



Anne... bak, MiGROS geldi!

Yeni bir dünya için
yeni bir adım atıldı. Bu
adım, 1978 yılında
başlatılan bir süreçtir.
Bu süreç, bir zamanlar
sadece bir mağaza
olmakla kalmamış, bir
hayat tarzı haline gelmiştir.

1978 yılında, İstanbul'da
başlatılan bu süreç,
bugün Türkiye'nin en
büyük perakende
ağlarından biri haline
gelmiştir.

MiGROS TÜRK
Eş kadının hizmetinde.



MiGROS

2002 ANNUAL REPORT

2002
Year



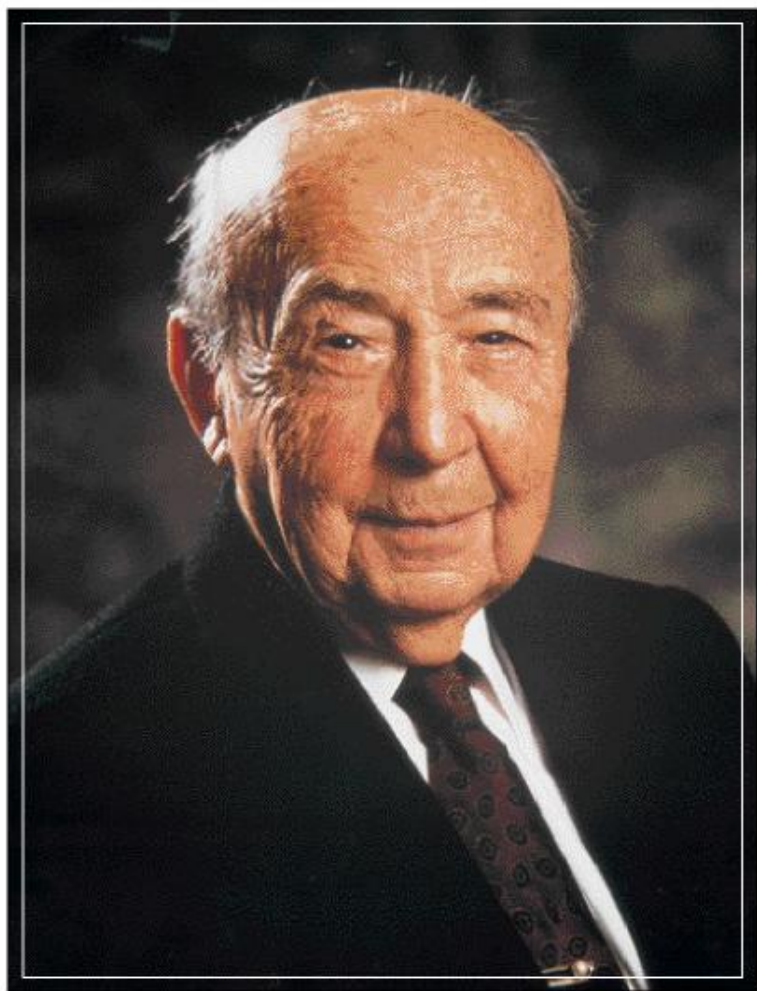
MİGROS

2002 ANNUAL REPORT

IFRS Based and Consolidated Results



MİGROS TÜRK T.A.Ş.



The Founder of Koç Group
M. Vehbi Koç
1901 - 1996

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BOARD OF DIRECTORS



Rahmi M. KOÇ
Chairman



H. Hasan YILMAZ
Vice Chairman



Cengiz SOLAKOĞLU
Director



Dr. Nüsret ARSEL
Director



Uğur ÇATBAŞ
Director



Vural BAYAZIT
Director



F. Bülend ÖZAYDINLI
Director



Y. Ali KOÇ
Director



Oktay IRSİDAR
Director

BOARD OF AUDITORS

Nadir ÖZŞAHİN
Auditor

Ali YAVUZ
Auditor

Füsun AKKAL
Auditor

EXECUTIVE MANAGEMENT



K. Ömer BOZER
General Manager



Ender ALKAYA
Assistant General Manager
(HR Management and Industrial Relations)



M. Erkal AKALIN
Assistant General Manager
(Sales)



A. Fuat YANAR
Assistant General Manager
(Investments)



Aziz BULGU
Assistant General Manager
(Marketing)



Erkin YILMAZ
Assistant General Manager
(Finance)

LETTER FROM THE CHAIRMAN

I am pleased to report that Migros Türk performed strongly in 2002, demonstrating its ability to grow profitably in both its home and adjacent markets. The company posted consolidated after-tax income of \$23 million on total sales of \$926 million.

By far the most striking development in this is a 178% increase in operating profit from \$7.2 million to \$20 million. Operating profit contributed 88% of 2002's after-tax income compared to 39% the previous year, a testament to the emphasis management has placed on operational efficiency.

Indeed, one of our key objectives is to make operational profit on our core business rather than depend on financial profit as has been the case in Turkey for many years. Seminal changes in the economy over the past two years, which resulted in lower interest and inflation rates, have made operational efficiency the single most important element in the supermarket business. In fact, I am pleased to point out that Migros Türk is the most profitable publicly traded company in the sector in Turkey.

In 2002, using strict criteria, we closed down numerous small stores and concentrated our resources on opening larger and more productive stores. At the end of the year, we had reduced the number of stores in Turkey by 3.6% from 445 to 429 while increasing total available floor space by 1.6% to close to 300,000 square meters.

More growth is targeted for 2003, both organically and through acquisitions. In 2003, by pursuing a selective investment strategy, Migros Türk plans to open 39 new stores in 2003. The Company re-branded the 11 stores acquired from Oypa (supermarkets of OYAK) in February.

Recent economic crises not only had a significant negative impact on purchasing power but also changed individual purchasing habits in favor of street bazaars and small retailers offering credit lines, at the expense of organized trade. In this difficult trading environment, we aim to attain a sustainable competitive advantage and get the best out of every square meter of space in order to improve bottom line results. We are determined to achieve ultimate customer satisfaction based on quality, service and price.

Our initiatives in e-commerce (www.kangurum.com.tr) and customer relationship management are essential parts of our drive to foster customer loyalty through focused promotions and reward schemes while trimming costs through more widespread use of B2B business solutions.

As the Turkish economy stabilizes, there is no doubt that more international players looking for growth opportunities will enter the market. Migros Türk is ready to deal with further competition, thanks to its financial strength, market share and robust operational efficiency.

Given the economic constraints of the Turkish market, Migros Türk is committed to expanding its foreign businesses. Our Russian operations have been extremely successful: at end-2002, Ramenka, our 50-50 joint venture with Enka Construction Company, was operating 44,221 square meters in five shopping malls and 10 supermarkets in Moscow, a 61% increase in retail space in one year. Serving 17.3 million customers annually, sales of Ramenka rose to \$247.4 million. In 2003, Ramenka has budgeted \$90 million in new investments in order to penetrate other important urban areas in Russia.

At the same time we are increasing our focus on Russia, we are taking a hard look at other markets close to Turkey with the aim of achieving first mover advantage. We believe this timely and correct strategy will enable Migros Türk to build on the foundation established in 2002 to grow over and above the market rate and achieve robust operational profits in 2003 and beyond.

In closing, I would like to extend my thanks to our customers, suppliers, partners and shareholders for their support and continued trust in us. I also want to thank our management team whose efforts have contributed so much to the company's successful performance in 2002.

Rahmi M. KOÇ

COMPANY PROFILE

Migros Türk is the largest and most profitable supermarket chain in Turkey. It is also a powerful regional retail company. The company operates **429** stores in seven different service formats in 35 cities within Turkey and 23 Ramstores in Russia and Kazakhstan, Bulgaria and Azerbaijan. In 2002 Migros Türk reported sales of **\$926 million**, gross profit of **\$209 million** and net income of **\$23 million**, increasing its net selling area by 7% to **355,944 square meters**.

SHAREHOLDER STRUCTURE

Migros Türk began operating in Turkey in 1954. It was acquired by the Koç Group in 1974 from Migros Genossenschafts-Bund and was listed on Istanbul Stock Exchange (MIGRS.IS) in 1991.

The Koç Group (51.06%) is the ultimate controlling shareholder of Migros Türk today, with the remaining 48.94% representing free float.



OBJECTIVE

Migros Türk strives to meet its customers' needs effectively by offering the right goods at the right place and the right price with the highest possible quality in line with the strategy of being "the Group closest to the consumer". In the coming year, Migros Türk seeks to grow its local and international investments and thus enhance its reputation as a provider of quality goods and services.



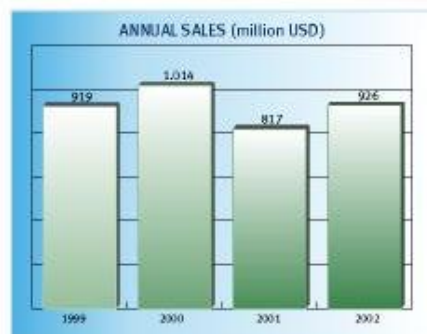
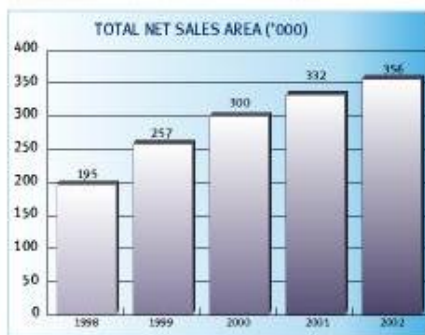
MISSION

Migros Türk is committed to maintaining leadership in the Turkish retail market and expanding in nearby countries while improving operational profitability and securing a healthy financial structure.





FINANCIAL HIGHLIGHTS (*)



(*) For the year 2002 and 2001, the results of the Subsidiaries are consolidated on a line-by-line basis except for the joint-venture Ramenka, which is consolidated using the proportionate consolidation method. In 2000 and 1999, Ramstore Azerbaijan is consolidated, Ramenka and Rambutya are accounted for by using the equity method of account.

ECONOMIC CONCERNS AND THE TURKISH FOOD RETAIL SECTOR

In 2002, purchasing power continued to decline significantly due to high unemployment and lower real salaries among white-collar employees. As a result, Turkish consumers curtailed expenditures on food and non-food products.

These developments stemmed from the collapse of an IMF-supported foreign currency anchor-based economic program and the steep devaluation of the currency in February 2001. The unfavorable effects of the crisis spread throughout the Turkish economy. Gross National

Product contracted by 9.4% in 2001 while per capita income declined from \$3,000 to \$2,100. The inflation rate, which had been 30% the previous year, rose to 70-80% and the Turkish Lira lost 113% of its value against the US Dollar after the implementation of a floating exchange rate system.

The economy remained in recession throughout 2002. Lower inflation, weak domestic demand and revaluation of the Turkish Lira had a direct impact on the behavior of both consumers and retailers:

Consumers

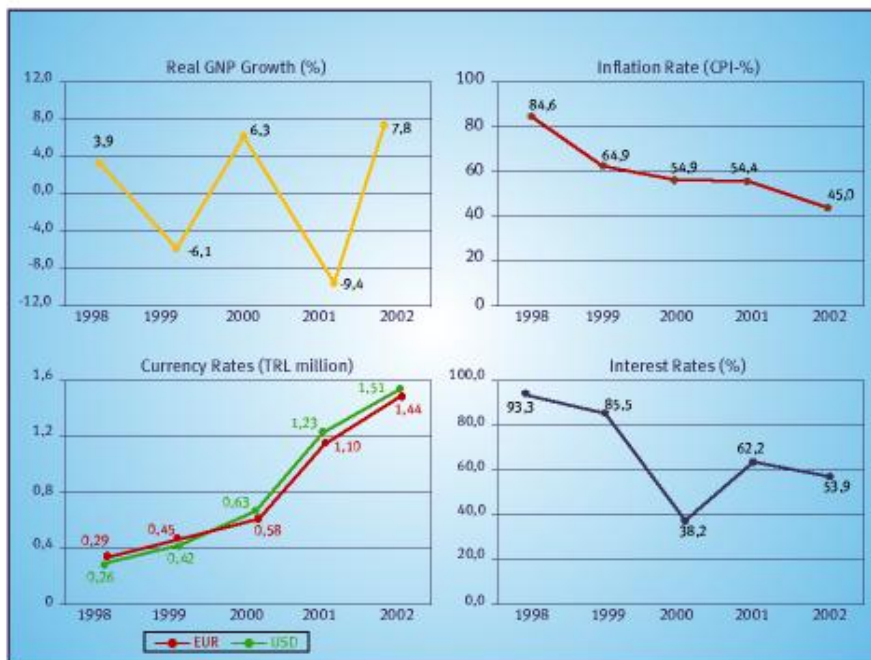
- Became more price conscious
- Favored low-price items
- Shopped more frequently
- Decreased basket size
- Shifted towards neighborhood open air markets
- Became less loyal

Retailers

- Price wars
- Store closures
- Scaling down investments
- Less SKU
- Diminishing negative cash conversion days
- Retail sector shrank by 4-5% in 2002



MACROECONOMIC INDICATORS



Retail sales account for about 20% of Turkey's GNP, and around 60% of that derives from food retailing, creating a market of approximately \$20 billion shared by several large retailers, corner shops and open-air markets.

