MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Additional paragraph for US Dollar and Euro convenience translation

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

Additional paragraph for convenience translation into English:

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

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

Adnan Akan, SMMM
Partner

Istanbul, 7 April 2008

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

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CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

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

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

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2007 AND 2006

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

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

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

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

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

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

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

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2007 AND 2006

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

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

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

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

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

The address of the registered office is as follows:

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

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

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

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries:

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and, for the purpose of the consolidated financial statements, their respective geographical segments are as follows (see also Note 2 Basis of Consolidation):

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

(*) Not included in the scope of consolidation on the grounds of materiality.

(**) Ramstore Bulgaria closed down its three stores and stopped its retailing operations in the first half of 2007.

(***) As of 18 September 2006, the name of the Limited Liability Company Rambutya was changed to Ramstore Kazakhstan LLP.

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

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

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

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

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

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

Interests in Joint-ventures:

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Financial reporting standards

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

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

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

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

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

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

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

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

Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Migros, and its Subsidiaries, the Joint-venture and its Associates on the basis set out in sections (b), to (g) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Accounting Standards applying uniform accounting policies and presentation. The results of Subsidiaries, Associates and Joint-venture are included or excluded from their effective dates of acquisition or disposal respectively. Positive goodwill arising on the acquisition of Subsidiary undertakings and the Joint-venture is reported as net in the balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

g) The minority shareholders' share in the net assets and results for the period for Subsidiaries are separately classified in the consolidated balance sheet and statement of income as minority interest and income or loss attributable to minority interest, respectively.

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

Comparative information and restatement of prior period's financial statements

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

Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net provided that the nature of the transaction or the event will qualify for offsetting.

US dollar and Euro convenience translation

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are carried at the beginning cost restated to the equivalent purchasing power at 31 December 2004 and the acquisition value of current period additions less accumulated depreciation and, if any, impairment value (Note 19). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis.

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

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

(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the shorter of the lease term and their useful lives.

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

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

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

Business combinations and goodwill

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

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

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

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An impairment loss recognised in prior period for an asset is reversed if the subsequent increase in the asset’s recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment loss and shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale, in accordance with the allowed alternative treatment in IAS 23-“Borrowing Costs”. Besides, UMS 23 was re-drawn up by IASB on 29 March 2007. The revised UMS 23 shall be effective as of 1 January 2009, but the right of voluntarily putting it into force early is reserved. As per revised UMS 23, if they are associated with the acquisition or construction of the qualifying assets, the financing costs stemming from the loans are included in the cost of the qualifying assets. Other credit costs are entered into the income statements during the period when they occur.

Financial Instruments

Trade receivables

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

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Loans originated by the Company

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment securities

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale in accordance with the requirements of IAS 39, "Financial Instruments". These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

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

For investments under a 20% shareholding where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

Interest rate risk

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liquidity and Funding risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases.

Foreign currency risk

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

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

At 31 December 2007, if Euro had gained value against YTL by 10% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been lower in the amount of YTL 9,237.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group carries out financial risk analysis by following its capital risk management on a monthly basis on the basis of gearing ratio, short term balance sheet liquidity and net financial debt level.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The ratio of net debt/(equity capital+net debt) is as follows as of 31 December 2007 and 2006:

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

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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

Financial assets

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

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

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

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

Foreign currency transactions and translations

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

Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. The weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year (Note 42).

Subsequent events

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions, contingent liabilities and contingent assets

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

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

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

Accounting policies, changes in accounting estimates and errors

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Finance leases

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

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

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

Prepayments for land leases

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

Related parties

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

Segment information

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

Government incentives and grants

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Land and buildings held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16, Property, Plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property (Note 18).

Taxes on income

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Employment termination benefits

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of cash flows

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

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

Significant accounting estimates and judgements

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

Income from sale of joint-venture

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operations

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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

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

NOTE 5 - MARKETABLE SECURITIES

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

Available-for-sale investments

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

Held-to-maturity time deposits:

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

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

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

NOTE 5 - MARKETABLE SECURITIES (Continued)

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

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

NOTE 6 - FINANCIAL LIABILITIES

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

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

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

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

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

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

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

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

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

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables:

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

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

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

NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

None (2006: None).

