	5.548	96.213	20.693	636.996	-	636.996
Selling and marketing expenses	(313.006)	(88)	(2.980)	(37.598)	(2.732)	(356.404)	-	(356.404)
General and administrative expenses	(123.790)	(2.075)	(4.333)	(35.272)	(7.740)	(173.210)	-	(173.210)
Net operating profit/(loss)	74.787	796	(1.765)	23.343	10.221	107.382	-	107.382

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d) Segmental analysis for the period of 1 January-31 December 2004

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total combined	Inter-segment elimination	Total
External revenues	1.901.310	10.295	13.086	288.719	60.527	2.273.937	-	2.273.937
Inter-segment revenues	4.618	-	-	-	-	4.618	(4.618)	-
Revenues	1.905.928	10.295	13.086	288.719	60.527	2.278.555	(4.618)	2.273.937
Cost of sales	(1.500.342)	(7.805)	(10.595)	(205.954)	(42.461)	(1.767.157)	4.265	(1.762.892)
Gross profit	405.586	2.490	2.491	82.765	18.066	511.398	(353)	511.045
Selling and marketing expenses	(260.139)	(94)	(1.141)	(28.408)	(2.363)	(292.145)	-	(292.145)
General and administrative expenses	(99.626)	(2.273)	(3.529)	(29.170)	(7.627)	(142.225)	353	(141.872)
Net operating profit/(loss)	45.821	123	(2.179)	25.187	8.076	77.028	-	77.028

e) Geographical segment assets employed

	2005	2004
Total assets		
Turkey	2.017.348	1.104.824
Russian Federation	415.521	303.249
Bulgaria	54.165	40.217
Kazakhstan	41.651	36.798
Azerbaijan	6.862	6.317
Total combined	2.535.547	1.491.405
Less: Inter-segment elimination	(174.669)	(174.743)
Total assets as per consolidated financial statements	2.360.878	1.316.662

	2005	2004
Net assets		
Turkey	772.993	653.951
Russian Federation (Note 44)	138.908	136.725
Kazakhstan	23.595	17.292
Bulgaria	20.879	19.197
Azerbaijan	5.956	4.746
Total combined	962.331	831.911
Less: Inter-segment elimination	(170.171)	(171.426)
Total net assets	792.160	660.485
Less: Minority interest	(85.230)	(9.797)
Total shareholders' equity as per consolidated financial statements	706.930	650.688

f) Capital expenditures, depreciation and amortisation

	2005	2004
Capital expenditures		
Turkey	73.713	32.004
Russian Federation	105.544	37.349
Bulgaria	14.102	13.883
Kazakhstan	241	1.151
Azerbaijan	198	70
	193.798	84.457

	2005	2004
Depreciation and amortisation		
Turkey	58.683	50.756
Russian Federation	9.735	7.803
Bulgaria	1.839	1.380
Kazakhstan	1.314	1.157
Azerbaijan	351	328
	71.922	61.424

g) Minority interest

	2005	2004
Turkey	73.221	-
Kazakhstan	11.561	8.473
Azerbaijan	313	961
Bulgaria	135	363
	85.230	9.797

NOTE 34 - SUBSEQUENT EVENTS

(i) In the Board of Directors Meeting dated 20 January 2006 with No: 760, it was decided to register in the share ledger of the Company, the pledge of shares on 7.030.700.000 unit of shares that Koç Holding Anonim Şirketi owns in the Company and given in favor of J.P. Morgan Europe Limited, pursuant to the Share Pledge Agreement entered into between Koç Holding Anonim Şirketi as the pledgor and J.P.Morgan Europe Limited as the pledgee on 20 January 2006 within the terms of the Secured Term Facility Agreement signed on 20 January 2006 between Koç Holding Anonim Şirketi as the borrower, J.P. Morgan Europe Limited as the agent, security trustee and calculation agent, and J.P. Morgan Chase Bank N.A. as the original bank.

(ii) In the Board of Directors Meeting dated 1 February 2006 with No: 761, it was decided that Migros will merge with Tansaş within the terms of article 451 of the Turkish Commercial Code and articles 37-39 of Corporate Tax Law and the merger will be based on the standalone balance sheets at 31 December 2005 by taking over of all assets and liabilities of Tansaş as a whole. The merger and the amount of shares to be given to the minority shareholders of Tansaş will be based on the appropriate method which will be determined by the experts appointed by the Capital Markets Board and the authorised court and it is decided to call for a meeting of the Extraordinary General Assembly on 24 February 2006 and to ask for authority of General Assembly for entering into merger agreement. In the Extraordinary General Assembly held on 24 February 2006, it is decided to complete the merger procedures as stated above and to give authority to the Board of Directors for concluding on the merger agreement which will be submitted to the approval of General Assembly in the next meeting.

NOTE 35 - DISCONTINUED OPERATIONS

As of the dates of the balance sheets, the Group does not have any discontinued operations.

