MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2003
TOGETHER WITH AUDITOR'S REPORT

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 2003 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 2003. 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 consolidated 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 2003 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

Istanbul, 26 March 2004

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		* 2003			
	Notes	**USD**	**EURO**	**2003**	**2002**
ASSETS					
Current assets					
Cash and cash equivalents	5	95,593	76,462	133,431	108,319
Available-for-sale investments	6	75,943	60,744	106,003	106,436
Trade receivables	7	21,837	17,466	30,480	32,135
Due from related parties	8	969	775	1,353	984
Inventories	9	85,596	68,465	119,476	100,111
Other current assets	10	17,923	14,336	25,018	38,579
Total current assets		**297,861**	**238,248**	**415,761**	**386,564**
Non-current assets					
Available-for-sale investments	11	1,074	859	1,499	1,499
Investments in associates	11	2,824	2,259	3,942	3,785
Investment property	15	33,745	26,992	47,103	52,530
Property, plant and equipment	12	419,053	335,189	584,929	599,980
Intangible assets	13	1,765	1,411	2,463	2,046
Goodwill	14	(1,800)	(1,440)	(2,513)	(2,308)
Other non-current assets	16	9,223	7,377	12,874	16,134
Total non-current assets		**465,884**	**372,647**	**650,297**	**673,666**
Total assets		**763,745**	**610,895**	**1,066,058**	**1,060,230**

These consolidated financial statements have been approved by the Board of Directors on 26 March 2004.

* US dollar and Euro amounts presented above are translated from Turkish Lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at 31 December 2003 and therefore do not from a part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2b).

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		* 2003			
	Notes	**USD**	**EURO**	**2003**	**2002**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank borrowings	17	17,256	13,802	24,086	45,814
Lease obligations	22	941	752	1,313	7,518
Trade payables	18	223,355	178,656	311,767	280,229
Due to related parties	8	19,370	15,493	27,037	19,061
Taxes on income	19	2,386	1,908	3,330	3,172
Other current liabilities	20	16,014	12,809	22,353	26,791
Total current liabilities		**279,322**	**223,420**	**389,886**	**382,585**
Non-current liabilities					
Bank borrowings	17	68,925	55,131	96,208	101,957
Lease obligations	22	691	552	964	3,145
Provision for employment termination benefits	21	3,427	2,741	4,783	3,904
Deferred tax liabilities	19	21,523	17,215	30,042	67,429
Other non-current liabilities		2,121	1,697	2,961	6,016
Total non-current liabilities		**96,687**	**77,336**	**134,958**	**182,451**
Total liabilities		**376,009**	**300,756**	**524,844**	**565,036**
Minority interest	**4, 23**	**4,435**	**3,548**	**6,191**	**5,513**
Shareholders' equity					
Share capital	24	98,651	78,908	137,700	55,080
Adjustment to share capital	24	(60,555)	(48,436)	(84,525)	(1,905)
Total paid-in capital		38,096	30,472	53,175	53,175
Capital surplus	25	96,195	76,944	134,272	134,272
Translation reserve	2.c	(15,718)	(12,573)	(21,940)	(1,656)
Retained earnings	26	264,728	211,748	369,516	303,890
Total shareholders' equity		**383,301**	**306,591**	**535,023**	**489,681**
Total liabilities and shareholders' equity		**763,745**	**610,895**	**1,066,058**	**1,060,230**
Commitments and contingent liabilities	32				

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

CONSOLIDATED INCOME STATEMENTS 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 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		* 2003			
	Notes	**USD**	**EURO**	**2003**	**2002**
Net sales	4,27	1,326,728	1,061,214	1,851,894	1,724,258
Cost of sales		(1,035,775)	(828,488)	(1,445,771)	(1,334,550)
Gross profit		**290,953**	**232,726**	**406,123**	**389,708**
Sales and marketing expenses		(26,711)	(21,365)	(37,284)	(35,026)
General and administrative expenses	28	(232,214)	(185,742)	(324,133)	(315,895)
Other operating expenses - net		(1,283)	(1,026)	(1,791)	(1,541)
Profit from operations	4	**30,745**	**24,593**	**42,915**	**37,246**
Financial income/(expense) - net	29	4,057	3,245	5,663	(5,058)
Share of loss of associates		(3,129)	(2,502)	(4,367)	-
Fair value gain/(loss) of available-for-sale investments		341	273	476	(1,960)
Gain on net monetary position	2a	6,520	5,215	9,101	36,198
Profit before taxation on income and minority interest		**38,534**	**30,824**	**53,788**	**66,426**
Taxes on income	19	13,291	10,631	18,552	(22,371)
Profit from ordinary activities after tax and before minority interest		**51,825**	**41,455**	**72,340**	**44,055**
Extraordinary item	30	-	-	-	(965)
Income before minority interest		**51,825**	**41,455**	**72,340**	**43,090**
Net (loss)/income attributable to minority interest	23	(842)	(673)	(1,175)	(798)
Net income		**50,983**	**40,782**	**71,165**	**42,292**
Weighted average number (000's) of shares with face value of TL1,000 value each	3			137,700,000	137,700,000
Basic and diluted earnings per share in full TL	3			517	307
Basic and diluted earnings per share excluding extraordinary item in full TL	3			517	314

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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
Balances at 31 December 2001	**9,180**	**43,995**	**134,272**	**3,374**	**267,775**	**458,596**
Dividends relating to 2001	-	-	-	-	(6,177)	(6,177)
Transfers	-	-	-	-	-	-
Increase in capital	45,900	(45,900)	-	-	-	-
Currency translation difference	-	-	-	(5,030)	-	(5,030)
Net income for the year	-	-	-	-	42,292	42,292
Balances at 31 December 2002	**55,080**	**(1,905)**	**134,272**	**(1,656)**	**303,890**	**489,681**
Dividends relating to 2002	-	-	-	-	(5,539)	(5,539)
Transfers	-	-	-	-	-	-
Increase in capital	82,620	(82,620)	-	-	-	-
Currency translation difference	-	-	-	(20,284)	-	(20,284)
Net income for the year	-	-	-	-	71,165	71,165
Balances at 31 December 2003	**137,700**	**(84,525)**	**134,272**	**(21,940)**	**369,516**	**535,023**