Although the share of organized retail has been increasing over the years, its share does not exceed 20-25% of the total food retail market or \$4-5 billion. In addition to Migros Türk, four other large national chains, two foreign retailers and 20 regional chains operate in Turkey.

The Turkish food retail market is expected to grow at a healthy rate of more than 4% through 2005. Chain stores are expected to be the most dynamic food retail sub-sectors, achieving double-digit sales growth in the near future and increasing their market share. Consequently Migros Türk believes there is significant potential to grow both organically and through acquisitions.

OPERATIONAL RESULTS



Domestic Operations

Migros Türk leads the market in Turkey, offering modern shopping facilities to customers with seven different formats; Migros, Şok, Ramstore, Migros and Ramstore Shopping Centers, Online Shopping, Wholesale Trade and Bakkalim.

Migros Türk is committed to operational efficiency and profitable growth. In 2003, the company improved and rationalized its existing network of stores by opening 10 Migros¹ and 23 Şok stores while closing down selected locations.

	Turkey	
	2002	2001
Financial Highlights		
Revenues	761,8	718,0
Gross Profit	165,2	155,2
Operating Profit	2,8	-2,5
EBITDA	31,7	28,9
Capital Expenditures	19,7	26,7
Margin		
Gross Margin	21,7%	21,6%
Operating Margin	0,4%	-0,4%
EBITDA Margin	4,2%	4,0%
Growth		
Revenues	6,1%	
Gross Profit	6,5%	
Operating Profit	210,6%	
EBITDA	9,7%	
No. of Employees	5,926	5,997
No. of Stores	429	445
Net Sales Area (sqm)	299,149	294,438

(1) These stores were M Cesme Ilca, M Cesme Ardic in Izmir, M Erdemli in Mersin, M Gocek in Mugla, MM Cankaya Ansera in Ankara, MM Gaziantep Bedesten in Gaziantep, MM Alaretler, MM Besiktas Ihlamur in Istanbul, MM Yalova in Yalova, MMM Diyarbakir Mega Center in Diyarbakir.

At end-year 2002, Migros Türk had 65 M, 58 MM, 30 MMM, 273 Sok and three hypermarkets in seven geographic regions of Turkey with a total sales area of 299,149 square meters.

Migros Türk plans to pursue a selective investment strategy and focus on operational productivity during 2003. The real growth rate of Migros Türk is forecast at 12%, increasing

domestic sales to 1.6 quadrillion TL in 2003. Plans call for the opening of 39 new stores (two MMM, six MM, one M Migros stores and 30 Sok discount stores) as well as rebranding the 11 stores acquired from Oypa in February 2003.

Migros Türk T.A.Ş. Number of Stores by Formats							
Year	M	MM	MMM	HPM	Şok	Total in Turkey	Net Sales Area
1998	49	38	21	1	107	216	180,715
1999	53	47	24	2	187	313	236,255
2000	63	51	26	2	291	433	270,328
2001	66	55	29	3	292	445	294,438
2002	65	58	30	3	273	429	299,149



Marketing in the Digital Age

As the largest food retailer in Turkey, Migros Türk benefits from large economies of scale, strong bargaining power and an extensive store network. For Migros Türk, technology has been a source of efficiency at all levels, enhancing

communications between headquarters, distribution centers, stores and suppliers. The introduction of touch-screen kiosks in our stores has contributed to greater customer convenience.

A New Communication Channel between Migros and its Customers
Customer Kiosks
168 Kiosks in 156 Migros Stores
in 2002



The Customer is King (CRM)

CRM activities target increasing customer loyalty by providing them value for money, tailor-made promotions and enjoyment.

Migros Türk pioneered customer-oriented applications in retailing in Turkey. Customer Relationship Management (CRM) applications started in 2001 and accelerated in 2002. Mining the customer data warehouse has resulted in special campaigns and promotions tailored to individual interests. Migros Türk is dedicated to identifying specific segments such as coffee lovers, wine drinkers, dieters etc. and making customized offers. Top-tier customers receive personalized coupon offerings quarterly. As well

as mailings, Migros Türk uses Internet, kiosks and GSM messages to contact customers. CRM is also being applied as a general campaign tool to increase average spending per customer. During November and December 2002, Migros Türk assigned specific spending targets to each Migros Club cardholder. Gift vouchers were offered to customers who achieved their targets.



4,900,000 Migros Club Cardholders in 2002
 Representing **75%** of Migros' Domestic Sales
56% of the Migros Club cardholders use their cards actively
 On average, **15%** of Migros customized offerings are used by customers



E-commerce (B2C & B2B)

Migros Türk improved Migros Online Market applications and its B2B system to enable corporate procurement. Kangurum Online Shopping Center presented improved online shopping opportunities to customers. Migros

Online Market widened its service area to include Fethiye, Mersin and Çeşme in addition to existing operations in İstanbul, İzmir, Ankara, Bursa, Marmaris, Bodrum, Antalya and Adana.

B2B: Another Successful Implementation Project

156 Key Accounts in 2002

Migros Türk aims to increase the share of B2B in total procurement volume in order to reduce costs.

Launched in January 1999, Kangurum reported a profit in 2002 on sales turnover of close to \$5 million. Moreover, Kangurum.net (an internet service provider) extended its customer base.

www.kangurum.com.tr is "Turkey's Largest Online Shopping Mall" with 60 e-stores, 28 product categories and 75.000 SKU.



The popularity of Migros Online Market has increased considerably during the last two years as its product line has expanded from 14 well-known companies and brands to over 60 e-stores.

Online wholesale trade has increased both the number of customers and the extent of its service. In a short time, the service was broadened to Ankara and İzmir along with İstanbul.

As Turkish consumers become more price sensitive after the 2001 economic crisis, Migros put more emphasis on offering better terms to consumers. Migros offers a variety of high

quality and good value private label products. At end-2002, the number of private label products was 566 and the share of private label goods within total sales reached 10%.



Employment Policies

Migros Türk depends on the skills and commitment of its employees in order to achieve its objectives at home and abroad. Staff at every level are encouraged to make their fullest possible contribution to the success of Migros Türk. Priority is placed on providing "the best quality service" and "being the closest group" to the customer.

Ongoing training programs seek to ensure that employees understand the Company's customer service objectives and strive to achieve them. The selection, training, development and promotion of Migros Türk ensure equal opportunities for all employees, and all decisions are based on merit.

Internal communications are designed to ensure that employees are well informed about the business of the Company. These include "Migros Intranet" system, "Bizden Haberler" monthly magazine and fortnightly "Migros Bilgi Bülteni" news bulletin.

Staff attitudes and commitments are frequently researched through surveys, retraining activities and store visits. Furthermore, employees are encouraged to become involved in the financial performance of Migros Türk through a variety of schemes, principally Migros' "Performance Related Pay Scheme".

In co-operation with Koç University, the junior management of Migros attends regular tailor made programmes and takes part in distance learning schemes. E-learning under the guidance of Koç-Bryce (IT Training Company) offers another alternative to Migros and its employees to keep pace with technological advancements while reducing the cost of re-training our employees.

The Butcher Training Centre (MESEYEM), whose quality is recognized by the Ministry of Education, is a source of well-trained and efficient butchers for our ever expanding number of stores.



Foreign Operations

The transformation and eventual devolution of the Soviet Union into new independent Commonwealth of Independent States (CIS) in the early 1990s created an immense opportunity for Migros Türk. The decision to implementing its own internationalization strategy by entering Turkey's peripheral regions as an early mover opened vast new markets while diversifying risk against the fluctuations of Turkish economy.

In 1996, Migros Türk opened its first overseas store in Baku, Azerbaijan and established its first two stores in Moscow in 1999. In 2000 overseas operations expanded rapidly with the number of Ramstores totaling 15 in Azerbaijan, Russia and Kazakhstan.

Migros International Retail Network Evolution								
SPM	1996	1997	1998	1999	2000	2001	2002	As of June 2003
Russia				2	5	6	10	17
Azerbaijan	1	5	4	6	7	3	3	3
Kazakhstan						2	2	2
Bulgaria						1	2	2
Shopping Mall & HPM	1996	1997	1998	1999	2000	2001	2002	As of June 2003
Russia		1	2	2	2	3	5	5
Kazakhstan				1	1	1	1	1
Total	1	6	6	11	15	16	23	30

Expansion continued in 2002 with the opening of new Ramstores and Shopping Malls in **Azerbaijan, Bulgaria and Russia**, representing an investment of \$80 million. As of June 2003,

Migros Türk has net retail space of **66,690** square meters in **30** Ramstores: 22 in Russia, three in Azerbaijan, three in Kazakhstan, and two in Bulgaria.



The Ramstore City shopping center and hypermarket is Moscow's newest and largest retail complex.

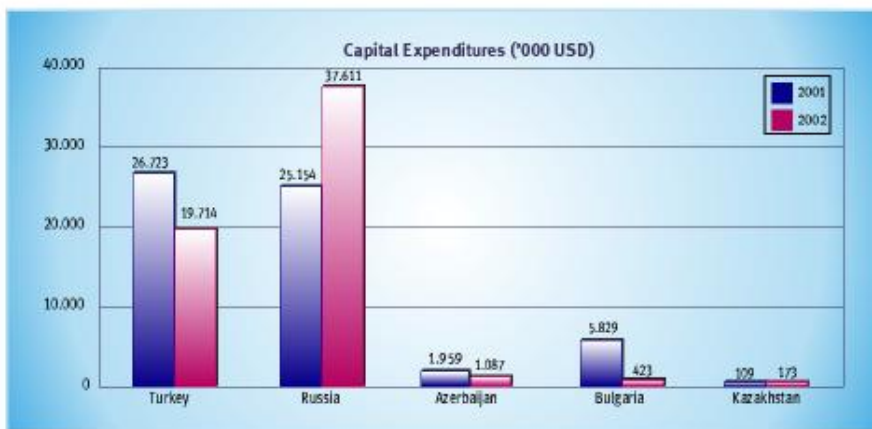
International Presence of Migros



The Kuntsevo Hypermarket and Shopping Mall was the first to open in Moscow.

The success of its international operations have transformed Migros Türk into a prominent regional retailer with excellent growth prospects in Russia and Kazakhstan, reflecting booming consumer spending in these countries. International operations generated \$288 million revenue in 2002, derived mainly from Russia.

The fruits of being the first Western-style retailer in the Russian market, in particular in Moscow, has made Migros Türk's Ramenka venture the flagship for overseas operations.



New Ramstores and a new Ramstore Shopping Mall in Moscow and other Russian cities will spearhead rapid international growth in 2003. The company has budgeted \$90 million for the construction of 10 new stores in Russia during 2003. This aggressive expansion strategy will keep Migros Türk ahead of its competitors in Russia.

However, Migros Türk is pursuing a more cautious expansion strategy in its other international ventures—Azerbaijan, Kazakhstan and Bulgaria. Migros Türk is satisfied with the performance of its retail operations in Kazakhstan and the company forecasts moderate medium and long term growth. Rambutya reported a sales increase of about 20% with its three stores and a positive bottom line in 2002 as the Kazakh economy registered a higher growth than the Russian economy. Rambutya continues to invest and strengthen its position in the unsaturated Kazakh market and plans to open a new store in 2003.