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NOTE 36 – OPERATING REVENUE

	2005	2004
Domestic sales	2.318.132	1.963.173
Foreign sales	415.060	365.797
	2.733.192	2.328.970
Other sales	17.549	10.901
	2.750.741	2.339.871
Less: Discounts and returns	(64.641)	(65.934)
Sales revenue - net	2.686.100	2.273.937
Cost of sales	(2.049.104)	(1.762.892)
Gross operating profit	636.996	511.045

Details of domestic and foreign sales are as follows:

	2005	2004
Retail sales	2.592.344	2.188.032
Rent income	82.795	83.000
Wholesale	58.053	57.938
	2.733.192	2.328.970

NOTE 37 – OPERATING EXPENSES

	2005			2004		
	General and administrative expenses	Selling and marketing expenses	Total	General and administrative expenses	Selling and marketing expenses	Total
Staff costs	53.341	134.894	188.235	44.125	110.454	154.579
Rent expense	10.954	73.930	84.884	8.889	61.497	70.386
Depreciation and amortisation	72.082	-	72.082	62.401	-	62.401
Transportation and porterage expenses	-	39.015	39.015	-	28.593	28.593
Energy expenses	1.506	35.497	37.003	1.169	31.822	32.991
Repair, maintenance, cleaning and security	6.265	28.957	35.222	5.033	24.023	29.056
Advertising expenses	-	10.145	10.145	-	8.193	8.193
Taxes and other fees	6.060	1.204	7.264	4.199	758	4.957
Employment termination benefits (Note 23)	1.438	4.422	5.860	409	1.211	1.620
Communication expenses	2.812	2.929	5.741	1.519	3.214	4.733
Mechanisation expenses	1.022	3.535	4.557	505	3.814	4.319
Travelling expenses	2.459	1.624	4.083	1.306	1.283	2.589
Packaging expenses	-	3.966	3.966	-	2.616	2.616
Insurance premiums	1.455	2.436	3.891	1.704	1.864	3.568
Warehouse expenses	7	3.732	3.739	-	3.696	3.696
Parent company service charges	2.809	-	2.809	2.247	-	2.247
Stationary expenses	439	1.782	2.221	356	1.571	1.927
Donations	1.433	-	1.433	1.978	-	1.978
Other	9.128	8.336	17.464	6.032	7.536	13.568
Total	173.210	356.404	529.614	141.872	292.145	434.017

NOTE 38 - OTHER OPERATING INCOME/EXPENSE AND PROFIT/LOSS

Other operating income and profit

	2005	2004
Interest income on marketable securities	25.353	26.896
Interest income on bank deposits	16.291	6.993
Due date charges on credit sales	8.462	14.013
Foreign exchange gain	5.461	13.695
Rediscount interest income	2.477	-
Reversal of impairment on available-for-sale investments	2.142	-
Scrap good sales	1.490	1.769
Income from sale of available-for-sale investments	973	-
Income from sale of property, plant and equipment	524	362
Amortisation of negative goodwill	-	4.346
Other	2.644	4.459
	65.817	72.533

Other operating expenses and losses

	2005	2004
Bad debt provision expenses	1.998	419
Credit cards commission expense	1.685	-
Foreign exchange loss	1.452	4.293
Amortisation of positive goodwill	-	2.916
Impairment loss of leasehold improvements (Note 19)	25	576
Other	2.318	1.018
	7.478	9.222

NOTE 39 - FINANCIAL EXPENSES

Financial expenses

	2005	2004
Due date difference on credit purchases	33.250	33.187
Interest expense on bank borrowings	19.857	7.967
Foreign exchange loss from financial activities	9.913	1.453
Other	1.014	737
	64.034	43.344

NOTE 40 - MONETARY GAIN/LOSS

There is no gain/loss on net monetary position since inflation accounting is not applied in 2005 in accordance with the announcement of the CMB on 17 March 2005. As of 31 December 2004, the Company has realised YTL11.310 net monetary gain in its consolidated financial statements.

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NOTE 41 – TAXES ON INCOME

Turkey

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.

Corporation tax rate for the year 2005 is 30% (2004: 33%). 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.

The Company prepared its opening tax balance sheet on 1 January 2004 in accordance with the Tax Law No: 5024 and the related Communiqués. As of 31 December 2004, the Company calculated the tax provision by applying inflation accounting in accordance with the procedures and basis stated in the Tax Laws No: 5024 and 5228 and the related Communiqués. The Company did not make any inflation adjustments while calculating the tax provision as of 31 December 2005 since the requirements for inflation accounting were not met in 2005.

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 10%. 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 30% (2004: 33%) on their corporate income. Advance tax 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.

Capital gains derived from the sale of investments in subsidiaries and immovable assets held for not less than two years are tax exempt if such gains are added to paid-in-capital in the year in which they are sold.

Capital expenditures after 24 April 2003, with some exceptions, over YTL 10.000 (2004: YTL 6.000) are eligible for an investment incentive allowance of 40% which is deductible from taxable income prior to the calculation of corporate income tax. An investment incentive certificate is not required to benefit from the investment allowance and the amount of allowance is not subject to withholding tax. Investment allowance benefit is transferred to following periods when current period taxable income is not sufficient for utilisation of the whole amount. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 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 15th of the fourth month following the close of the related financial year. Tax returns are open for 5 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.