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES

(i) Balances with related parties

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

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

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

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

Due to related parties:

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

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

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

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

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

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

(ii) Significant transactions with related parties

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

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

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

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

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

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

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

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

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

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

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

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

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

Other related party transactions are as follows:

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

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

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other Receivables

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

Other Payables

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

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

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

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

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

NOTE 13 - RECEIVABLES RELATING TO CONSTRUCTION CONTRACTS AND PROGRESS BILLINGS

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

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes:

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

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

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

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred taxes can be analysed as follows:

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

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

Other current assets

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

Prepaid expenses mainly consist of insurance premium and store rentals.

Other non-current assets

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

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

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

Other short-term liabilities

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

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

NOTE 16 - FINANCIAL ASSETS

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

Available-for-sale investments:

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

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

NOTE 16 - FINANCIAL ASSETS (Continued)

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

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

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

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

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

Held-to-maturity time deposits:

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

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

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

NOTE 16 - FINANCIAL ASSETS (Continued)

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

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

Associates:

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

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

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

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

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

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

	2007	2006
Total Assets	-	56,765
Total Liabilities	-	47,619

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

NOTE 16 - FINANCIAL ASSETS (Continued)

The movements of financial assets are as follows:

	2007	2006
1 January	**179,853**	**182,660**
Additions to held-to-maturity time deposits-net	(132,226)	8,143
Short-term portion of held-to-maturity time deposits	-	(21,106)
Acquisition of associate (Note 32)	-	4,982
Increase in the fair value of available-for-sale investments - net	24,334	4,488
Share in profit of associates-net	216	709
Sale of available-for-sale-investments	(28,007)	(23)
Sale of associate	(7,188)	-
Capital increase in associates	1,412	-
31 December	**38,394**	**179,853**

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	Opening 1 January 2007	Impairment Loss	Transfer	Closing 31 December 2007
Goodwill	238,074	(1,014)	-	237,060
Accumulated amortisation	(2,594)	-	-	(2,594)
Net book value	**235,480**	**-**		**234,466**

	Opening 1 January 2006	Impairment Loss	Transfers	Closing 31 December 2006
Goodwill	175,812	-	62,262 (*)	238,074
Accumulated amortisation	(2,594)	-	-	(2,594)
Net book value	**173,218**	**-**		**235,480**

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

In the consolidated financial statements of the Group as of 31 December 2005, the minority interest has not been calculated on the trademark of Tansaş which was acquired as an identifiable asset after the purchase of the said entity. The Group management, having decided that it would be appropriate to calculate the minority interest in the trademark of Tansaş which was not included in the financial statements of Tansaş but included in the consolidated financial statements of Migros as required by IFRS 3 "Business Combinations", has amended the goodwill and minority interest values included in the financial statements as of 31 December 2005. The amendment which resulted from the calculation of minority interest in the trademark value of Tansaş does not affect the consolidated income statement for the year ending 31 December 2005 and the total equity as of 31 December 2005. In this sense, the amendment consists of the reclassification of YTL62,262 between goodwill and minority interest (Note 24). In consideration of the materiality level to the consolidated financial statements, the amendment was made in the consolidated financial statements of 2006 rather than the consolidated financial statements as of 31 December 2005.

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

NOTE 18 - INVESTMENT PROPERTY

	Opening 1 January 2007	Additions	Transfers (Note 19)	Disposals due to sale of joint-venture	Effect of changes in foreign exchange rates	Closing 31 December 2007
Cost						
Land and Buildings	110,266	-	7,691	(106,762)	(11,195)	-
Accumulated Depreciation						
Land and Building	(7,303)	(1,784)	-	8,345	742	-
Net Book Value	**102,963**					**-**

	Opening 1 January 2006	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2006
Cost					
Land and Buildings	60,310	-	41,207	8,749	110,266
Accumulated Depreciation					
Land and Buildings	(4,930)	(1,658)	-	(715)	(7,303)
Net Book Value	**55,380**				**102,963**

Depreciation expenses of the period are recorded in general administrative expenses.