Investments in Azerbaijan have been negatively affected by adverse economic conditions, but the initiation of the Baku-Ceyhan pipeline promises to improve the country's macroeconomic outlook—a fact that will be reflected in Ramstore's performance. In 2003, plans call for opening one new store while closing a smaller one, thus increasing net sales area with the same number of stores.

Steps will be taken in 2003 to reach optimum operational efficiency and improve sales through the opening of new stores with low investment costs. As the number of overseas stores increases to 34 by the end of 2003, international operations will account for approximately 25% of total turnover. On a consolidated basis, Migros targets \$230 million in sales revenue from its international operations in 2003.



The Ramstore Shopping Center in Almaty, Kazakhstan's largest city, changed shopping habits.

Russia: Ramenka Ltd.



1997 - Start of Operation Partnership of:

Migros Türk T.A.Ş. : 50%

Enka Group (Turkish Partner) : 50%

Number of Stores: : 15

Shopping Mall & Hypermarket : 5

Supermarket : 10



Ramenka, a 50/50 joint venture with Enka Construction Co. in Russia, is the most lucrative international operation of Migros. Timely entrance into the untapped Russian market gave the company a strong foothold in this market with a brand loyalty as a first-comer. Ramenka's supermarkets and hypermarkets are concentrated in Moscow, one of the most attractive retail markets in the world with rising per capita income and a population of over nine million.

Ramenka's strategy has been to construct and lease shopping malls for 49 years from the city administration, thus earning solid rental income in addition to sales revenues from its own supermarkets and hypermarkets. This provides a cushion against potential price competition from new entrance retailers in coming years.

(million USD)	Russia	
	2002	2001
Financial Highlights		
Revenues	123,7	71,1
Gross Profit	33,9	19,0
Operating Profit	15,4	10,5
EBITDA	18,7	11,9
Capital Expenditures	37,6	25,2
Margin		
Gross Margin	27,4%	26,7%
Operating Margin	12,5%	14,8%
EBITDA Margin	15,1%	16,7%
Growth		
Revenues	74,0%	
Gross Profit	78,5%	
Operating Profit	46,2%	
EBITDA	56,8%	
No. of Employees	2,305	1,813
No. of Stores	15	9
Net Sales Area (sqm)	44,221	27,410

(*) Migros Türk owns 50% of Ramenka

Facts and Figures

Ramenka had five shopping malls and 10 supermarkets at the end of 2002. Retail space rose by a stunning 61% to 44,221 square meters and the number of customers reached 17.3 million. Annual sales of Ramenka reached to \$247.4 million, half of which accrues to Migros Türk. 2002 witnessed the opening of the largest shopping center in Moscow, Ramstore City, with a total area of 72,000 square meters.



Format	Store	Opening Date	Total Sales Area (sqm)
Hypermarket	KUNTSEVO	28.11.1997	
	MARINA ROSHA	26.11.1998	
	KASHIRSKAYA	18.01.2001	
	BELAYEVA	26.09.2002	
	RAMSTORE CITY	24.12.2002	
	Sub Total		29,549
Supermarket	CHERTONOVO	24.11.1999	
	SOKOLNIKI	24.11.1999	
	MITINO	22.06.2000	
	KOMMOMOLSKAYA	18.10.2000	
	MARINO	15.12.2000	
	SOKOL	06.03.2001	
	SIMONOVSKY	07.03.2002	
	RECHNOY VAGZAL	16.03.2002	
	BABUSHKINSKY	10.04.2002	
	KRASNAPRESNEYA	11.06.2002	
	ZELENOGRAD	01.02.2003	
	KRASNOYARSK	06.03.2003	
	JULEBINO	21.03.2003	
	SOKOL-2	21.03.2003	
	SPORTIVNAYA	21.03.2003	
	KAZAN	24.04.2003	
	TRIFANOVSKY	27.06.2003	
	Sub Total		23,743
	Grand Total		53,292

Strong management know-how and retailing experience are key factors behind Ramenka's success. Although Ramenka's product prices are very competitive, the company has attained higher margins by improving operational efficiency and lowering fixed costs. The ISO 2001 quality certificate signifies the company's focus on quality in its operations. Ramenka's rent income from its shopping centres, which accounted for 12% of total sales revenue for 2002, also boosted profitability.

(*) Store details are as of 30 June 2003.

Kazakhstan: Rambutya LLP



1999 - Start of Operation Partnership of:

Migros Türk T.A.Ş.	: 51%
Butya Group (Local Partner)	: 40%
Investment Funds	: 9%

Number of Stores:

	: 3
Shopping Mall & Hypermarket	: 1
Supermarket	: 2



Migros Türk entered the Kazakh retail market in 1998 by setting up a company, Rambutya LLP, with the Butya Group, a local partner. Migros Türk owns 51% of Rambutya LLP. The investment decision was based on the potential of the country in terms of economic and social development due to its natural resources, high educational level and an unorganized retail sector.

Rambutya LLP started its operation with the opening of Samal shopping center and Samal Ramstore supermarket in Almati in 1999. It was the first shopping centre of the country with 25,000 square meter sales area. Ramstore hypermarket has 4,200 square meter net sale area. Rambutya opened two more stores in Astana and Almati in 2000 in order to increase its market share.

The recognition of Rambutya's effort to provide high quality and pleasant shopping environment to the Kazakh shoppers was "the Choice of the Year Award for Kazakhstan". In the retail category, Rambutya was awarded "the Best Shopping Mall and Best Supermarket" prize by a panel of public jurors.

(million USD)	Kazakhstan	
	2002	2001
Financial Highlights		
Revenues	29,0	19,5
Gross Profit	8,0	5,4
Operating Profit	3,2	0,9
EBITDA	4,0	1,5
Capital Expenditures	0,2	0,1
Margin		
Gross Margin	27,8%	28,0%
Operating Margin	11,0%	4,5%
EBITDA Margin	13,7%	7,5%
Growth		
Revenues	48,8%	
Gross Profit	47,7%	
Operating Profit	263,2%	
EBITDA	172,2%	
No. of Employees	248	246
No. of Stores	3	3
Net Sales Area (sqm)	6,769	6,769

Even though the Russian economic crisis of 1998 affected the Kazakhstan's economic development, Kazakhstan's economy is still a high growth area and its macroeconomic indicators have been improving steadily.

Format	Store	Opening Date	Total Sales Area (sqm)
HPM	SAMAL	14.05.1999	6,769
SPM	ASTANA	25.10.2000	
SPM	TASTAK	28.10.2000	

(*) Store details are as of 30 June 2003.



The Ramstore Shopping Center in Almaty, presents a modern and bright shopping environment, complete with an indoor ice-skating rink.

Azerbaijan: Ramstore QTSC



1996 - Start of Operation

Partnership of:

Migros Türk T.A.Ş. : 79.75%

Investment Funds : 20.25%

Number of Stores: : 3



Ramstore QTSC, the first subsidiary of Migros Türk T.A.Ş. abroad was established in 1996 in Baku, Azerbaijan. The first store of the company and first supermarket chain of the country, Xatai Ramstore has 5,000-square meters of total closed area and 10,000 SKU.

In order to enlarge its market share, Ramstore QTSC opened five more supermarkets in Azerbaijan between years 1997 – 1999.

However, the macroeconomic performance of the country has not met expectations.

Purchasing power remained below the targets and currency fluctuations had a negative impact on operations. In 2000, the company decided to close three supermarkets which were most effected by unfavourable market conditions. In June 2001, a fire completely destroyed the first and the biggest supermarket and the headquarters of the company. The Xatai store was re-built and restarted operations in January 2002.



The Baku Ramstore in Azerbaijan sets the agenda for hygiene, quality and convenience.

The operations of Ramstore Azerbaijan challenged local entrepreneurs to improve their product quality and helped Azerbaijan achieve international standards in terms of hygiene, product quality, service quality and production effectiveness.

Presently, Ramstore Azerbaijan operates three Ramstores in Baku with total net sales area of over 3.000 square meters. The sales of Ramstore

Azerbaijan, which has equity of \$15 million, total \$7.7 million as of end- 2002.

Efficiency efforts put into place in 2002 have had a positive impact on results.

Format	Store	Opening Date	Total Sales Area (sqm)
SPM	XATAI	01.01.2002	3.007
	YASAMAL	09.12.1997	
	GENÇLIK	30.05.2003	

(*) Store details are as of 30 June 2003.

(million USD)	Azerbaijan	
	2002	2001
Financial Highlights		
Revenues	4,5	3,3
Gross Profit	1,0	0,8
Operating Profit	-0,4	-0,8
EBITDA	-0,2	-0,6
Capital Expenditures	1,1	2,0
Margin		
Gross Margin	22.9%	23.6%
Operating Margin	-8.6%	-25.4%
EBITDA Margin	-4.7%	-17.0%
Growth		
Revenues	34.9%	
Gross Profit	31.1%	
Operating Profit	54.3%	
EBITDA	62.7%	
No. of Employees	64	61
No. of Stores	3	3
Net Sales Area (sqm)	2,190	881



Bulgaria: Ramstore Bulgaria AD



2001 - Start of Operation

Totally owned by Migros Türk:

Number of Stores: 2



Migros Türk started to operate in Bulgaria in 2001 through its subsidiary, Ramstore Bulgaria AD. The second Ramstore, Dervenitza, was opened in July 2002. With the opening of this store, the total sales area of Ramstore Bulgaria reached to 3,614 square meters. Bulgaria is scheduled to join the EU in

2007 and as such is the opening gate for Migros Türk to Europe. The positive business climate in the country also fosters Migros Türk's presence there while its geographic proximity to Turkey is important in terms of logistics.

(million USD)	Bulgaria	
	2002	2001
Financial Highlights		
Revenues	6,9	5,2
Gross Profit	1,4	1,2
Operating Profit	-1,0	-0,9
EBITDA	-0,3	-0,4
Capital Expenditures	0,4	5,8
Margin		
Gross Margin	19.9%	22.6%
Operating Margin	-15.1%	-16.4%
EBITDA Margin	-4.2%	-8.5%
Growth		
Revenues	32.1%	
Gross Profit	16.4%	
Operating Profit	-21.6%	
EBITDA	35.6%	
No. of Employees	116	133
No. of Stores	2	1
Net Sales Area (sqm)	3.614	3.045

Format	Store	Opening Date	Total Sales Area (sqm)
SPS	ZAPADEN	18.05.2001	3.614
	DERVENITZA	25.07.2002	

(*) Store details are as of 30 June 2003.



Migros and its Subsidiaries Financial Highlights

US\$ in Thousands	2002	2001	Change (%)
Consolidated revenues	925,831	817,098	13
Consolidated operating profit	19,999	7,184	178
Income/(loss) before gain on net monetary position	16,231	-1,709	-1050
Net income before minority interest	23,137	17,118	35
Net income excluding minority interest	22,708	18,323	24
Short term financial debt	28,636	23,218	23
Fixed assets-gross	530,459	422,683	25
Total assets	569,285	500,912	14
Total shareholders' equity excluding minority interest	262,932	213,684	23
Capital expenditures	59,009	59,773	-1

Euro in Thousands	2002	2001	Change (%)
Consolidated revenues	888,343	927,571	-4
Consolidated operating profit	19,190	8,156	135
Income/(loss) before gain on net monetary position	15,574	-1,940	-903
Net income before minority interest	22,200	19,433	14
Net income excluding minority interest	21,789	20,800	5
Short term financial debt	27,477	26,357	4
Fixed assets-gross	508,980	479,830	6
Total assets	546,234	568,636	-4
Total shareholders' equity excluding minority interest	252,285	242,574	4
Capital expenditures	56,619	67,855	-17

TL in Billions	2002	2001	Change (%)
Consolidated revenues	1,513,272	1,539,028	-2
Consolidated operating profit	32,689	13,532	142
Income/(loss) before gain on net monetary position	26,530	-3,219	-924
Net income before minority interest	37,818	32,243	17
Net income excluding minority interest	37,117	34,512	8
Short term financial debt	46,806	43,732	7
Fixed assets-gross	867,036	796,135	9
Total assets	930,497	943,482	-1
Total shareholders' equity excluding minority interest	429,762	402,480	7
Capital expenditures	96,450	112,585	-14
Number of employees (*)	8,659	8,250	5

(*) As of December 2001 and 2002.