Russian Federation

The applicable income tax rate is 24% in the Russian Federation (2004: 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% (2004: 30%) of the total taxable income of the year. Losses not utilised in the eligible periods cannot be carried forward.

Kazakhstan

The applicable income tax rate is 30% in Kazakhstan (2004: 30%). Rambutya was exempt from income tax for 5 years beginning from 1999 on income received from the Ramstore cinema, skating rink and skate rental shop, gymnasium and parking place. Rambutya signed an amendment with the State which cancelled the exemption from income tax described above and thus became taxable on all these activities in 2003 and 2004. Rambutya also has exemptions over property tax and land tax for 5 years starting from 1999.

Income tax rates applied in Bulgaria and Azerbaijan are 15% and 22%, respectively (2004: 19.5% and 24%).

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

	2005	2004
Deferred tax charge	(2.209)	(4.559)
Current period taxation charge	(22.365)	(24.703)
Taxation on income	(24.574)	(29.262)

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:

	2005	2004
Net income attributable to the shareholders	73.705	74.687
Weighted average number of shares with TL 1,000 face value each (Note 25)	13.770.000.000	13.770.000.000
Earnings per share (YKr)	0,54	0,54

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

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NOTE 43 - STATEMENTS OF CASH FLOW

	Notes	*2005 EUR	USD	Restated 2005	2004
Operating activities:					
Net income		46.428	54.930	73.705	74.687
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	24	2.120	2.509	3.366	2.921
Depreciation and amortisation	17,18,19,20	45.306	53.601	71.922	59.993
Employment termination benefits - net	23	3.691	4.367	5.860	823
Taxation expense	41	15.480	18.314	24.574	27.555
Interest income		(31.563)	(37.342)	(50.106)	(42.152)
Interest expense		33.453	39.579	53.107	41.289
Property, plant and equipment sales (income)/loss - net		(330)	(391)	(524)	57
Impairment loss provided for property plant and equipment	19,38	16	19	25	576
Share of loss of associates	16	26	31	42	1.435
Cash flows from operating activities before changes in operating assets and liabilities		114.627	135.617	181.971	167.184
Changes in operating assets and liabilities – net					
Decrease/(increase) in trade receivables		(2.418)	(2.861)	(3.839)	5.396
Increase in due from related parties		(1.526)	(1.806)	(2.423)	(3.395)
Increase in inventories		(26.380)	(31.210)	(41.878)	(11.853)
Increase in other current assets and other receivables		(3.516)	(4.159)	(5.581)	(6.541)
Total increase in short and long-term trade payables		42.683	50.500	67.761	29.131
Decrease in due to related parties		(21.794)	(25.785)	(34.598)	(1.835)
Increase in other current liabilities		33.078	39.135	52.512	8.068
Increase/(decrease) in other non-current liabilities		628	743	997	(313)
Interest paid		(31.099)	(36.793)	(49.369)	(41.121)
Income taxes paid		(12.540)	(14.836)	(19.907)	(29.173)
Increase in other non-current assets		(3.981)	(4.710)	(6.320)	(5.593)
Net cash provided by operating activities		87.764	103.835	139.326	109.955
Investing activities:					
Cash outflow due to acquisition of subsidiary- net	32	(216.126)	(255.701)	(343.100)	-
Purchase of property, plant and equipment	19	(120.563)	(142.639)	(191.393)	(82.415)
Increase in financial assets		(31.956)	(37.807)	(50.730)	(53.108)
Purchase of other intangible assets	20	(1.515)	(1.792)	(2.405)	(2.042)
Interest received		34.598	40.932	54.924	42.566
Proceeds from sale of property, plant and equipment		2.983	3.529	4.735	3.103
Net cash used in investing activities		(332.579)	(393.478)	(527.969)	(91.896)
Financing activities:					
Dividends paid		(13.011)	(15.394)	(20.655)	(18.641)
Decrease in finance lease payables		(636)	(752)	(1.009)	(1.582)
Increase in bank borrowings		341.941	404.555	542.831	38.559
Net cash provided by financing activities		328.294	388.409	521.167	18.336
Effects of exchange rate differences		37	43	58	(3.939)
Net increase in cash and cash equivalents		83.516	98.809	132.582	32.456
Cash and cash equivalents at the beginning of the period	4	116.129	137.393	184.354	151.898
Cash and cash equivalents at the end of the period	4	199.645	236.202	316.936	184.354

*US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 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).

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

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.

	2005	2004
Property, plant and equipment	303.480	220.586
Other non-current assets	29.072	17.196
Current assets	82.969	65.467
	415.521	303.249
Long-term bank borrowings	(171.294)	(77.708)
Provisions	(13.722)	(11.739)
Short-term liabilities	(91.597)	(77.077)
	(276.613)	(166.524)
Net assets	138.908	136.725

	2005	2004
Net sales	323.588	288.719
Income before tax	9.085	25.586
Income tax	(2.943)	(7.026)
Net income	6.142	18.560

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