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2007	Additions	Disposals	Impairment Loss (Note 38)	Transfers	Transfers to Investment Property (Note 18)	Disposals due to the sale of joint-venture	Effect of changes in foreign exchange rates	Closing 31 December 2007
Cost									
Land and buildings	547,235	16,610	(13,161)	-	1,254	(4,430)	(243,443)	(31,650)	272,415
Leasehold improvements	460,127	29,530	(132)	(5,345)	29,975	-	-	(21)	514,134
Machinery and equipment	458,570	35,039	(8,698)	-	19,087	-	(44,432)	(6,901)	452,665
Furniture and fixtures	178,805	22,307	(5,159)	-	7,664	-	(38,781)	(3,902)	160,934
Motor vehicles	2,035	48	(691)	-	-	-	-	(48)	1,344
Construction in progress	35,434	99,396	(36,695)(*)	-	(47,692)	(3,261)	(42,040)	(2,733)	2,409
Advances given	5,004	14,436	(7,852)(*)	-	(10,288)	-	-	(188)	1,112
	1,687,210	**217,366**	**(72,388)**	**(5,345)**	**-**	**(7,691)**	**(368,696)**	**(45,443)**	**1,405,013**
Accumulated depreciation									
Buildings	(61,228)	(9,296)	2,958	-	-	-	21,766	2,697	(43,103)
Leasehold improvements	(198,031)	(47,378)	82	4,065	-	-	-	10	(241,252)
Machinery and equipment	(298,421)	(34,388)	6,293	-	17	-	22,850	3,134	(300,515)
Furniture and fixtures	(79,451)	(14,577)	3,196	-	(17)	-	12,986	1,349	(76,514)
Motor vehicles	(1,152)	(282)	591	-	-	-	-	-	(843)
	(638,283)	**(105,921)**	**13,120**	**4,065**	**-**	**-**	**57,602**	**7,190**	**(662,227)**
Net Book Value	**1,048,927**			**(1,280)**					**742,786**

(*) The disposals for the construction in progress and the advances given are predominantly composed of the shopping malls that were disposed without capitalizing.

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NOTE 19- PROPERTY, PLANT AND EQUIPMENT (Continued)

	Opening 1 January 2006	Additions	Disposals	Impairment Loss (Note 38)	Transfers	Adjustments(*)	Transfers to Investment Property (Note 18)	Effect of Changes in Foreign Exchange Rates	Closing 31 December 2006
Cost									
Land and buildings	452,997	1,846	(849)	-	63,125	-	-	30,116	547,235
Leasehold improvements	415,122	35,242	-	(11,947)	24,223	(2,601)	-	88	460,127
Machinery and equipment	405,629	24,392	(3,956)	-	23,373	2,879	-	6,253	458,570
Furniture and fixtures	144,805	14,027	(1,314)	-	16,863	837	-	3,587	178,805
Motor vehicles	2,862	204	(1,101)	-	-	-	-	70	2,035
Construction in progress	39,557	147,630	-	-	(115,813)	-	(41,207)	5,267	35,434
Advances given	11,784	2,344	-	-	(11,771)	-	-	2,647	5,004
	1,472,756	**225,685**	**(7,220)**	**(11,947)**	**-**	**1,115**	**(41,207)**	**48,028**	**1,687,210**
Accumulated Depreciation									
Buildings	(49,340)	(9,672)	41	-	-	66	-	(2,323)	(61,228)
Leasehold improvements	(164,502)	(44,349)	-	7,658	-	3,087	-	75	(198,031)
Machinery and equipment	(262,464)	(32,602)	3,402	-	-	(3,918)	-	(2,839)	(298,421)
Furniture and fixtures	(65,582)	(13,191)	848	-	-	(589)	-	(937)	(79,451)
Motor Vehicles	(1,611)	(460)	957	-	-	(27)	-	(11)	(1,152)
	(543,499)	**(100,274)**	**5,248**	**7,658**	**-**	**(1,381)**	**-**	**(6,035)**	**(638,283)**
Net book value	**929,257**			**(4,289)**		**(266)**			**1,048,927**

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

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	2007	2006
Net book value	15,725	24,700