FINANCIAL SUMMARY
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

ASSETS	Notes	2002 EUR'000(*)	2002 USD'000(*)	2002 Billions of TL	2001 Billions of TL
Current assets					
Cash and cash equivalents	5	55,806	58,161	95,065	129,738
Available-for-sale investments	6	54,836	57,150	93,412	96,649
Trade receivables	7	16,556	17,255	28,203	27,238
Due from related parties	8	507	529	864	4,250
Inventories	9	51,577	53,754	87,861	95,661
Other current assets	10	19,876	20,715	33,858	29,748
Total current assets		199,159	207,564	339,263	383,284
Non-current assets					
Available-for-sale investments	11	773	805	1,316	1,316
Investments in associates	11	1,950	2,032	3,322	959
Investment property	15	27,063	28,206	46,102	27,809
Property, plant and equipment	12	309,111	322,156	526,564	517,435
Intangible assets	13	1,054	1,099	1,796	4,722
Goodwill	14	-1,189	-1,240	-2,026	-1,808
Other non-current assets	16	8,312	8,663	14,160	9,765
Total non-current assets		347,075	361,721	591,234	560,198
Total assets		546,234	569,285	930,497	943,482

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announce by the Central Bank of Turkey at 31 December 2002, and therefore form part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2002 EUR'000(*)	2002 USD'000(*)	2002 Billions of TL	2001 Billions of TL
Current liabilities					
Bank borrowings	17	23,603	24,600	40,208	33,292
Lease obligations	25	3,873	4,037	6,598	10,440
Trade payables	18	144,375	150,467	245,939	243,993
Due to related parties	8	9,821	10,235	16,729	30,127
Taxes on income	19	1,634	1,703	2,784	5,422
Other current liabilities	20	13,803	14,385	23,513	23,623
Total current liabilities		197,109	205,427	335,771	346,897
Non-current liabilities					
Bank borrowings	17	52,528	54,745	89,481	118,493
Lease obligations	25	1,620	1,689	2,760	9,961
Provision for employment termination benefits	21	2,011	2,096	3,426	3,113
Deferred tax liabilities	19	34,740	36,206	59,178	53,421
Other non-current liabilities		3,100	3,231	5,281	3,734
Total non-current liabilities		94,000	97,966	160,126	188,722
Total liabilities		291,109	303,394	495,897	535,619
Minority interest	4,22	2,840	2,960	4,838	5,383
Shareholders' equity					
Share capital	23	32,334	33,698	55,080	9,180
Adjustment to share capital	23	-4,938	-5,147	-8,412	37,488
Total paid-in capital		27,396	28,552	46,668	46,668
Capital surplus	24	69,177	72,097	117,842	117,842
Translation reserve	2b	-853	-889	-1,453	2,961
Retained earnings	26	156,565	163,172	266,705	235,009
Total shareholders' equity		252,285	262,932	429,762	402,480
Total liabilities and shareholders' equity		546,234	569,285	930,497	943,482
Commitments and contingent liabilities	32				

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announced by the Central Bank of Turkey at 31 December 2002, and therefore form part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	2002 EUR'000(*)	2002 USD'000(*)	2002 Billions of TL	2001 Billions of TL
Net sales	4,27	888,343	925,831	1,513,272	1,539,028
Cost of sales		-687,564	-716,580	-1,171,250	-1,197,071
Gross profit		200,779	209,252	342,022	341,957
Sales and marketing expenses		-26,637	-27,761	-45,376	-39,982
General and administrative expenses	28	-154,158	-160,664	-262,605	-286,658
Other operating expenses-net		-794	-827	-1,352	-1,785
Profit from operations	4	19,190	19,999	32,689	13,532
Financial expense-net	29	-2,606	-2,716	-4,439	-21,163
Share of results of associates		-	-	-	5,145
Fair value loss of available-for-sale investments		-1,010	-1,052	-1,720	-733
Gain on net monetary position	2a	18,650	19,437	31,769	75,666
Profit before taxation on income		34,224	35,668	58,299	72,447
Taxes on income	19	-11,526	-12,012	-19,634	-33,990
Profit from ordinary activities after tax		22,698	23,656	38,665	38,457
Extraordinary item	30	-497	-518	-847	-6,214
Income before minority interest		22,200	23,137	37,818	32,243
Net (loss)/ income attributable to minority interest	22	-412	-429	-701	2,269
Net income		21,789	22,708	37,117	34,512
Weighted average number (ooo's) of shares with face value of TL 1,000 value each	3	55,080,000	55,080,000	55,080,000	55,080,000
Basic and diluted earnings per share in full TL	3	674	674	674	627
Basic and diluted earnings per share excluding extra ordinary item in full TL	3	689	689	689	739

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above are translated from Turkish Lira ("TL") for convenience purposes only, at the official TL exchange rate announce by the Central Bank of Turkey at 31 December 2002, and therefore form part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2002
TOGETHER WITH AUDITOR'S REPORT

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers
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AUDITOR'S REPORT

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 2002 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira as of 31 December 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of Migros Türk Ticaret Anonim Şirketi at 31 December 2002 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Adnan Akan, SMMM
İstanbul, 11 April 2003

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

ASSETS	Notes	2002	2001
Current assets			
Cash and cash equivalents	5	95,065	129,738
Available-for-sale investments	6	93,412	96,649
Trade receivables	7	28,203	27,238
Due from related parties	8	864	4,250
Inventories	9	87,861	95,661
Other current assets	10	33,858	29,748
Total current assets		339,263	383,284
Non-current assets			
Available-for-sale investments	11	1,316	1,316
Investments in associates	11	3,322	959
Investment property	15	46,102	27,809
Property, plant and equipment	12	526,564	517,435
Intangible assets	13	1,796	4,722
Goodwill	14	(2,026)	(1,808)
Other non-current assets	16	14,160	9,765
Total non-current assets		591,234	560,198
Total assets		930,497	943,482

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

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

LIABILITIES AND SHAREHOLDERS' EQUITY			
	Notes	2002	2001
Current liabilities			
Bank borrowings	17	40,208	33,292
Lease obligations	25	6,598	10,440
Trade payables	18	245,939	243,993
Due to related parties	8	16,729	30,127
Taxes on income	19	2,784	5,422
Other current liabilities	20	23,513	23,623
Total current liabilities		335,771	346,897
Non-current liabilities			
Bank borrowings	17	89,481	118,493
Lease obligations	25	2,760	9,961
Provision for employment termination benefits	21	3,426	3,113
Deferred tax liabilities	19	59,178	53,421
Other non-current liabilities		5,281	3,734
Total non-current liabilities		160,126	188,722
Total liabilities		495,897	535,619
Minority interest	4,22	4,838	5,383
Shareholders' equity			
Share capital	23	55,080	9,180
Adjustment to share capital	23	(8,412)	37,488
Total paid-in capital		46,668	46,668
Capital surplus	24	117,842	117,842
Translation reserve	26b	(1,453)	2,961
Retained earnings	26	266,705	235,009
Total shareholders' equity		429,762	402,480
Total liabilities and shareholders' equity		930,497	943,482
Commitments and contingent liabilities	32		

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

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	2002	2001
Net sales	4,27	1,513,272	1,539,028
Cost of sales		(1,171,250)	(1,197,071)
Gross profit		342,022	341,957
Sales and marketing expenses		(45,376)	(39,982)
General and administrative expenses	28	(262,605)	(286,658)
Other operating expenses-net		(1,352)	(1,785)
Profit from operations	4	32,689	13,532
Financial expense-net	29	(4,439)	(21,163)
Share of results of associates		-	5,145
Fair value loss of available-for-sale investments		(1,720)	(733)
Gain on net monetary position	2a	31,769	75,666
Profit before taxation on income		58,299	72,447
Taxes on income	19	(19,634)	(33,990)
Profit from ordinary activities after tax		38,665	38,457
Extraordinary item	30	(847)	(6,214)
Income before minority interest		37,818	32,243
Net (loss)/ income attributable to minority interest	22	(701)	2,269
Net income		37,117	34,512
Weighted average number (ooo's) of shares with face value of TL 1,000 value each	3	55,080,000	55,080,000
Basic and dilute earnings per share in full TL	3	674	627
Basic and diluted earnings per share excluding extraordinary item in full TL	3	689	739

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Share capital	Adjustment to share capital	Capital surplus	Translation reserve	Retained earnings			Shareholders' equity
					General reserves	Unappropriated net income	Total	
Balances at 31 December 2000	9,180	37,488	117,842	4,106	153,967	56,787	210,754	379,370
Transfers	-	-	-	-	56,787	(56,787)	-	-
Dividend relating to 2000	-	-	-	-	(9,799)	-	(9,799)	(9,799)
Addition to scope of consolidation	-	-	-	-	-	-	-	-
- Restore Bulgaria	-	-	-	-	(458)	-	(458)	(458)
Currency translation difference	-	-	-	(1,145)	-	-	-	-
Income for the year	-	-	-	-	-	34,512	34,512	(1145)
Balances at 31 December 2001	9,180	37,488	117,842	2,961	200,497	34,512	235,009	402,480
Dividend relating to 2001	-	-	-	-	-	(5,421)	(5,421)	(5,421)
Transfers	-	-	-	-	29,091	(29,091)	-	-
Increase in share capital	45,900	(45,900)	-	-	-	-	-	-
Currency translation difference	-	-	-	(4,414)	-	-	-	(4,414)
Income for the year	-	-	-	-	-	37,117	37,117	37,117
Balances at 31 December 2002	55,080	(8,412)	117,842	(1,453)	229,588	37,117	266,705	429,762

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	2002	2001
OPERATING ACTIVITIES			
Net income		37,117	34,512
Adjustments to reconcile net income to net cash (used in) / provided by operating activities:			
Minority interest		(545)	2,025
Depreciation and amortisation	12,13	54,099	63,374
Employment termination benefits-net		313	(1,598)
Taxation expense		19,634	28,306
Interest income		(50,829)	(95,589)
Interest expense		55,545	129,367
Loss on sales of property, plant and equipment		65	537
Impairment loss provided for property plant and equipment		6,044	-
Fair value loss of AFS investments		1,720	733
Effect of adoption of IAS 39 and addition of new subsidiary to scope of consolidation		-	(2,339)
Cash flows from operating activities before changes in operating assets and liabilities		123,163	159,328
Changes in operating assets and liabilities-net (excluding the effects of acquisitions and disposals):			
(Increase)/Decrease in trade receivables		(351)	18,282
Decrease in due from related parties		3,386	3,353
Decrease in inventories		7,800	8,777
(Increase) in other current assets		(4,110)	(10,703)
(Decrease) in trade payables		(2)	(76,533)
(Decrease)/Increase in due to related parties		(13,398)	16,505
(Decrease)/Increase in current liabilities		(110)	2,175
Increase in other non-current liabilities		1,547	1,206
Income taxes paid net of recovery of withholding taxes		(16,515)	(2,861)
(Increase)/Decrease in other non current assets		(4,395)	3,484
Net cash from operating activities		97,015	123,013
Investing activities			
Purchase of property, plant and equipment	12	96,072	(217,265)
Proceeds from sale of property, plant and equipment		180	13,442
Addition of investment property-net	15	-	(27,809)
(Increase)/Decrease in investments and investments in associates		(2,363)	41,413
Decrease in goodwill-net	14	-	5,825
Decrease in available-for-sale investments		7,817	19,393
Purchase of other intangible assets-net		(378)	(1,799)
Interest received		45,863	101,307
Net cash used in investing activities		(44,953)	(65,493)
Financing activities			
(Decrease)/Increase in short-term loans and short-term portion of long-term bank borrowings		(21,894)	77,113
Decrease in lease obligations		(11,043)	(3,376)
Dividends paid		(5,421)	(9,799)
Interest paid		(55,747)	(134,328)
Net cash used in financing activities		(94,105)	(70,390)
Effects of exchange rate changes		7,370	(1,145)
Net (decrease)/increase in cash and cash equivalents		(34,673)	(14,015)
Cash and cash equivalents at the beginning of the year	5	129,738	143,753
Cash and cash equivalents at the end of the year	5	95,065	129,738

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is mainly engaged in the retail sales of food and beverage, consumer and durable goods through its Migros and ok stores, shopping centers, Ramstores abroad and on-line shopping. The Company also rents floor space of the shopping malls to other trading companies. The average number of people employed in Migros during 2002 is 5,812 (2001: 6,000). Migros and its subsidiaries are operating in 452 (2001: 461) supermarkets with net retail space of 355,731 (2001: 332,331) square metres. Retailing is the sole business segment of Migros and its subsidiaries. Reportable segments comprise the geographical segments (Note 4).