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

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED AT 31 DECEMBER

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		* 2003			
	Notes	**USD**	**EURO**	**2003**	**2002**
OPERATING ACTIVITIES					
Net income		50,984	40,781	71,165	42,292
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest		842	673	1,175	798
Depreciation and amortisation	12, 13, 14, 15	40,604	32,478	56,677	61,642
Employment termination benefits-net		630	504	879	357
Taxation (income)/expense		(13,291)	(10,631)	(18,552)	22,371
Interest income		(37,171)	(29,732)	(51,885)	(57,916)
Interest expense		35,385	28,304	49,392	63,289
Loss on sales of property, plant and equipment-net		567	453	791	74
Impairment loss provided for property plant and equipment	12	1,186	949	1,656	6,887
Share of loss of associates		3,129	2,502	4,367	-
Fair value (gain)/loss of available for sale investments		(341)	(273)	(476)	1,960
Cash flows from operating activities before changes in operating assets and liabilities		**82,524**	**66,008**	**115,189**	**141,754**
Changes in operating assets and liabilities-net (excluding the effects of acquisitions and disposals):					
Decrease/(increase) in trade receivables		1,186	948	1,655	(400)
(Increase)/decrease in due from related parties		(264)	(211)	(369)	3,858
(Increase)/decrease in inventories		(13,873)	(11,097)	(19,365)	8,888
Decrease/(increase) in other current assets		9,715	7,771	13,561	(4,683)
Increase/(decrease) in trade payables		22,594	18,073	31,538	(2)
Increase/(decrease) in due to related parties		5,714	4,571	7,976	(15,266)
Decrease in current liabilities		(3,179)	(2,543)	(4,438)	(125)
(Decrease)/increase in other non-current liabilities		(2,189)	(1,751)	(3,055)	1,763
Income taxes paid		(7,556)	(6,044)	(10,547)	(18,818)
Decrease/(increase) in other non current assets		2,336	1,868	3,260	(5,008)
Net cash from operating activities		**97,008**	**77,593**	**135,405**	**111,961**
Investing activities					
Purchase of property, plant and equipment	12	(58,141)	(46,505)	(81,155)	(109,467)
Proceeds from sale of property, plant and equipment		319	255	445	205
Increase in investments in associates		(3,332)	(2,665)	(4,651)	(2,692)
Decrease in available-for-sale investments		5,006	4,004	6,988	8,907
Purchase of other intangible assets-net	13	(926)	(740)	(1,292)	(431)
Interest received		32,907	26,322	45,933	52,257
Net cash used in investing activities		**(24,167)**	**(19,329)**	**(33,732)**	**(51,221)**
Financing activities					
(Decrease) in short-term and long-term bank borrowings		(686)	(548)	(957)	(24,947)
Decrease in lease obligations		(6,008)	(4,806)	(8,386)	(12,583)
Dividends paid		(3,968)	(3,174)	(5,539)	(6,177)
Interest paid		(35,450)	(28,356)	(49,483)	(63,519)
Net cash used in financing activities		**(46,112)**	**(36,884)**	**(64,365)**	**(107,226)**
Effects of exchange rate changes		(8,738)	(6,989)	(12,196)	6,978
Net increase/(decrease) in cash and cash equivalents		17,991	14,391	25,112	(39,508)
Cash and cash equivalents at the beginning of the year	**5**	**77,602**	**62,071**	**108,319**	**147,827**
Cash and cash equivalents at the end of the year	**5**	**95,593**	**76,462**	**133,431**	**108,319**

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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 Şok 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 2003 is 6,088 (2002: 5,812). Migros and its subsidiaries are operating in 484 (2002: 452) supermarkets with net retail space of 396,300 (2002: 355,731) 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.
Turgut Özal Bulvarı No:6
Ataşehir 34758 Kadıköy
İstanbul

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 Qapali Tipli Sehmdar Cemiyeti
  Xatai Reyonu Babek Prospekt Mehelle 1129
  Bakü, Azerbaijan

- Ramstore Bulgaria A.D.
  BG - 2030, Kostenetz, 24 Jantra St.
  Sofia, Bulgaria

- TOO Rambutya
  Samal-1, Furmanova Street
  Almaty, Kazakhstan

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 Holding Investment S.A. ("Enka")	Russian Federation	Russian Federation	Retail Sales and Shopping Mall Management

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

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 ("IAS") 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.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

The restatement for the changes in the general purchasing power of the Turkish lira as of 31 December 2003 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	Three years cumulative inflation rates
31 December 2003	**7,382.1**	**1.000**	**181.1%**
31 December 2002	6,478.8	1.139	227.3%
31 December 2001	4,951.7	1.491	307.5%

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) USD and Euro convenience translation

United States Dollar ("USD") and Euro amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate ("Official Exchange Rate") for purchases of USD and Euro announced by the Central Bank of the Republic of Turkey on 31 December 2003 of TL1,395,835=1USD and TL1,745,072=1Euro. Therefore they do not form part of these consolidated financial statements prepared in accordance with IFRS. Such translations should not be construed as a representation that TL amounts have been or could be converted into either USD or Euro at this or any other rate.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

c) Translation of foreign undertakings' financial statements

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 in 2002, 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.