NOTE 20 - INTANGIBLE ASSETS

Cost	Opening 1 January 2007	Additions	Disposals	Effect of changes in foreign exchange rates	Disposals due to sale of joint-venture	Closing 31 December 2007
Trademark (Tansaş) (*)	174,158	-	-	-	-	174,158
Rights	16,328	1,809	(52)	(230)	(796)	17,059
Other intangible assets	88	-	-	-	-	88
Accumulated amortisation	(9,751)	(2,570)	48	117	477	(11,679)
Net book value	**180,823**					**179,626**

Cost	Opening 1 January 2006	Additions	Disposals	Effect of changes in foreign exchange rates	Closing 31 December 2006
Trademark (Tansaş) (*)	174,158	-	-	-	174,158
Rights	13,873	2,232	(126)	349	16,328
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(6,928)	(2,605)	44	(262)	(9,751)
Net book value	**181,191**				**180,823**

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NOTE 20 - INTANGIBLE ASSETS (Continued)

(*) The Group acquired 64.25% of the shares of Tansaş at 10 November 2005. IFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date. The work was performed by an independent appraisal firm in order to estimate the fair value of the trademark which was considered as an identifiable intangible asset. The appraisal firm applied the relief from royalties method and estimated the fair value of the trademark in the amount of YTL174,158 in its report dated 6 March 2006. This amount has been accounted for as an intangible asset in the consolidated financial statements. Since the trademark does not have a definite useful life and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful life and therefore has not been amortised. Additionally, as mentioned in "Accounting Policies", the Group assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

NOTE 21 - ADVANCES RECEIVED

The Group has not received any advances. (2006: None)

NOTE 22 - RETIREMENT PLANS

The Group does not have any obligations regarding retirement plans (2006: None).

NOTE 23 - PROVISIONS

Short-term provisions

	2007	**2006**
Tax and legal provisions	45,846	242
Less: Prepaid corporation tax	(9,483)	(162)
Tax provisions, net	**36,363**	**80**
Provision for litigation (Note 31.e)	6,795	7,188
Other provisions	**6,795**	**7,188**
Total short-term provisions	**43,158**	**7,268**

Long-term provisions

	2007	**2006**
Provision for employment termination benefits	**14,065**	**11,757**

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

NOTE 23 - PROVISIONS (Continued)

Provision for employment termination benefits is explained below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires (the retirement age is 58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of YTL2,030.19 (2006: YTL1,857.44) for each year of service at 31 December 2007.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The following actuarial assumptions have been used in the calculation of the total provision:

	2007	**2006**
Discount rate	5.71%	5.71%
The probability of retirement	86.60%	87.40%

The principal assumption is that the maximum liability of YTL 2,030.19 as of 31 December 2007 (2006: YTL 1,857.44) for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 2,087.92 (1 January 2007:1,960.69) which is effective from 1 January 2008 has been taken into consideration for the calculation of the provision for employment termination benefits.

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

	2007	**2006**
1 January	**11,757**	**13,782**
Increase during the period	9,770	8,210
Payments in the period	(7,462)	(6,597)
Reversal of provisions	-	(3,638)
31 December	14,065	11,757

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

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

Changes in minority interest during the period are as follows:

	2007	2006
1 January	**199**	**85,230**
Decrease in minority interests due to increase in parent company shares in Subsidiaries	-	(17,526)
Net income attributable to minority interest	38	3,755
Translation reserve	28	3,812
Allocation of trademark value of Tansaş to minority interest (Note 17)	-	62,262
Transfer to equity due to the merger with the Subsidiary (Tansaş)	-	(137,334)
31 December	**265**	**199**

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Markets Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of Ykr 1. The Company's historical authorised and paid-in share capital at 31 December 2007 and 2006 is as follows:

	2007	**2006**
Ceiling on registered share capital (historical)	190,000	190,000
Historical authorised and paid-in share capital	178,030	176,267

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

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

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL (Continued)

The shareholders of Migros and their shareholdings to capital with historical figures as at 31 December 2007 and 2006 are stated below:

	2007		2006	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding A.Ş.	50.83	90,497	50.83	89,601
Publicly held	49.17	87,533	49.17	86,666
Total capital	**100.00**	**178,030**	**100.00**	**176,267**
Adjustment to share capital (*)		(77,165)		(77,165)
Total paid-in capital		**100,865**		**99,102**

(*) Adjustment to share capital represents the restatement effect of cash contributions to share capital (Notes 26-27-28).