The address of the registered office is as follows:

Migros Türk T.A.Ş.
Caferağa Mah. Damga Sok.
No:23-25 Kadıköy 81300
Istanbul

Subsidiary undertakings

The Company has the following subsidiaries ("the Subsidiaries"). The nature of the business of the Subsidiaries and, for the purpose of the consolidated financial statements, their respective geographical segments are as follows (see also Note 3 on Group accounting):

Subsidiary	Country of incorporation	Geographical segment	Nature of business
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore")	Azerbaijan	Azerbaijan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Retail
Limited Liability Company Rambutya ("Rambutya")	Kazakhstan	Kazakhstan	Retail
Şok Marketler Ticaret A.Ş. ("Şok Marketler")	Turkey	(*)	Trading
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	Turkey	(*)	Trading

(*) Not included in the scope of consolidation on the grounds of materiality (see Note 3.b).

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

- Ramstore Qapalı Tipli Şəhərdar Cəmiyyəti
Xətai Rayonu Babək Prospekti Məhəllə 1129
Baku, Azerbaijan
- Ramstore Bulgaria A.D.
BG – 2030, Kostenetz, 24 Jantra St.
Sofia, Bulgaria
- TOO Rambutya
Samal-1, Furmanova Street
Almaty, Kazakhstan

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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 İnşaat ve Sanayi A.Ş. ("Enka")	Russian Federation	Russia	Retail

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Turkish lira financial statements

The consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). The Company and its Subsidiaries and Associates registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the requirements of the Capital Market Board of Turkey ("CMB"), Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign Subsidiaries, Joint-venture and Associates maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the fiscal revaluation of property, plant and equipment as discussed in Note 12), with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS, issued by the IASB.

The restatement for the changes in the general purchasing power of the Turkish lira as of 31 December 2002 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). 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. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the financial statements at 31 December are given below:

Dates	Index	Conversion factors
31 December 2002	6,478,8	1,000
31 December 2001	4,951,7	1,308
31 December 2000	2,626,0	2,467

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The main procedures for the above mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous periods are restated in the same terms.
- 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 which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant monthly conversion factors.
- Comparative financial statements are restated by applying general inflation indices to the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the relevant (monthly) conversion factors.
- The effect of inflation on the net monetary liability position of the Company is included in the statement of income as gain on net monetary position.

b) Translation of foreign undertakings' financial statements

The results of Company's foreign undertakings are translated into Turkish lira at the average rate for the period except for the foreign Joint-venture reporting in the currency of a hyperinflationary economy, for which closing rates are applied to local currency amounts, and then restated in accordance with IAS 29 from the date of the transaction. The assets and liabilities of the Company's foreign undertakings are translated into Turkish lira at the closing rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign undertakings and differences between the average and year-end rates are included in translation reserve.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Group accounting

- a) The consolidated financial statements include the accounts of the parent company, Migros Türk Ticaret A.Ş., its Subsidiaries, Joint Venture and its Associates (altogether referred 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 IFRS applying uniform accounting policies and presentation. The results of subsidiaries and associates are included or excluded from their effective dates of acquisition or disposal respectively. Goodwill / (Negative goodwill) arising on the consolidation of subsidiary undertakings, joint venture or associates is reported separately in the balance sheet.
- b) Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

The table below sets out all Subsidiaries and shows their shareholding structure at 31 December:

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiary	Direct and indirect Shareholding by Migros and its Subsidiaries (%)	
	2002	2001
Ramstore (1)	79.75	79.75
Ramstore Bulgaria (1)	99.99	99.99
Rambutya(1)	51.00	51.00
Şok Marketler (2)	99.60	99.60
Sanal Merkez (2)	69.99	69.99

- (1) The balance sheets and statements of loss and income 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) Şok Marketler and Sanal Merkez are excluded from scope of consolidation on the grounds of materiality. These subsidiaries are accounted for as if they are available for-sale investments (see Notes 3 and 11)
- 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 at 31 December:.

Joint-venture	Direct and indirect Shareholding by Migros and its Subsidiaries (%)	
	2002	2001
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 Company 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 at 31 December 2002:

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associate	Proportion of ownership interest (%)	
	2002	2001
Temel Gıda GmbH ("Temel Gıda")	20.00	20.00
Koç Ece Proje Yönetimi ve Tic. A.Ş. ("Koç Ece")	25.00	25.00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32.00	-

Investments in these associates are not accounted for by the equity method of accounting on the grounds of materiality as their net result for the year and total shareholders' equity at the balance sheet date are immaterial to the overall consolidated financial statements, instead they are stated at cost less impairment, if any.

- e) Investments, in which Migros has controlling interests below 20%, or over which the Company does not exercise a significant influence, are carried at cost and restated to the equivalent purchasing power at 31 December 2002 less any impairment when their fair value cannot be reliably measured (Note 6). Effective from 1 January 2001, due to the adoption of IAS 39, all other investments are classified as available-for-sale equity securities (see Notes 3 and 6).
- f) The results of foreign Subsidiaries and joint-Venture are translated into Turkish lira at average rates for the period (except for foreign joint-venture reporting in the currency of a hyperinflationary economy, for which closing rates are used) and then restated in accordance with IAS 29 from the date of the transaction. The assets and liabilities of foreign undertakings of the Company are translated into Turkish lira at the closing rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and joint Venture and differences between the average and year-end rates are included in translation reserve.
- g) The minority shareholders' share in the net assets and results for the year for Subsidiaries are separately classified in the consolidated balance sheet and statement of income as minority interest.

Related parties

For the purpose of these consolidated financial statements, shareholders, 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. A number of transactions are entered into with related parties in the normal course of business (Note 8).

Investment securities

At 1 January 2001 Migros and its subsidiaries, joint-venture and associates adopted IAS 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to maturity. During the period the Group did not hold any investments in these categories.

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; 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investment securities**

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

For investments where there is no quoted market price and where a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable, they are stated at cost less any impairment in value.

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company 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 and provisions for loan impairment

Loans originated by the Company by providing money directly to a borrower, other than those that are originated with the intent to be sold immediately or in the short term, are classified as loans originated by the Company. All loans are recognised when cash is advanced to the borrowers and measured at amortised cost.

When the loan is originated by the Company 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 Company. 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.

Loans originated by the Company that have a fixed maturity are measured at amortised cost using the effective interest rate method.

A credit risk provision for loan impairment is established if there is objective evidence that the Company 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 loan 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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Inventories**

Inventories including mainly merchandise stocks are valued at the lower of cost restated to equivalent purchasing power at 31 December 2002 or net realisable value. Cost is determined by the weighted average method (Note 9). Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Investment property

Land and buildings that are held to earn rentals 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 (Note 15). 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 Company applies IAS 16, Property, plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 31 December 2002. Depreciation is provided on the restated amounts 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

Where the carrying amount of an asset is greater than its estimated 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 restated amounts and are included in the related income and expense accounts, as appropriate.

Goodwill

Goodwill and negative goodwill arising on consolidation, which represents the difference between the acquisition price and the attributable share of Migros and its Subsidiaries in the fair value of the underlying net assets of the company acquired, is capitalised and amortised. Goodwill is amortised using the straight-line method over its estimated useful life, generally 5 years. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary (Note 14). Negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable / amortisable assets.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Intangible assets**

Intangible assets other than goodwill 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. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 13).

Borrowings

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.

Leases

Leases of property, plant and equipment where the Company assumes substantially 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 so as 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 12).

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 income over the period of the lease (Note 25).

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 hyperstores are constructed are expensed over the life of the respective lease, which is generally 49 years (Notes 10 and 16). Apart from the initial prepayment, the lease contract provides for further annual payments.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Deferred taxes**

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.

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, the portion of allowance for unearned credit finance income and expense that is currently non-tax deductible /taxable, provision for employment termination benefits and carry forward tax losses.

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.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 21).

Foreign currency transactions and translation

Transactions in foreign currencies during the year 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 year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

The results of overseas Subsidiary undertakings and joint-venture are translated into Turkish lira at the average rate for the period (except for joint-venture reporting in the currency of hyperinflationary economy, for which closing rates are used) and then restated in accordance with IAS 29 from the approximate date of the transaction. The assets and liabilities of overseas undertakings are translated into Turkish lira at the closing rate for the period. Exchange differences arising on retranslation of the opening net assets of overseas subsidiaries and differences between the average and period-end rates are included in cumulative translation adjustment.

Revenue recognition

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 Company 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 27).

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 Company's right to receive payment is established.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Share capital and dividends**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Financial instruments and financial risk management

The Company'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 Company'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 Company.

Risk management is carried out by individual Subsidiaries and Associates under policies approved by their Board of Directors.

Interest rate risk

The Company 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

Ownership of financial assets involves the risk that counter parties 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 counter party. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

Foreign currency risk

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 33).

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 Company 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 Company can realize 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:

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Monetary assets***

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

The fair values of certain financial assets carried at 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 along with the related allowances for uncollectability are estimated to be their fair values.

Monetary 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 year-end exchange rates and accordingly their fair values approximate their carrying values.

Trading liabilities have been estimated at their fair values.

Earnings per share

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year 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 and revaluation surplus (Note 26). For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	2002	2001
Net income attributable to shareholders	37,117	34,512
Weighted average number of ordinary shares in issue	55,080,000,000	55,080,000,000
Earnings per share (expressed in full TL per share)	674	627

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION

In these consolidated financial statements at 31 December 2002 the reportable segments comprise the geographical segments, whilst retailing is the sole business segment.

a) External revenues	2002	2001
Turkey	1,245,199	1,352,390
Russian Federation	202,170	133,920
Kazakhstan	47,340	36,656
Bulgaria	11,233	9,803
Azerbaijan	7,330	6,259
	1,513,272	1,539,028
b) Operating profit/(loss)		
Russian Federation	25,193	19,860
Kazakhstan	5,229	1,658
Turkey	4,595	(4,788)
Azerbaijan	(632)	(1,592)
Bulgaria	(1,696)	(1,606)
	32,689	13,532

c) Segmental analysis for the year ended 31 December 2002	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	1,245,199	7,330	11,233	202,170	47,340	1,513,272	-	1,513,272
Inter segment revenues	3,766	-	27	420	-	4,213	(4,213)	-
Revenues	1,248,965	7,330	11,260	202,590	47,340	1,517,485	(4,213)	1,513,272
Cost of sales	(978,892)	(5,649)	(9,025)	(147,251)	(34,187)	(1,175,004)	3,754	(1,171,250)
Gross profit	270,073	1,681	2,235	55,339	13,153	342,481	(459)	342,022
Administrative expenses	(239,280)	(2,299)	(3,946)	(11,030)	(6,509)	(263,064)	459	(262,605)
Sales and marketing expenses	(23,801)	(67)	-	(19,116)	(2,392)	(45,376)	-	(45,376)
Other expense	(2,397)	53	15	-	977	(1,352)	-	(1,352)
Operating profit	4,595	(632)	(1,696)	25,193	5,229	32,689	-	32,689
External revenues	1,352,390	6,259	9,803	133,920	36,656	1,539,028	-	1,539,028
Inter segment revenues	5,711	-	-	-	-	5,711	(5,711)	-
Revenues	1,358,101	6,259	9,803	133,920	36,656	1,544,739	(5,711)	1,539,028
Cost of sales	(1,065,812)	(4,782)	(7,590)	(98,202)	(26,396)	(1,202,782)	5,711	(1,197,071)
Gross profit	292,289	1,477	2,213	35,718	10,260	341,957	-	341,957
Administrative expenses	(269,485)	(3,101)	(1,206)	(6,529)	(6,337)	(286,658)	-	(286,658)
Sales and marketing expenses	(24,956)	(9)	(2,613)	(10,139)	(2,265)	(39,982)	-	(39,982)
Other expense	(2,636)	41	-	810	-	(1,785)	-	(1,785)
Operating profit	(4,788)	(1,592)	(1,606)	19,860	1,658	13,532	-	13,532