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:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	2003	2002
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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	2003	2002
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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The table below sets out all Associates and the proportion of ownership interest at 31 December 2003:

	Proportion of ownership interest (%)	
Associate	2003	2002
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (“Tanı Pazarlama”) (*)	32.00	32.00
Temel Gıda GmbH (“Temel Gıda”) (**)	-	20.00
Ece Türkiye Proje Yönetimi ve Tic. A.Ş. (“Ece Türkiye”) (**)	2.00	25.00

(*) Tanı Pazarlama is not accounted for by the equity method of accounting as its net result for the year ended 31 December 2002 and total shareholders’ equity as at 31 December 2002 are not material to the overall consolidated financial statements. Instead, Tanı Pazarlama is carried at cost less impairment, if any, at 31 December 2002 (Note 11).

(**) 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 2003 less any impairment when their fair value cannot be reliably measured. All other investments are classified as available-for-sale equity securities (Note 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 in 2002, 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).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment securities

The Company 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.

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 under 20% shareholding 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

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.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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 2003 or net realisable value. Cost of inventories comprise of cost of purchase and cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving 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 2003. 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.

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 (Not 22).

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.

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.

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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 assets and liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 33).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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 amortized cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables at amortized cost 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.

	2003	**2002**
Net income attributable to shareholders	71,165	42,292
Weighted average number of ordinary shares in issue	137,000,000,000	137,000,000,000
Earnings per share (expressed in full TL per share)	517	307

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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 2003 the reportable segments comprise the geographical segments, whilst retailing is the sole reportable business segment.

a) External revenues	2003	2002
Turkey	1,519,853	1,418,810
Russian Federation	261,269	230,357
Kazakhstan	50,834	53,940
Bulgaria	11,659	12,799
Azerbaijan	8,279	8,352
	1,851,894	**1,724,258**

b) Operating profit/(loss)	2003	2002
Turkey	20,657	5,238
Russian Federation	17,667	28,705
Kazakhstan	6,227	5,956
Azerbaijan	(176)	(721)
Bulgaria	(1,460)	(1,932)
	42,915	**37,246**

c) Segmental analysis for the year ended 31 December 2003

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	1,519,853	8,279	11,659	261,269	50,834	1,851,894	-	1,851,894
Inter segment revenues	6,724	-	-	58	-	6,782	(6,782)	-
Revenues	1,526,577	8,279	11,659	261,327	50,834	1,858,676	(6,782)	1,851,894
Cost of sales	(1,202,391)	(6,364)	(9,499)	(197,779)	(35,980)	(1,452,013)	6,242	(1,445,771)
Gross profit	324,186	1,915	2,160	63,548	14,854	406,663	(540)	406,123
Administrative expenses	(274,236)	(2,056)	(3,620)	(36,414)	(8,345)	(324,671)	538	(324,133)
Sales and marketing expenses	(26,457)	(55)	-	(9,568)	(1,204)	(37,284)	-	(37,284)
Other (expense)/income-net	(2,834)	20	-	101	922	(1,791)	-	(1,791)
Operating profit/(loss)	**20,659**	**(176)**	**(1,460)**	**17,667**	**6,227**	**42,917**	**(2)**	**42,915**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

Segmental analysis for the year ended 31 December 2002

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	1,418,810	8,352	12,799	230,357	53,940	1,724,258	-	1,724,258
Inter segment revenues	4,291	-	31	478	-	4,800	(4,800)	-
Revenues	1,423,101	8,352	12,830	230,835	53,940	1,729,058	(4,800)	1,724,258
Cost of sales	(1,115,373)	(6,437)	(10,283)	(167,781)	(38,953)	(1,338,827)	4,277	(1,334,550)
Gross profit	307,728	1,915	2,547	63,054	14,987	390,231	(523)	389,708
Administrative expenses	(272,640)	(2,620)	(4,496)	(27,903)	(8,759)	(316,418)	523	(315,895)
Sales and marketing expenses	(27,119)	(76)	-	(6,446)	(1,385)	(35,026)	-	(35,026)
Other (expense)/income-net	(2,731)	60	17	-	1,113	(1,541)	-	(1,541)
Operating profit/(loss)	**5,238**	**(721)**	**(1,932)**	**28,705**	**5,956**	**37,246**	**-**	**37,246**

d) Segment assets employed

Total assets	**2003**	**2002**
Turkey	900,884	861,566
Russian Federation	252,880	268,825
Kazakhstan	34,549	42,323
Bulgaria	19,006	21,760
Azerbaijan	6,651	6,843
Total combined	1,213,970	1,201,317
Less: Inter segment elimination	(147,912)	(141,087)
Total assets as per the consolidated financial statements	**1,066,058**	**1,060,230**

Net assets	**2003**	**2002**
Turkey	542,087	487,376
Russian Federation	58,212	61,231
Kazakhstan	10,617	13,492
Bulgaria	11,577	11,221
Azerbaijan	4,880	6,351
Total combined	627,373	579,671
Less: Inter segment elimination	(143,089)	(141,409)
Total net assets	**541,214**	**495,194**
Less minority interest	**(6,191)**	**(5,513)**
Total shareholder's equity as per the consolidated financial statements	**535,023**	**489,681**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

e) Capital expenditures, depreciation and amortisation	2003	2002
Capital expenditures		
Turkey	58,604	36,715
Russian Federation	21,435	70,047
Azerbaijan	2,015	2,025
Kazakhstan	226	323
Bulgaria	167	787
	82,447	**109,897**
Depreciation and amortisation		
Turkey	46,840	52,176
Russian Federation	6,925	6,046
Bulgaria	1,273	1,401
Kazakhstan	1,139	1,442
Azerbaijan	295	328
	56,472	**61,393**

f) Minority interest

Kazakhstan	5,202	4,438
Azerbaijan	988	1,069
Bulgaria	1	6
	6,191	**5,513**

NOTE 5 - CASH AND CASH EQUIVALENTS

	2003	2002
Cash in hand	7,315	5,759
Banks		
- demand deposits	11,472	18,348
- time deposits	30,894	16,503
Cheques in collection	164	275
Other liquid assets	83,586	67,434
	133,431	**108,319**

Weighted average effective interest rates on TL denominated time deposits and on USD denominated bank accounts are 26% p.a. (2002: 42-54%), and 1.35-4.50% (2002: 3-11.75% p.a.), respectively. Time deposits have an average maturity of less than one month (2002: two months). Other cash equivalents mainly include receivables on credit card slips with an average maturity of 13 days (2002: 13 days).