The issued and paid-in capital amounting to YTL 178,030 (31 December 2006: YTL 176,267) has been divided into 17,803,000,000 shares (31 December 2006: 17,626,686,600 shares) with a nominal value of YKr 1. There are no privileged shares.

There is a pledge on 8,085,305,000 units of shares which Koç Holding A.Ş. owns in the Company and that has been given in favour of J.P. Morgan Europe Limited, pursuant to the share pledge agreement entered into between Koç Holding A.Ş. and J.P. Morgan Europe Limited on 20 January 2006 within the terms of the Secured Term Facility Agreement signed on 20 January 2006 between Koç Holding A.Ş., J.P. Morgan Europe Limited and J.P. Morgan Chase Bank N.A..

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

Capital surplus

Capital surplus (share premium), totalling to an amount of YTL 18,854 at historical cost, includes the net proceeds of YTL 23 from the offering of the shares remaining from the unexercised pre-emptive rights in the share capital increase in 1997 and YTL 18,831 in revenue from the sale of 75,000,000 shares in the ISE Wholesale Market by restricting the pre-emptive rights in accordance with the resolution of the Board of Directors dated 5 August 1998 (total net YTL 152,855 expressed in terms of the purchasing power of the YTL as of 31 December 2004). This surplus is added to shareholders' equity and is not available for distribution.

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

Profit reserves, shareholders' equity restatement differences and retained earnings

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

Pursuant to resolution of the Capital Markets Board dated January 8, 2008 and the number 4/138, for the joint stock companies of which shares are listed in the stock exchange, the minimum profit distribution rate will be 20% (December 31, 2006:20%) effective from January 1, 2008. Accordingly, based on the decision of the general assembly, the companies were allowed to carry out such distribution in the form of cash or bonus shares issued by means of adding the dividend to the capital or by distribution of a certain percentage of cash and bonus shares, and in the event the first dividends are less than 5% of the paid-in/issued capital, the partnership was allowed to retain the said amount without distribution , yet the ones which will distribute dividend from the profit for the period earned as a result of 2007 activities among those joint stock companies that increase their capital without carrying out a dividend distribution for the previous period and divide their shares as "new" and "old " must distribute the first dividend in cash.

In accordance with the CMB Communiqué XI-25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted off in the calculation of the distributable profit. In addition, the net-off of such an accumulated deficit against current period income and retained earnings, if any, extraordinary reserves, legal reserves and reserve for restatement difference of shareholder's equity can be made according to the related CMB Communiqué. In the case of a share capital increase as a result of a transfer from the shareholders' equity reserve accounts, such an increase will be made from the lesser of the amounts as determined by CMB regulations or legal requirements.

"Retained earnings" arising from the first-time application of inflation accounting and "retained earnings" arising from the first-time adoption and preparation of the comparative financial statements in accordance with Communiqué XI-25/IFRS, can be used either for a capital increase or to pay cash dividends to shareholders. In accordance with Communiqué XI-25, companies are obliged to distribute at least 20% (2006: 20%) of their distributable profit which is calculated based on the financial statements prepared in accordance with CMB Accounting Standards. Based on the decision of the general assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. Net income of subsidiaries, join-ventures and associates, included in consolidated net income, is not considered in the profit distribution if a decision on profit distribution has not been taken in the general assemblies of these companies.

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

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

In accordance with the Communiqué XI-25, when an entity adopts inflation accounting for the first time, items of statutory shareholders' equity such as share capital, capital surplus, legal reserves, statutory reserves, special reserves and extraordinary reserves are presented at their historical amounts. The difference between the restated and historical amounts of these items is presented in shareholders' equity in full as restatement difference.

Shareholders' equity restatement differences can be netted-off against prior years' losses and used as an internal source in capital increase, shareholders' equity restatement differences related to reserves on which there are no prohibitions for profit distribution can be used in distribution of cash dividends where extraordinary reserves at historical amounts can be netted-off against prior years' losses, used as an internal source in capital increase and distribution of cash dividends to shareholders.