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

d) Segment assets employed		
	2002	2001
Total assets		
Turkey	756,1419	779,254
Russian Federation	210,948	177,042
Kazakhstan	37,144	44,542
Bulgaria	19,098	21,668
Azerbaijan	6,006	7,982
Total combined	1,029,337	1,030,488
Less: Inter segment elimination	(98,840)	(87,006)
Total assets as per the consolidate financial statements	930,497	943,482

Net assets		
	2002	2001
Turkey	427,738	382,573
Russian Federation	78,722	84,053
Kazakhstan	11,841	7,365
Bulgaria	9,848	10,098
Azerbaijan	5,574	7,141
Total combined	533,723	491,230
Less: Inter segment elimination	(99,123)	(83,367)
Total net assets	434,600	407,863
Less minority interest	(4,838)	(5,383)
Total shareholder's equity as per the consolidate financial statements	429,762	402,480

e) Capital expenditures, depreciation and amortisation		
	2002	2001
Capital expenditures		
Russian Federation	61,476	47,378
Turkey	32,223	50,333
Azerbaijan	1,777	3,690
Bulgaria	691	10,979
Kazakhstan	283	205
	96,450	112,585
Depreciation and amortisation		
Turkey	45,792	58,424
Russian Federation	5,307	2,561
Kazakhstan	1,265	1,090
Bulgaria	1,229	770
Azerbaijan	288	529
	53,881	63,374

f) Minority interest		
Kazakhstan	3,894	3,609
Azerbaijan	939	1,769
Bulgaria	5	5
	4,838	5,383

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

	2002	2001
Cash in hand	5,054	7,843
Banks		
- demand deposits	16,103	29,422
- time deposits	14,484	31,445
Cheques in collection	241	618
Other liquid assets	59,183	60,410
	95,065	129,738

Weighted average effective interest rates on TL denominated time deposits accounts and on USD denominated bank accounts vary between 42-54% p.a. (2001: 60-61% p.a.), and 3-11.75% p.a. (2001: 5.71-11.75% p.a.), respectively. Time deposits have an average maturity of two months (2001: two months). Other cash equivalents mainly include receivables on credit card slips with an average maturity of 13 days.

NOTE 6 - CURRENT AVAILABLE - FOR - SALE INVESTMENTS

	2002	2001
Debt securities	88,419	91,536
Equity securities	4,993	5,113
	93,412	96,649

The details of debt securities at 31 December are as follows:

	2002		2001	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Treasury bills and government bonds	37.5%-57.85%	39,536	51.75%-78.46%	55,219
Eurobond (USD)	9.875%-12.4%	36,951	11.75%-12.375%	15,877
Foreign currency bonds (USD)	4%-8.79%	11,932	8%-10.8%	20,440
		88,419		91,536

Analysis of debt securities by maturity at 31 December is as follows:

	2002	2001
Period remaining to maturity		
1-30 days	10,182	14,034
30-90 days	21,231	14,997
90-180 days	9,130	18,004
180 days-one year	10,924	28,624
Over one year	36,952	15,877
	88,419	91,536

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 6 - CURRENT AVAILABLE - FOR - SALE INVESTMENTS (Continued)

Details of equity securities at 31 December are as follows:

	2002		2001	
	Shareholding	Amount	Shareholding	Amount
Listed				
Maret Marmara Bes. Et.San.Tic. A.Ş. ("Maret")	5%	832	5%	886
Not listed				
Koç Finansal Hizmetler A.Ş. ("KFS")	0.37%	4,161	-	-
Koçbank A.Ş.	-	-	0.56%	4,227
		4,993		5,113

On 18 July 2002 the Company's Board of Directors has decided to exchange its 0.56% shareholding at Koçbank A.Ş. for the shares of Koç Finansal Hizmetler A.Ş., the company that engages in the financial activities of the Koç Group. The transaction has been approved by the Board of Directors of Koç Finansal Hizmetler A.Ş. on 2 September 2002. As a result of this exchange, the Company no longer holds the shares of Koçbank A.Ş. but has acquired 0.37% of the shares of Koç Finansal Hizmetler A.Ş. KFS is stated at fair value after an impairment loss provision amounting to TL 1,666 billion. Impairment loss is recognised in fair value loss on available-for-sale investments in the income statement.

For Maret, which is traded in an active market, fair value is determined by reference to Istanbul Stock Exchange quoted bid prices at balance sheet dates.

NOTE 7 - TRADE RECEIVABLES

	2002	2001
Customers	30,458	27,319
Less: provision for impairment	(2,255)	(81)
	28,203	27,238

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances :	2002	2001
Koçbank		
- demand deposits	4,815	7,549
- time deposits	11,298	7,303
- other cash equivalents (credit card slip accounts)	34,523	37,669
Koçbank Azerbaijan		
- demand deposits	116	-
- time deposits	591	-
	51,343	52,521

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Due from related parties:	2002	2001
Tanı Pazarlama ve İletişim A.Ş.	254	-
Ram Dış Ticaret A.Ş.	178	2,477
Sanal Merkez T.A.Ş.	70	864
İzocam Tic. ve San. A.Ş.	51	6
Setur Divan Otel	45	34
Arçelik A.Ş.	39	20
Garanti Balfour Beatty Cons. Ind., Bulgaria	13	526
Other	214	323
Total	864	4,250
Due to related parties:	2002	2001
Düzye Tüketim Mal. San. Paz. ve Tic. A.Ş.	4,339	4,364
Maret Marmara Besicilik ve Et San.ve Tic. A.Ş.	3,866	3,916
Sek Süt Endüstrisi Kurumu San.ve Tic. A.Ş.	3,639	2,729
Ram Sigorta Aracılık Hizmetleri A.Ş.	1,684	39
Ram Dış Ticaret A.Ş.	650	14,907
Other	2,551	4,172
Total	16,729	30,127
Sales of goods:	2002	2001
Sanal Merkez Tic. A.Ş.	6,467	6,220
Setur Divan Otel	412	266
Setur Divan Kuruçeşme	206	207
Arçelik A.Ş.	204	208
Marmaris Altinyunus Turistik Tesisleri A.Ş.	185	518
Garanti Balfour Beatty İnş. San. ve Tic. A.Ş.	180	188
Aygaz A.Ş.	162	38
Türk Traktör ve Ziraat Makinaları A.Ş.	158	349
İzocam Tic. ve San. A.Ş.	103	48
Other	791	920
Total	8,868	8,962
Fixed asset purchases:	2002	2001
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	713	2,020
Otokoç Otomotiv Tic. ve San. A.Ş.	314	-
Birleşik Motor Sanayi ve Tic. A.Ş.	154	-
Tekiz İzolasyon ve Yapı Elemanları A.Ş.	-	444
Other	30	367
Total	1,211	2,831

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Inventory purchases:	2002	2001
Maret Marmara Besicilik ve Et San. ve Tic.A.Ş.	26,574	26,184
Sek Süt Endüstrisi Kurumu San.ve Tic. A.Ş.	20,189	22,512
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	17,938	17,826
Pastavilla Kartal Makarnacılık San. ve Tic.A.Ş.	1,820	1,881
Ram Dış Ticaret A.Ş.	1,517	11,560
Tat Konserve San. A.Ş.	1,432	1,700
Kofisa Dış Ticaret A.Ş.	1,250	-
Divan Otelcilik	726	788
Koç Ata Sanayi	594	260
Sanal Merkez	560	182
Other	358	560
Total	72,958	83,453
Service purchases:	2002	2001
TNT Lojistik Dağıtım Hizmetleri A.Ş.	8,216	1,004
Koç Ece	4,511	2,248
Koç Holding A.Ş.	2,220	768
Ram Sigorta Aracılık Hizmetleri A.Ş.	2,146	2,453
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	1,518	229
Garanti Balfour Beatty Cons. Ind. and Trading Co. Inc, Bulgaria	520	12,579
Other	1,484	1,533
Total	20,615	20,834
Borrowings:	2002	2001
Koçbank A.Ş.	-	-
Short-term debt	4,937	-
Koçbank Nederland N.V.	-	-
Short-term debt	1,806	7,850
	6,743	7,850
Rent Income:	2002	2001
Koçbank A.Ş.	319	149
Arçelik A.Ş.	196	122
Setur Servis Turistik A.Ş.	105	157
Other	119	76
	739	504
Rent Expense :	2002	2001
Temel Ticaret ve Yatırım A.Ş.	985	1,198
Vehbi Koç Vakfı	723	-
Koç Allianz Sigorta A.Ş.	400	457
Koç Holding Emekli Yardım Sandığı Vakfı	400	-
Other	123	-
	2,631	1,655

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Interest income:	2002	2001
Koçbank A.Ş.	2,526	11,289
Koçbank Azerbaycan	30	-
	2,556	11,289
Interest expense:	2002	2001
Koç Finansal Kiralama A.Ş.	837	2,280
Koçbank Nederland N.V.	539	1,388
Koçbank A.Ş.	32	-
	1,408	3,668
Dividend received:	2002	2001
Koç Finansal Hizmetler A.Ş.	335	-
Temel Gıda GmbH	10	-
Marmara Besicilik ve Et San. Ve Tic.A.Ş.	-	54
	345	54
Dividend paid:	2002	2001
Temel Ticaret ve Yatırım A.Ş.	2,804	4,978
Koç Holding A.Ş.	14	25
	2,818	5,003
Management fee received:	2002	2001
Tanı Pazarlama ve İletişim Hiz. A.Ş.	242	-
Donations	2002	2001
Vehbi Koç Vakfı Koç Üniversitesi	700	1,046

NOTE 9 - INVENTORIES

	2002	2001
Merchandise stock	87,221	94,469
Other	1,563	2,073
	88,784	96,542
Less: Provision for obsolescence	(923)	(881)
	87,861	95,661

Inventories of TL1,410 billion are carried at net realisable value (2001: TL1,340 billion).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 10 - OTHER CURRENT ASSETS

	2002	2001
Value Added Tax ("VAT") receivable	17,432	4,089
Prepaid expenses	12,101	16,576
Advances given	2,642	708
Prepayments for land leases	406	233
Rent receivable	216	4,719
Prepayments and accrued income	180	1,782
Taxes and funds deductible	162	111
Due from employees	148	502
Other	571	1,028
	33,858	29,748

NOTE 11 - NON-CURRENT AVAILABLE-FOR-SALE INVESTMENTS AND INVESTMENTS IN ASSOCIATES

	2002		2001	
	TL billion	Shareholding %	TL billion	Shareholding %
Non-current available-for-sale investments				
Sanal Merkez (*)	915	69.99	915	69.99
Şok Marketler (*)	401	99.60	401	99.60
	1,316		1,316	

(*) 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 Company. They have been accounted for as if they were available-for-sale investments and are stated at cost as they do not have quoted market prices in active markets and their fair values cannot be reliably measured.

	2002		2001	
	TL billion	Shareholding %	TL billion	Shareholding %
Investments in associates				
Tanı Pazarlama	1,920	32.00	-	-
Koç Ece (Note 34)	1,401	25.00	958	25.00
Temel Gıda	1	20.00	1	20.00
	3,322		959	

The percentage of ownership in amounts are computed over the nominal value of shares.