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 6 - CURRENT AVAILABLE-FOR-SALE INVESTMENTS

	2003	**2002**
Debt securities	97,990	100,747
Equity securities	8,013	5,689
	106,003	**106,436**

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

	2003		**2002**	
	Interest rate p.a.	**Amount**	**Interest rate p.a.**	**Amount**
Treasury bills and government bonds	27%-55%	60,205	37.5%-57.85%	45,048
Eurobond (USD)	9.70%-13.80%	37,785	9.875%-12.4%	42,103
Foreign currency bonds (USD)	-	-	4%-8.79%	13,596
		97,990		**100,747**

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

	2003	**2002**
Period remaining to maturity		
1-30 days	83	11,602
30-90 days	4,345	24,191
90-180 days	15,009	10,403
180 days - one year	41,323	12,447
Over one year	37,230	42,104
	97,990	**100,747**

Details of equity securities at 31 December are as follows:

	2003		**2002**	
	Shareholding	**Amount**	**Shareholding**	**Amount**
Listed				
Tat Konserve San. A.Ş. ("Tat")	0.80%	1,557	-	-
Maret Marmara Bes. Et. San. Tic. A.Ş. ("Maret")	-	-	5.00%	948
Not listed				
Koç Finansal Hizmetler A.Ş. ("KFS")	0.37%	4,636	0.37%	4,741
Koçtaş Yapı Marketleri A.Ş.	9.24%	1,693	-	-
Ece Türkiye	2.00%	127	-	-
		8,013		**5,689**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

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 TL134 billion (2002: TL1,898 billion). Impairment loss is recognised in fair value loss on available-for-sale investments in the income statement.

On 26 December 2002 Board of Directors of Tat has decided to combine Maret Marmara Besicilik ve Et Sanayi ve Ticaret A.Ş. ("Maret"), Pastavilla Makarnacılık Sanayi ve Ticaret A.Ş. ("Pastavilla") and SEK Süt Endüstri Kurumu A.Ş. ("SEK Süt") as of 31 December 2002 by taking over all existing assets and liabilities by Tat. This take over has occurred on 30 June 2003 and Migros received 0.80% of the shares of Tat instead of Maret shares.

For Tat and Maret, which are 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

	2003	2002
Customers	34,166	35,235
Less: Provision for impairment	(3,032)	(2,570)
Less: Unearned financial income	(654)	(530)
	30,480	**32,135**

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.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances:	**2003**	**2002**
Koçbank		
- demand deposits	4,426	5,486
- time deposits	14,300	12,874
- other cash equivalents (credit card slip accounts)	41,237	39,336
Koçbank Azerbaijan		
- demand deposits	277	132
- time deposits	-	673
	60,240	**58,501**

Due from related parties:	**2003**	**2002**
Arçelik A.Ş.	347	44
Sanal Merkez T.A.Ş.	290	80
Setur Divan Otel	183	51
Beko Elektronik	156	3
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	61	22
Setur Divan Kuruçeşme	37	30
İzocam Tic. ve San. A.Ş.	36	58
Türk Traktör ve Ziraat Makinaları A.Ş.	35	14
Tanı Pazarlama ve İletişim A.Ş.	10	289
Ram Dış Ticaret A.Ş.	2	203
Other	196	190
Total	**1,353**	**984**

Due to related parties:	**2003**	**2002**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	17,967	4,944
Ram Sigorta Aracılık Hizmetleri A.Ş.	2,219	1,919
TNT Lojistik ve Dağıtım Hizmetleri A.Ş.	1,284	680
Ece Türkiye Proje Yönetimi ve Tic. A.Ş.	887	598
Beko Ticaret A.Ş.	852	-
Ark İnşaat San. ve Tic. A.Ş.	808	-
Maret Marmara Besicilik ve Et San. ve Tic A.Ş.	-	4,405
Sek Süt Endüstrisi Kurumu San. ve Tic. A.Ş.	-	4,146
Other	3,020	2,369
Total	**27,037**	**19,061**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Sales of goods:	2003	2002
Sanal Merkez Tic. A.Ş.	8,313	7,369
Setur Divan Otel	687	469
Arçelik A.Ş.	457	232
Türk Traktör ve Ziraat Makinaları A.Ş.	296	180
Aygaz A.Ş.	267	185
Setur Divan Kuruçeşme	251	235
İzocam Tic. ve San. A.Ş.	115	117
Marmaris Altınyunus Turistik Tesisleri A.Ş.	92	211
Garanti Balfour Beatty İnş. San. Ve Tic. A.Ş.	89	205
Other	1,172	901
Total	**11,739**	**10,104**

Fixed asset purchases:	2003	2002
Ark İnşaat San. ve Tic. A.Ş.	12,767	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş	1,330	812
Birleşik Motor Sanayi ve Tic. A.Ş.	565	175
Otokoç Otomotiv Tic. Ve San. A.Ş.	223	358
Other	109	35
	14,994	**1,380**