Investments in which Migros has attributable interests of 20% or more, which are immaterial to the overall consolidated financial statements, are carried at cost and restated to equivalent purchasing power at 31 December 2002. These companies have not been either accounted for using the equity method or carried at their fair value at the balance sheet date due to the insignificance of their combined impact on the consolidated net worth, financial position and results of the Company and not having a reliably measured fair value at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT - NET

	Opening 1 January 2002	Additions	Disposals	Impairment loss	Transfers	Transfer to investment property	Effect of changes in foreign exchange rates	Closing 31 December 2002
Cost								
Land and buildings	221,052	9,028	-	-	43,455	-	(9,121)	264,414
Leasehold improvements	231,579	2,111	-	(10,313)	1,011	-	-	224,388
Machinery and equipment	246,914	4,722	(520)	-	5,409	-	(1,514)	255,011
Furniture and fixtures	55,107	1,647	(286)	-	1,900	-	(351)	58,017
Motor vehicles	3,882	607	(197)	-	149	-	(841)	3,600
Construction in progress	3,354	66,226	(104)	(820)	(43,367)	(20,344)	438	5,383
Advances given	4,895	11,731	-	-	(8,557)	-	-	8,069
	766,783	96,072	(1,107)	(11,133)	-	(20,344)	(11,389)	818,882
Accumulated depreciation								
Buildings	(17,513)	(5,281)	-	-	-	-	520	(22,274)
Leasehold improvements	(75,229)	(16,877)	-	5,089	2,698 (NOTE 13)	-	-	(84,319)
Machinery and equipment	(125,965)	(24,354)	406	-	(7)	-	437	(149,483)
Furniture and fixtures	(29,482)	(5,697)	278	-	7	-	167	(34,727)
Motor vehicles	(1,159)	(532)	178	-	-	-	(2)	(1,515)
	(249,348)	(52,741)	862	5,089	2,698	-	1,122	(292,318)
Net book value	517,435	(4,331)	(245)	(6,044)	2,698	(20,344)	(10,267)	(526,564)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT-NET (Continued)

Since 1984, using an option granted under Turkish tax legislation, the Company has revalued in its statutory books of account its property, plant and equipment that has been in use for more than one year (excluding land, which can not be revalued), and the related accumulated depreciation at each year-end, by using the rates and procedures prescribed by the legislation. The resulting increases in the net book values of the assets are included under shareholders' equity as revaluation surplus in the statutory records. The Company may use the revaluation surplus for issuance of free capital shares to existing shareholders. However, if the revaluation increment is included in an account other than the revaluation surplus account, the amount is subject to corporation tax.

At 31 December 2002 the historical amounts of revaluation surplus included in equity of the Company are as follows:

	Historical amount of revaluation surplus TL billion
31 December 2002	86,830
31 December 2001	65,702

In the statutory books of account, depreciation is provided on revalued amounts, except for the net revaluation increment applicable to buildings, and such depreciation is deductible in the computation of income subject to corporation tax.

All entries related to such revaluation which were recorded in the statutory books of account of the Company have been eliminated in the consolidated financial statements as part of the restatement process referred to in Note 2.

Borrowing costs of TL491 billion (2001: TL63 billion) 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 following machinery and equipment:

	2002	2001
Net book value	25,496	29,654

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2002	Additions	Disposals	Transfers (Note 12)	Effect of changes in foreign exchange rates	Closing 31 December 2002
Rights	4,293	378	-	-	(77)	4,594
Other intangible assets	2,698	-	-	-	-	2,698
Accumulated amortisation	(2,269)	(549)	-	(2,698)	20	(5,496)
Net book value	4,722	(171)	-	(2,698)	(57)	1,796

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 14 - GOODWILL

	Opening 1 January 2002	Additions	Disposals	Transfers	Closing 31 December 2002
Goodwill	4,248	-	-	-	4,248
Negative goodwill	(5,609)	-	-	-	(5,609)
Accumulated amortisation	(447)	(218)	-	-	(665)
Net book value	(1,808)	-	-	-	(2,026)

In 2001 Migros purchased 9.21% of the issued share capital of Rambutya for a cash consideration of TL 6,142 billions and 10% of the issued share capital of Ramenka for a cash consideration of TL 14,126 billions and 7% of the issued share capital of Ramstore for a cash consideration of TL6,684 billions from Ram Dış Tic. A.Ş.

Details of total net assets acquired during the year ended 31 December 2001 and related goodwill and negative goodwill are as follows:

	2002	2001
Total cash consideration (net of cash acquired)	26,952	26,952
Less: net assets acquired at fair value	(32,561)	(32,561)
Negative Goodwill	(5,609)	(5,609)

NOTE 15 - INVESTMENT PROPERTY

	Opening 1 January 2002	Additions	Transfers (Note 12)	Effect of changes in foreign exchange rates	Closing 31 December 2002
Cost					
Land and buildings	29,352	-	20,344	(1,542)	48,154
Total	29,352	-	20,344	(1,542)	48,154
Accumulated depreciation					
Land and buildings	(1,543)	(591)	-	82	(2,052)
Net book value	27,809	(591)	20,344	(1,460)	46,102

Investment property owned by the Company is leased stores area under rent agreements. Fair value of investment property was estimated using the discounted cash flow projections at the year end as comparable sale of property transactions are infrequent. The Company has estimated that fair value of its investment property at 31 December 2002 amounted to TL90,005 billion (2001: TL59,350 billion).

NOTE 16 - OTHER NON-CURRENT ASSETS

	2002	2001
Prepayments for land leases	12,735	6,185
Prepaid expenses	1,002	3,479
Other	423	101
Total	14,160	9,765

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 17 - BANK BORROWINGS

		2002	
	Interest rate p.a.	U.S. Dollars	TL billion
Short-term bank borrowings	7.50-12.25%, Libor+1.8% to Libor+3%	10,876	17,777
Current portion of long-term bank borrowings			
With fixed interest rates	6.50%-10.85%	6,412	10,516
With floating interest rates	Libor+2.35% to Libor+8.00%	7,285	11,915
Short-term bank borrowings		24,573	40,208
Long term bank borrowings			
With fixed interest rates	6.50%-10.85%	26,345	43,197
With floating interest rates	Libor+2.35% to Libor+8.00%	28,315	46,284
Long-term bank borrowings		54,660	89,481
Total bank borrowings		79,233	129,689
		2001	
	Interest rate p.a.	U.S. Dollars	TL billion
Short-term bank borrowings	7%-12%	5,616	10,605
Current portion of long-term bank borrowings	8%-11%	12,019	22,687
Short-term bank borrowings		17,635	33,292
Long-term bank borrowings	8%-11%	62,798	118,493
Total bank borrowings		80,433	151,785

The redemption schedule of long term bank borrowings is as follows:

	U.S. Dollars	TL billion
2004	12,061	19,753
2005	12,040	19,719
2006	12,530	20,523
2007 and over	18,029	29,486
	54,660	89,481

Short-term bank loan obligations of Ramenka amounting to USD9,771,000 which are all classified as short-term borrowings have been repaid upon receipt of the new tranche of the IFC loan in the amount of USD15,000,000 in January 2003.

NOTE 18 - TRADE PAYABLES

	2002	2001
Supplier current accounts	236,331	240,157
Payables with regard to construction-in-progress	9,567	-
Notes payable	-	3,836
Other	41	-
	245,939	243,993

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME

	2002	2001
Corporation and income taxes currently payable	8,886	10,373
Less: prepaid taxes	(6,102)	(4,951)
Taxes on income	2,784	5,422

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.

In Turkey corporation tax is payable at the rate of 33% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Income exempt from corporation tax (except dividend income received from Turkish companies) is subject to withholding tax at the rate of 19.8% regardless of whether the profits are distributed.

Dividends paid by the Company are subject to a withholding tax calculated on the gross dividend to be paid at the rate of 16.5% for private companies and 5.5% for quoted companies. An increase in capital using distributable profit or by issuing bonus shares is not considered as a profit distribution and thus there is no withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 15th 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.

Interest income on Turkish government bonds and treasury bills is subject to corporation tax.

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 and projected capital expenditures for the following year are eligible for investment allowance incentives. Such allowance is available to companies for specific capital investments and are deductible from taxable income prior to the calculation of the corporate income tax. Investment allowance incentives utilised are subject to withholding tax at the rate of 19.8% (2001: 19.8%).

In May 2000, Council of State resolved to cancel the payment of withholding tax on investment incentive allowance. Further to this resolution, the Company filed a court case for the refund of the withholding tax, amounting to TL2,702,599 million, on investment incentive allowance paid for 1999. As the court case was finalised in favour of the Company, no withholding tax provision is accounted for in 31 December 2001 financial statements. The Company recognised the amount of TL2,702,599 million as income following the final resolution of the General Assembly of Tax Courts Office.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing. During this 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.

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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

Russia

The applicable income tax rate was 35% in Russia in 2001. An income tax rate of 24% has been enacted in August 2001 and became effective starting from 1 January 2002.

Under the Russian taxation system tax losses can generally be carried forward to offset future taxable profits over the subsequent 10 year. The maximum offset in any one year is limited to 30% of the total taxable profit of the year. Losses not offset in the eligible periods are lost.

Kazakhstan

Rambutya is exempt from income tax for five years beginning 1999 on income received from the Ramstore cinema, skating rink, skate rental shop, gymnasium and parking place and a 50% exemption for the same income for one year thereafter. Rambutya also has exemptions over property tax and land tax for 5 years starting from 1999.

The taxation on income for the year ended 31 December, expressed in terms of the purchasing power of the Turkish lira at 31 December 2002, is summarised as follows:

	2002	2001
Deferred tax expense	(5,757)	(17,569)
Current tax expense	(13,877)	(16,421)
Taxation on income	(19,634)	(33,990)

Deferred taxes

The Company recognises deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 December, using the enacted tax rates, are as follows:

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2002	2001	2002	2001
Lease obligations	9,064	20,401	2,991	6,732
Tax losses carried forward	8,541	10,843	2,426	2,602
Provision for employment termination benefits	3,426	3,113	1,130	1,027
Allowance for unearned interest income	465	1,079	154	356
Accounts payable	-	2,405	-	577
Unused investment incentive allowances (unused tax credits)	-	90,450	-	11,939
Temporary difference on inventory	1,569	(627)	465	(131)
Effects of restatement of property, plant and equipment	(197,351)	(230,649)	(60,499)	(71,602)
Allowance for unincurred interest expense	(12,389)	(14,341)	(4,088)	(4,732)
Fair value adjustment on investments	(2,427)	748	(801)	247
Prepayments for land lease	(217)	(929)	(52)	(222)
Trade receivables	-	(567)	-	(137)
Non-current assets	-	(364)	-	(101)
Other	(3,495)	102	(904)	24
	(192,814)	(118,336)	(59,178)	(53,421)

Movements in deferred taxes can be analysed as follows:

	Deferred tax assets/(liabilities)
1 January 2001	(25,115)
Effect of adopting IAS 39	489
Deferred tax liability arising through the addition of new subsidiaries to scope of consolidation (Note 2)	(11,226)
Charge to statement of income	(17,569)
31 December 2001	(53,421)
Charge to statement of income	(5,757)
31 December 2002	(59,178)

NOTE 20 - OTHER CURRENT LIABILITIES

	2002	2001
Taxes and funds payable	10,044	12,481
Payable to personnel	4,567	3,185
Security deposits	2,253	1,349
Payable due to land leases	2,043	-
Miscellaneous accrued expenses	1,833	2,363
Deferred income	582	1,717
Other	2,191	2,528
	23,513	23,623

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

There are no agreements for pension commitments other than the legal requirement as explained below:

Under Turkish Labor 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 after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 2000 there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL1,260,150,000 (2001: TL978,020,000) for each year of service at 31 December 2002.

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.

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2002	2001
Discount rate	6%	7%
Turnover rate to estimate the probability of retirement	81.33%	80.67%

The principal assumption is that the maximum liability of TL1,260,150,000 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 TL1,260,150,000 (2001: TL978,020,000-historic amount) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

Movements of the provision for employment termination benefits during the year were as follows:

	2002	2001
Balance-1 January	3,113	4,709
Increase for the year	1,227	794
Less: monetary gain	(914)	(2,390)
Balance-31 December	3,426	3,113

The average number of people employed by the Company, its Subsidiaries and Joint-Venture during 2002 was 8,545 (2001: 8,108) in aggregate.

NOTE 22 - MINORITY INTEREST

Changes in minority interest during the year are as follows:

Year	1 January	Increase in share capital	Increase in minority interest due to subsidiaries added to scope of consolidation	Decrease in minority interest due to share acquisitions	Net (loss)/ income attributable to minority interest	Translation Reserve	31 December
2001	3,357	-	4,801	(506)	(2,269)	-	5,383
2002	5,383	-	-	-	701	(1,246)	4,838

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 23 - SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Market Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of TL1,000. The Company's historical authorised and paid-in share capital at 31 December was as follows:

	2002	2001
Limit on registered share capital (historical)	100,000	9,180
Historical authorised and paid-in share capital	55,080	9,180

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

The shareholders of the Company and their shareholders to capital with historical figures as at 31 December 2002 and 2001 are stated below:

Shareholders	2002		2001	
	Share %		Share %	
Temel Ticaret ve Yatırım A.Ş.	27,985	50.81	4,664	50.81
Public quotation	26,957	48.94	4,493	48.94
Koç Holding A.Ş.	138	0.25	23	0.25
	55,080	100.00	9,180	100.00

Adjustment to share capital represents the restatement effect of the cash contributions to share capital in year-end equivalent purchasing power.

There are 55,080,000,000 (2001: 9,180,000,000) unit of shares with face value of TL1,000 (2001: TL1,000) each. There are no privileged shares.

NOTE 24 - CAPITAL SURPLUS

Capital surplus represents the net proceeds from the offering of the Company's shares remaining 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 August 5, 1998, the Company sold 75,000,000 shares in foreign stock exchange markets and obtained funds at a net amount of TL117,842 billion expressed in terms of the purchasing power of the TL at 31 December 2002. This surplus was also recorded in shareholders' equity and was not available for distribution.

NOTE 25 - LEASE OBLIGATIONS

	2002			2001		
	EUR	USD	TL equivalent	EUR	USD	TL equivalent
Short-term lease obligations	497	3,519	6,598	455	5,142	10,440
Long-term lease obligations	1,096	546	2,760	1,594	3,885	9,961
	1,593	4,065	9,358	1,593	9,027	20,401

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 25 - LEASE OBLIGATIONS (Continued)

Repayment plan of long-term lease obligations is as follows:

	EUR	USD	TL equivalent
2004	544	468	1,692
2005	552	78	1,068
	1,096	546	2,760

Leasing agreements were signed with Koç Finansal Kiralama A.Ş. and Siemens Finansal Kiralama A.Ş. Effective interest rates vary between 8-13% p.a.

NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES

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.

Dividend distribution is made by the Company in Turkish lira in accordance with its Articles after deducting taxes and setting aside the legal reserves as discussed above.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

According to CMB regulations quoted companies have the following two options; they may either distribute dividends in cash or in Company's shares or they may elect not to distribute any dividends at all. However, the CMB may require the company to distribute dividends in cash. If the company makes a decision to distribute any dividends, distribution should be made in the five months following the year-end.

Composition of prior periods' earnings and dividends (per Statutory Financial Statements) at 31 December (not adjusted for inflation) are as follows:

	2002	2001
Legal reserves	3,562	2,300
Undistributed general reserve	44,444	32,521
Unappropriated net income	12,186	17,776
Balance-31 December	60,192	52,597
Historical amounts of dividends distributed during year from previous periods'net income per statutory financial statements	4,590	4,590

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

As disclosed in Note 2, the Company prepares its statutory financial statements in accordance with TCC, CMB and tax legislation. Effective from 1 January 2003, it is mandatory for all listed companies to adopt two new standards, which are approved and issued by the CMB, namely, Financial Reporting in Hyperinflationary Economies and Consolidated Financial Statements and Accounting for Investments in Subsidiaries, Associates and Joint Ventures for the first time for the year ended 31 December 2003. Following the adoption of the new standards, listed companies, after deducting taxes and setting aside the legal reserves, will only be allowed to distribute the lower of net income in financial statements prepared in accordance with TCC or net income in financial statements prepared in accordance with CMB as dividends to their shareholders.

NOTE 27 - NET SALES

	2002	2001
Domestic sales	1,501,244	1,548,012
Exports	362	255
Other	40,726	22,724
Gross sales	1,542,332	1,570,991
Less: discounts and returns from sales	(29,060)	(31,963)
Net sales	1,513,272	1,539,028

NOTE 28 - GENERAL AND ADMINISTRATIVE EXPENSES

	2002	2001
Staff costs	87,283	103,986
Depreciation	54,099	63,374
Rent	46,978	48,508
Energy	24,886	27,539
Repair, maintenance, and cleaning	12,711	13,313
Telecommunication	4,246	4,547
Mechanisation	4,045	3,996
Food	3,978	4,328
Taxes and other fees	3,534	1,028
Parent company service charges	2,220	768
Stationary	1,559	1,806
Travel	1,240	1,530
Employment termination benefits	1,227	794
Other	14,599	11,141
	262,605	286,658

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 29 - FINANCIAL (EXPENSE)/INCOME-NET

Financial income:	2002	2001
Interest on debt securities	30,006	44,701
Foreign exchange gain	15,625	69,572
Due date difference on credit sales	15,017	26,265
Interest income from time deposits	6,677	23,248
Other interest income	463	1,375
Total financial income	67,788	165,161
Financial expense:	2002	2001
Due date difference on credit purchases	(45,588)	(63,736)
Foreign exchange loss	(16,080)	(56,909)
Interest expense on bank borrowings	(8,608)	(62,483)
Interest expense on lease obligations	(1,349)	(3,148)
Other	(602)	(48)
Total financial expense	(72,227)	(186,324)
Net financial (expense)/income	(4,439)	(21,163)

NOTE 30 - EXTRAORDINARY ITEM

Ramstore Baku made prepayments for a land on which a superstore would be established. However, the government of Azerbaijan did not allow the Company to make the establishment on the mentioned location and exchanged the land with another one on a different location. The extraordinary expense amounting to TL847 billion for the year ended 31 December 2002 is due to the expense exposed by Ramstore Baku regarding the situation explained above.

The extraordinary expense amounting to TL6,214 billion for the year ended 31 December 2001 is due to damages arisen on certain property, plant and machinery as a result of the fire occurred in Ramstore Baku superstore in 2001.

NOTE 31 - INTEREST IN JOINT VENTURE

The Company has a 50% interest in a joint venture, "Limited Liability Company Ramenka", which runs a network of hyper stores and shopping malls in Moscow. The following amounts represent the Company's 50% share of the assets, liabilities, sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 31 - INTEREST IN JOINT VENTURE (Continued)

	2002	2001
Property, plant and equipment	153,841	127,500
Other non-current assets	13,069	6,184
Current assets	44,038	43,357
	210,948	177,041
Long-term bank borrowings	(40,237)	(49,418)
Provisions	(13,808)	(9,396)
Current liabilities	(78,182)	(34,175)
	(132,227)	(92,989)
Net assets	78,721	84,052
Sales	202,590	133,920
Profit before tax	29,739	26,408
Income taxes	(6,984)	(1,118)
Profit after tax	22,755	25,290

NOTE 32 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Other guarantees given were as follows at 31 December:

	2002	2001
Pledges (*)	248,092	221,584
Letters of guarantee and commitments	18,218	38,243
Letters of guarantee given to banks	18,674	21,522
	284,984	281,349

* All assets of Rambutya amounting to TL37,144 billion (Cash and due from banks TL 2,310 billion, trade receivables TL497 billion, inventories TL3,401 billion, property, plant and equipment TL30,936 billion) are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD11 million dollar.

All assets of Ramenka amounting to TL210,948 billion (Cash and due from banks TL5,579 billion, trade receivables TL4,698 billion, due from related parties TL166 billion, inventories TL12,972 billion, other current assets TL20,622 billion, property, plant and equipment TL107,740 billion, investment property TL46,102 billion and other non-current assets TL13,069 billion) are also pledged as security for the IFC loan amounting to USD30 million dollar.

Ramenka signed two new agreements with IFC, C Loan Agreement and Third Loan Agreement providing USD10 million dollar and USD60 million dollar respectively. The two of the participants, Migros and Enka İnşaat, act as guarantors for this loan.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 32 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

b) Other guarantees taken were as follows at 31 Decembers:

	2002	2001
Long-term commitments obtained from customers	47,254	15,306
Commitments obtained from banks	-	4,068
	47,254	19,374

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

Payable within 1 year	726	798
Payable in 1 to 2 years	726	798
Payable in 2 to 5 years	2,179	2,394
Payable in 5 to 10 years	3,244	3,766
Payable after 10 years	4,934	4,752
Balance-31 December	11,809	12,508

d) Russian and Kazakhstan tax legislations 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 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.

The potential exposure that may arise due to the above matter regarding the tax legislation can not be reliably measured and therefore no provision has been provided in these consolidated financial statements. Besides, management believes that the Company will be able to defend its position in court regarding the matter.

NOTE 33 - FOREIGN CURRENCY POSITION

Historical amounts of assets and liabilities denominated in foreign currency held by the Parent Company at 31 December are as follows:

	2002	2001
Assets	69,897	55,180
Liabilities	(50,880)	(73,590)
Net foreign currency position	19,017	(18,410)

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL.) in terms of the purchasing power of the TL at 31 December 2002 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 33 - FOREIGN CURRENCY POSITION (Continued)

TL equivalents of foreign currency amounts		2002	2001
Cash and cash equivalents	USD	3,871	9,884
	EUR	82	150
Investment securities			
- Eurobonds	USD	36,951	15,877
- Foreign currency bonds	EUR	11,932	20,440
Trade receivables, due from related parties and other receivables	USD	17,062	8,829
Bank borrowings	USD	38,043	62,977
Trade payables, due to related parties lease obligations and other liabilities	USD	10,063	9,844
	EURO	2,740	10
	GBP	34	-
	ITL	-	398
	FRF	-	65
	DM	-	56
	NLG	-	238

NOTE 34- SUBSEQUENT EVENTS

- On 20 February 2003, the Board of Directors decided to purchase the furniture and fixture in 11 stores that will be rented from Oypa A.Ş. for a purchase consideration of USD5,600,000.
- On 20 March 2003, the Board of Directors decided to sell the shares of "Koç Ece" with a nominal value of TL897 billion to Ece Project Management International for a consideration of nil. After this transaction, investment share of Migros in Koç Ece decreased from 25% to 2%.
- As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003, Ramenka will no longer apply IAS 29.
- On 9 April 2003, amendments to Tax Law 4842 were approved by the Turkish Parliament. It is expected that amendments to Tax Law will be published in the Official Gazette and enacted late in April 2003. According to the aforementioned amendments, the corporation tax rate changes to 30% after adjusting for certain disallowable expenses, exempt income and investment and other allowances. In addition, corporations will be required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Prior to the amendments, the rate was 25%.

According to the amendments to the tax law, capital expenditures over TL5 billion are eligible for investment incentive allowance of 40%, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted to applications filed prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

In addition, profit distribution to resident corporate shareholders and non-resident shareholders with business place in Turkey is not subject to profit distribution tax anymore.

7. INTERNATIONAL NETWORK

COUNTRY	COMPANY NAME	ADDRESS	TELEPHONE	FAX
Azerbaijan	Ramstore Azerbaijan	Babek Prospekti 1129.cu Mehelle Baku-Azerbaijan	+00 99-412-903200 +00 99-412-903202 +00 99-412-903204 +00 99-412-903206	+00 99-412-903201 +00 99-412-903205
Bulgaria	Ramstore Bulgaria AD	196 Al. Stamboliysky Boulevard 1309 Sofia-Bulgaria	+00 359-2-9200550 +00 359-2-9202017	+00 359-2-9293671
Kazakhstan	Rambutya Ramstore	Furmanova Street 226 Almaty Kazakhstan	+00 7-3272-587580 +00 7-3272-587581	+00 7-3272-587570
Russian Federation	Ramenka Ramstore	121351 Yartsevskaya 19 Moscow-Russian Federation	+00 70-95-9370440 +00 70-95-9371972	+00 70-95-9370441 +00 70-95-9371971

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