Inventory purchases:	2003	2002
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	59,820	20,439
Maret Marmara Besicilik ve Et San. ve Tic A.Ş.	13,446	30,279
Sek Süt Endüstrisi Kurumu San. ve Tic. A.Ş.	6,096	23,004
Tat Konserve San. A.Ş.	5,851	1,632
Kofisa Dış Ticaret A.Ş.	2,984	1,424
Setur Servis Turistik A.Ş.	1,968	-
Koç Ata Sanayi	802	677
Pastavilla Makarnacılık San. ve Tic. A.Ş.	470	2,074
Sanal Merkez	463	638
Ram Dış Ticaret A.Ş.	149	1,729
Divan Otelcilik	41	827
Other	964	407
Total	**93,054**	**83,130**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Service purchases:	**2003**	**2002**
TNT Lojistik Dağıtım Hizmetleri A.Ş.	10,862	9,362
Entek Elektrik Üretimi A.Ş.	6,610	-
Ece Türkiye Proje Yönetimi ve Tic. A.Ş.	6,080	5,140
Ram Sigorta Aracılık Hizmetleri A.Ş	2,740	2,445
Koç Holding A.Ş.	2,079	2,530
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	1,696	1,730
Beko Ticaret A.Ş.	1,037	-
Sanal Merkez T.A.Ş.	629	354
Bursa Gaz ve Tic. A.Ş.	503	310
Garanti Balfour Beatty Cons. Ind. and Ticaret Co. Inc, Bulgaria	-	593
Other	1,284	1,025
Total	**33,520**	**23,489**

Borrowings:	**2003**	**2002**
Koçbank A.Ş.		
Short-term borrowing	-	5,625
Koçbank Nederland N.V.		
Short-term borrowing	-	2,058
	-	**7,683**

Rent Income:	**2003**	**2002**
Koçbank A.Ş.	203	363
Setur Servis Turistik A.Ş.	197	120
Arçelik A.Ş.	97	223
Other	74	136
	571	**842**

Rent Expense:		
Temel Ticaret ve Yatırım A.Ş	1,121	1,121
Vehbi Koç Vakfı	618	824
Koç Allianz Sigorta A.Ş.	491	456
Koç Holding Emekli Yardım Sandığı Vakfı	492	456
Other	127	140
	2,849	**2,997**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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:	2003	2002
Koçbank A.Ş.	4,995	2,878
Koçbank Azerbaijan	4	34
	4,999	**2,912**

Interest expense:	2003	2002
Koç Finansal Kiralama A.Ş.	288	954
Koçbank Nederland N.V.	95	614
Koçbank A.Ş.	47	36
	430	**1,604**

Dividend received:	2003	2002
Koç Finansal Hizmetler A.Ş.	-	382
Temel Gıda GmbH	-	11
	-	**393**

Dividend paid:	2003	2002
Temel Ticaret ve Yatırım A.Ş.	2,787	3,195
Koç Holding A.Ş.	14	16
	2,801	**3,211**

Management fee received	2003	2002
Tanı Pazarlama ve İletişim Hiz. A.Ş.	170	276

Donations	2003	2002
Vehbi Koç Vakfı Koç Üniversitesi	775	798

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 9 - INVENTORIES

	2003	2002
Merchandise stock	118,577	99,382
Other	1,818	1,781
	120,395	**101,163**
Less: Provision for obsolescence	(919)	(1,052)
	119,476	**100,111**

NOTE 10 - OTHER CURRENT ASSETS

	2003	2002
Value Added Tax ("VAT") receivable	11,934	19,862
Prepaid expenses	11,617	13,788
Prepayments for land leases	292	463
Due from employees	173	169
Taxes and funds deductible	141	185
Advances given	95	3,010
Rent receivable	-	246
Prepayments and accrued income	-	205
Other	766	651
	25,018	**38,579**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	2003		2002	
	Amount	**Shareholding %**	**Amount**	**Shareholding %**
Non-current available-for-sale investments				
Sanal Merkez (*)	1,042	69.99	1,042	69.99
Şok Marketler (*)	457	99.60	457	99.60
	1,499		**1,499**	

(*) 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.

	2003		2002	
	Amount	**Shareholding %**	**Amount**	**Shareholding %**
Investments in associates				
Tanı Pazarlama	3,942	32.00	2,188	32.00
Temel Gıda	-	-	1	20.00
Ece Türkiye	-	-	1,596	25.00
	3,942		**3,785**	

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT-NET

	1 January 2003	Additions	Disposals	Impairment loss	Transfers	Transfer to investment property	Effect of changes in foreign exchange rates	31 December 2003
<u>Cost</u>								
Land and buildings	301,280	251	-	-	32,780	-	(29,129)	305,182
Leasehold improvements	255,672	1,916	-	(4,036)	4,452	-	1	258,005
Machinery and equipment	290,567	16,744	(2,257)	-	9,410	-	(5,220)	309,244
Furniture and fixtures	66,108	4,342	(240)	-	1,972	-	(943)	71,239
Motor vehicles	4,102	650	(433)	-	95	-	(245)	4,169
Construction in progress	6,133	44,913	-	-	(30,602)	(5,637)	(1,075)	13,732
Advances given	9,194	12,339	-	-	(18,107)	-	-	3,426
	933,056	**81,155**	**(2,930)**	**(4,036)**	**-**	**(5,637)**	**(36,611)**	**964,997**
<u>Accumulated depreciation</u>								
Buildings	(25,380)	(6,492)	-	-	-	-	1,377	(30,495)
Leasehold improvements	(96,075)	(18,075)	-	2,380	-	-	4	(111,766)
Machinery and equipment	(170,325)	(23,883)	1,098	-	-	-	1,782	(191,328)
Furniture and fixtures	(39,570)	(5,598)	216	-	-	-	385	(44,567)
Motor vehicles	(1,726)	(667)	380	-	-	-	101	(1,912)
	(333,076)	**(54,715)**	**1,694**	**2,380**	**-**	**-**	**3,649**	**(380,068)**
Net book value	**599,980**							**584,929**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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 2003 and 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 2003	51,615
31 December 2002	86,830

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 TL326 billion (2002: TL559 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:

	2003	**2002**
Net book value	22,603	29,051

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2003	**Additions**	**Disposals**	**effect of changes in foreign exchange rates**	**Closing 31 December 2003**
Rights	5,235	1,292	-	(155)	6,372
Other intangible assets	3,074	-	(2,997)	-	77
Accumulated amortisation	(6,263)	(737)	2,997	17	(3,986)
Net book value	**2,046**				**2,463**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 14 - GOODWILL

	Opening 1 January 2003	**Additions**	**Disposals**	**Transfers**	**Closing 31 December 2003**
Goodwill	4,840	-	-	-	4,840
Negative goodwill	(6,391)	-	-	-	(6,391)
Accumulated amortisation	(757)	(205)	-	-	(962)
Net book value	**(2,308)**				**(2,513)**

In 2001 Migros purchased 9.21% of the issued share capital of Rambutya for a cash consideration of TL6,998 billions and 10% of the issued share capital of Ramenka for a cash consideration of TL16,096 billions and 7% of the issued share capital of Ramstore for a cash consideration of TL7,616 billions from Ram Dış Tic. A.Ş.

Details of total net assets acquired and related negative goodwill are as follows:

Total cash consideration (net of cash acquired)	30,710
Less: net assets acquired at fair value	(37,101)
Negative Goodwill	**(6,391)**

NOTE 15 - INVESTMENT PROPERTY

	Opening 1 January 2003	**Additions**	**Transfers (Note 12)**	**Effects of changes in foreign exchange rates**	**Closing 31 December 2003**
Cost					
Land and buildings	54,870	-	5,637	(10,491)	50,016
Total	**54,870**	**-**	**5,637**	**(10,491)**	**50,016**
Accumulated depreciation					
Land and buildings	(2,340)	(1,020)	-	447	(2,913)
Net book value	**52,530**	**(1,020)**	**5,637**	**(10,044)**	**47,103**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 15 - INVESTMENT PROPERTY (Continued)

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The fair value of investment properties as at 31 December 2003 based on an independent appraiser's report is TL 94,795 billion. It was evaluated using a combination of income, market and cost approaches. As comparable sales of property, plant and equipment are infrequent, the valuation is supported by marketing evidence to an extent that market rental rates were used in the income approach. The valuation was also based on other factors such as proposed transactions on the market. The valuation includes land that is under operating lease by the Company as it cannot be separated from the valuation of investment property.

As at 31 December 2002 there was no independent valuation of investment property. Fair value of investment property was estimated by the Company at TL 102,554 billion using the discounted cash flow projections at the year end as comparable sale of property transactions were infrequent.

NOTE 16 - OTHER NON - CURRENT ASSETS

	2003	**2002**
Prepayments for land leases	11,512	14,511
Prepaid expenses	1,240	1,142
Other	122	481
	12,874	**16,134**

NOTE 17 - BANK BORROWINGS

	2003		
	Interest rate p.a.	**U.S. Dollars**	**TL billion**
Short-term bank borrowings	4.23%-8%, Libor +1.9%	2,395	3,341
Current portion of long-term bank borrowings			
With fixed interest rates	4.25%-10.85%	7,013	9,789
With floating interest rates	Libor+2.35% - Libor+5.83%	7,848	10,956
Short-term bank borrowings		**17,256**	**24,086**
Long term bank borrowings			
With fixed interest rates	4.25%-10.85%	19,528	27,258
With floating interest rates	Libor + 2.35% - Libor+5.83%	49,397	68,950
Long-term bank borrowings		**68,925**	**96,208**
Total bank borrowings		**86,181**	**120,294**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 17 - BANK BORROWINGS (Continued)

	2002		
	Interest rate p.a.	**U.S. Dollars**	**TL billion**
Short-term bank borrowings	7.50%-12.25%, Libor+1.8% - Libor+3%	10,876	20,254
Current portion of long-term bank borrowings			
With fixed interest rates	6.50%-10.85%	6,412	11,984
With floating interest rates	Libor+2.35% - Libor+8%	7,285	13,576
Short-term bank borrowings		**24,573**	**45,814**
Long-term bank borrowings			
With fixed interest rates	6.50%-10.85%	26,345	49,220
With floating interest rates	Libor+2.35% - Libor+8%	28,315	52,737
Long-term bank borrowings		**54,660**	**101,957**
Total bank borrowings		**79,233**	**147,771**

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

	U.S Dollars	**TL Billion**
2005	18,016	25,147
2006	18,202	25,407
2007 and over	32,707	45,654
	68,925	**96,208**

NOTE 18 - TRADE PAYABLES

	2003	**2002**
Supplier current accounts	316,571	294,345
Less: Unincurred financial expense	(4,804)	(14,116)
	311,767	**280,229**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME

	2003	**2002**
Corporation and income taxes currently payable	10,706	10,125
Less: prepaid taxes	(7,376)	(6,953)
Taxes on income	**3,330**	**3,172**

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 30% (2002:%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. Corporation tax for year 2004 is 33%.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 11% (10% effective from 1 January 2004). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% (Before 24 April 2003: 24% and for the financial year of 2004: 33%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

Capital expenditures, with some exceptions, over TL5 billion (TL6 billion for 2004) are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, 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 prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial 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 which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 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 is 24% in Russia.

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

The applicable income tax rate is 30% in 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 signed an amendment with the State which cancelled the exemption from income tax described above and thus became taxable from all these activities in 2003. 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 2003, is summarised as follows:

	2003	2002
Deferred tax credit/(charge)	34,713	(6,560)
Current tax expense	(16,161)	(15,811)
Taxation on income	**18,552**	**(22,371)**

Deferred taxes

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers will submit their opening balance sheets restated for inflation at 31 December 2003 and declare their advance corporation tax prepared in accordance with the General Communiqué on Tax Procedure Law No: 328 ("Communiqué") dated 28 February 2004. Corporate taxpayers who prepare their financial statements in accordance with CMB's accounting principles related to hyperinflation accounting are not required to prepare their financial statements in accordance with Tax Law No: 5024. However, the accumulated depreciation disclosed in the opening balance sheet restated for inflation at 31 December 2003 should conform to the depreciation periods set out in the Tax Procedure Law.

The Company has decided to use the balance sheet prepared in accordance with CMB's accounting principles related to hyperinflation to prepare its opening tax balance sheet restated for inflation as permitted by Tax Law No: 5024.

Accordingly, taxable or deductible temporary differences as of 31 December 2003, which arose in prior years due to inflation restatement, have been partially eliminated. With respect to such temporary differences, deferred tax liability is reversed through the income statement.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

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

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	2003	**2002**	**2003**	**2002**
Lease obligations	2,204	10,328	698	3,408
Tax losses carried forward	1,122	9,732	269	2,764
Provision for employment termination benefits	4,783	3,904	1,435	1,288
Allowance for unearned interest income	654	530	216	175
Net difference between the tax base and carrying value of inventories	4,651	1,788	1,409	530
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(108,099)	(224,866)	(29,676)	(68,934)
Allowance for unincurred interest expense	(4,804)	(14,116)	(1,585)	(4,658)
Adjustment for fair value of financial assets	(7,688)	(2,765)	(2,511)	(913)
Prepayments for land lease	(644)	(247)	(154)	(59)
Other	(707)	(3,982)	(143)	(1,030)
	(108,528)	**(219,694)**	**(30,042)**	**(67,429)**

Movements in deferred taxes can be analysed as follows:

	Deferred tax assets/(liabilities)
Balance at 1 January 2002	(60,869)
Charge to income statement	(6,560)
Balance at 31 December 2002	**(67,429)**
Translation differences	2,674
Credit to income statement	34,713
Balance at 31 December 2003	**(30,042)**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 20 - OTHER CURRENT LIABILITIES

	2003	2002
Taxes and funds payable	9,288	11,444
Payable to personnel	4,770	5,204
Security deposits	1,890	2,567
Payable due to land leases	1,745	2,328
Miscellaneous accrued expenses	1,254	2,089
Deferred income	466	663
Other	2,940	2,496
	22,353	**26,791**

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). The amount payable consists of one month's salary limited to a maximum of TL1,390 million (2002: TL 1,260 million) for each year of service at 31 December 2003.

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:

	2003	2002
Discount rate	6%	6%
Turnover rate to estimate the probability of retirement	84%	81%

The principal assumption is that the maximum liability of TL1,390 million 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 TL1,390 million (2002: TL1,260 million - historical amount) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2003	2002
Balance - 1 January	3,904	3,547
Increase for the year	1,408	1,398
Less: monetary gain	(529)	(1,041)
Balance - 31 December	**4,783**	**3,904**

The average number of people employed by the Company, its Subsidiaries and Joint-Venture during 2003 was 9,098 (2002: 8,545) in aggregate.

NOTE 22 - LEASE OBLIGATIONS

	2003			2002		
	EUR	USD	TL equivalent	EUR	USD	TL equivalent
Short-term lease obligations	544	260	1,313	497	3,519	7,518
Long-term lease obligations	552	-	964	1,096	546	3,145
	1,096	**260**	**2,277**	**1,593**	**4,065**	**10,663**

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

	EUR	USD	TL equivalent
2005	552	-	964
	552		**964**

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.

NOT 23 - 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	Net income (loss) attributable to minority interest	Translation reserve	31 December
2002	6,134	-	-	799	(1,419)	**5,513**
2003	5,513	58	1	1,175	(556)	**6,191**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 24 - 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:

	2003	**2002**
Limit on registered share capital (historical)	137,700	100,000
Historical authorised and paid-in share capital	137,700	55,080

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 shareholdings to capital with historical figures as at 31 December 2003 and 2002 are stated below:

	2003		**2002**	
Shareholders	**Amount**	**Share %**	**Amount**	**Share %**
Koç Holding A.Ş.	70,307	51.06	138	0.25
Public quotation	67,393	48.94	26,957	48.94
Temel Ticaret ve Yatırım A.Ş.	-	-	27,985	50.81
	137,700	**100.00**	**55,080**	**100.00**

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

There are 137,700,000,000 (2002: 55,080,000,000) unit of shares with face value of TL1,000 (2002: TL1,000) each. There are no privileged shares.

NOTE 25 - 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 TL134,272 billion expressed in terms of the purchasing power of the TL at 31 December 2003. This surplus was also recorded in shareholders' equity and is not available for distribution.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 December 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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:

In accordance with the CMB Communiqué XI/25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted off in the calculation of the distributable profit. In addition, the net-off of such accumulated deficit against current year income and retained earnings, if any, legal and extraordinary reserves and adjustment to share capital can be made according to the related CMB Communiqué.

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 20% of their distributable profit arising from 2003 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. Net income of subsidiaries, joint ventures and associates, included in consolidated net income, is not considered in profit distribution in case General Assembly of these has not made a decision of profit distribution.

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

	2003	**2002**
Legal reserves	4,447	3,562
Undistributed general reserve	50,235	44,444
Unappropriated net income	20,379	12,186
	75,061	**60,192**

Historical amounts of dividends distributed during the year from previous periods' net income per statutory financial statement	5,508	4,590

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NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, capital surplus, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the restated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

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

In accordance with the above explanation, the composition of the Company's shareholders' equity, which is considered as the basis for profit distribution is as follows:

	31 December 2003
Share capital	137,700
Capital surplus	18,854
Legal reserves	4,447
Extraordinary reserves	50,235
Restatement difference	204,436
Net income for the year	71,165
Income for the prior years	48,186
Total shareholders' equity	**535,023**

The detail of the differences arising between the restated and historical amounts of statutory shareholders' equity items presented above is as follows:

	Historical amount	**Restated amount**	**Restatement difference**
Share capital	137,700	53,175	(84,525)
Capital surplus	18,854	134,272	115,418
Legal reserves	4,447	18,193	13,746
Extraordinary reserves	50,235	210,032	159,797
	211,236	**415,672**	**204,436**

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NOTE 27 - NET SALES

	2003	2002
Retail	1,756,597	1,618,403
Rent income	76,344	73,839
Wholesale	54,921	56,933
Other	10,277	8,193
Gross sales	**1,898,139**	**1,757,368**
Less: discounts and returns from sales	(46,245)	(33,110)
Net sales	**1,851,894**	**1,724,258**

NOTE 28 - GENERAL AND ADMINISTRATIVE EXPENSES

	2003	2002
Staff costs	118,635	111,739
Rent	57,160	53,528
Depreciation and amortisation	56,677	61,642
Energy	30,813	31,200
Repair, maintenance, cleaning and security	21,229	19,529
Food	4,869	4,533
Taxes and other fees	4,793	5,058
Communication expenses	4,247	4,838
Mechanisation	3,990	4,609
Stationary	2,932	1,776
Insurance expenses	2,640	2,125
Storage expenses	2,136	2,164
Parent company service charges	2,079	2,530
Employment termination benefits	1,408	1,398
Travel	1,377	1,413
Donations	1,062	1,061
Other	8,086	6,752
	324,133	**315,895**

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NOTE 29 - FINANCIAL (EXPENSE)/INCOME - NET

	2003	2002
Financial income:		
Interest on debt securities	34,754	34,190
Foreign exchange gain	13,041	17,803
Due date difference on credit sales	10,710	17,111
Interest income from time deposits	6,212	7,608
Other interest income	209	528
Total financial income	**64,926**	**77,240**
Financial expense:		
Due date difference on credit purchases	(40,526)	(51,944)
Foreign exchange loss	(9,519)	(18,322)
Interest expense on bank borrowings	(8,172)	(9,808)
Interest expense on lease obligations	(694)	(1,537)
Other	(352)	(687)
Total financial expense	**(59,263)**	**(82,298)**
Net financial (expense)/income	**5,663**	**(5,058)**

NOTE 30 - EXTRAORDINARY ITEM

There is no extraordinary expense for the year ended 31 December 2003.

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 TL965 billion for the year ended 31 December 2002 is due to the expense exposed by Ramstore Baku regarding the situation explained above.

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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 hypermarkets 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:

	2003	**2002**
Property, plant and equipment	184,499	203,756
Other non-current assets	12,382	14,891
Current assets	55,999	50,178
	252,880	**268,825**
Long-term bank borrowings	(65,312)	(45,847)
Provisions	(11,494)	(15,733)
Current liabilities	(60,932)	(89,083)
	(137,738)	**(150,663)**
Net assets	**115,142**	**118,162**
Sales	**261,327**	**230,836**
Profit before tax	19,477	33,253
Income taxes	(5,278)	(7,958)
Profit after tax	**14,199**	**25,295**

NOTE 32 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given were as follows at 31 December

	2003	**2002**
Pledges (*)	287,429	311,148
Letters of guarantee and commitments	-	20,758
Letters of guarantee given to banks	14,717	21,277
	302,146	**353,183**

* All assets of Rambutya amounting to TL34,549 billion (Cash and due from banks TL3,534 billion, trade receivables TL 225 billion, inventories TL3,243 billion, property, plant and equipment TL27,547 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 TL252,880 billion (Cash and due from banks TL15,837 billion, trade receivables TL5,781 billion, inventories TL18,467 billion, other current assets TL15,914 billion, property, plant and equipment TL184,499 billion and other long term assets TL12,382 billion), are pledged as security for the IFC loan agreement amounting to USD30 million dollar.

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NOTE 32 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

b) Guarantees taken were as follows at 31 December:

	2003	**2002**
Long-term commitments obtained from customers	67,315	53,842

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

	2003	**2002**
Payable within 1 year	2,966	827
Payable in 1 to 2 years	3,050	827
Payable in 2 to 5 years	8,249	2,483
Payable in 5 to 10 years	7,456	3,696
Payable after 10 years	4,527	5,622
Total payable	**26,248**	**13,455**

d) As at 31 December 2003, Company has contractual commitments for the new hypermarket constructions of Ramenka amounting TL66,492 billion. As at 31 December 2002 there was no commitment.

e) 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.

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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:

	2003	**2002**
Assets	58,173	79,644
Liabilities	(29,705)	(57,974)
Net foreign currency position	**28,468**	**21,670**

TL equivalents of foreign currency amounts

		2003	**2002**
Cash and cash equivalents	USD	3,052	4,411
	EUR	691	93
Investment securities			
- Eurobond	USD	37,785	42,103
- Foreign currency bonds	USD	-	13,596
Trade receivables, due from related parties and other receivables	USD	15,824	19,441
	EURO	821	-
Bank borrowings	USD	24,002	43,347
Trade payables, due to related parties, lease obligations and other liabilities	USD	3,511	11,466
	EURO	2,192	3,122
	GBP	-	39

NOTE 34 - SUBSEQUENT EVENTS

a) On 17 February 2004, the Board of Directors decided to increase the ceiling of registered capital to TL190,000 billion. As of 12 March 2004 the required approval of CMB has been taken.

b) On 23 February 2004, the Board of Directors decided to purchase the shares with nominal value TL1,779,091 million which is equal to the 2.07% capital of Tat Konserve San. A.Ş owned by Düzey Pazarlama A.Ş. The company decided to purchase the shares at nominal value of TL1,000 each; by paying TL 2,200 via Koç Menkul Değerler A.Ş. (The purchase value has been decided according to the transaction price valuation procedures of Istanbul Stock Exchange).

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