In accordance with the above explanation, the composition of the Company's shareholders' equity as of 31 December 2007 and 2006 according to the Communiqué XI-25 is as follows:

	2007	2006
Share capital	178,030	176,267
Capital surplus	18,854	18,854
Financial assets fair value reserve	24,543	14,865
Shareholders' equity restatement differences	175,758	175,758
Legal reserves	18,487	13,410
Extraordinary reserves	71,932	78,608
Translation reserve	(6,457)	(30,202)
Additional contribution to shareholders' equity related to merger	119,422	119,422
Net income for the period	552,875	78,686
Retained earnings	315,624	277,102
Total shareholders' equity	**1,469,068**	**922,770**

(*) The additional contribution to shareholders' equity is composed of the amount transferred to the shareholders' equity from the minority shares as a result of merger of Migros with Tansaş on 1 July 2006.

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

	2007			2006		
	Historical Amounts	Restated Amounts	Shareholders' Equity Restatement Differences	Historical Amounts	Restated Amounts	Shareholders' Equity Restatement Differences
Share capital	178,030	100,865	(77,165)	176,267	99,102	(77,165)
Capital surplus	18,854	152,855	134,001	18,854	152,855	134,001
Legal reserves	18,487	43,741	25,254	13,410	38,664	25,254
Extraordinary reserves	71,932	165,600	93,668	78,608	172,276	93,668
Total	**287,303**	**463,061**	**175,758**	**287,139**	**462,897**	**175,758**

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

NOTE 29 - FOREIGN CURRENCY POSITION

	2007	2006
Assets	321,421	348,638
Liabilities	(288,743)	(911,924)
Net foreign currency liability position	32,678	(563,286)

YTL equivalent of foreign currency amounts

	2007				
	USD	Euro	Kazakhstan tenge	Other currencies	Total YTL
Cash and cash equivalents	106,378	6,151	12,806	4,610	129,945
Marketable securities	27,383	853	-	-	28,236
Trade receivables	426	-	2,193	1,318	3,937
Due from related parties	-	-	-	-	-
Other current assets	153,558	-	529	194	154,281
Financial assets	-	-	-	-	-
Other non-current assets	-	-	5,022	-	5,022
Total assets denominated in foreign currencies	**287,745**	**7,004**	**20,550**	**6,122**	**321,421**

	2007				
	USD	Euro	Kazakhstan tenge	Other currencies	Total YTL
Short-term financial liabilities	84,534	33,294	-	-	117,828
Long-term financial liabilities	76,584	66,079	-	-	142,663
Trade payables	6,523	3	12,889	5,404	24,819
Due to related parties	-	-	-	-	-
Other liabilities	610	-	1,530	1,293	3,433
Total liabilities denominated in foreign currencies	**168,251**	**99,376**	**14,419**	**6,697**	**288,743**

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	2006					
	USD	**Euro**	**Russian ruble**	**Kazakhstan tenge**	**Other currencies**	**Total YTL**
Cash and cash equivalents	12,121	3,249	17,222	9,253	6,163	48,008
Marketable securities	56,145	2,966	-	-	-	59,111
Trade receivables	18,271	200	1,516	589	1,840	22,416
Due from related parties	323	-	285	-	18	626
Other current assets	4,091	-	45,506	489	1,032	51,118
Financial assets	123,157	9,069	-	-	-	132,226
Other non-current assets	1,561	-	30,565	3,007	-	35,133
Total assets denominated in foreign currencies	**215,669**	**15,484**	**95,094**	**13,338**	**9,053**	**348,638**

	2006					
	USD	**Euro**	**Russian ruble**	**Kazakhstan tenge**	**Other currencies**	**Total YTL**
Short-term financial liabilities	136,910	43,128	-	-	-	180,038
Long-term financial liabilities	446,672	125,388	-	-	-	572,060
Trade payables	12,130	1,187	106,096	10,403	7,668	137,484
Due to related parties	22	143	1,344	-	-	1,509
Other liabilities	591	-	16,401	1,191	2,650	20,833
Total liabilities denominated in foreign currencies	**596,325**	**169,846**	**123,841**	**11,594**	**10,318**	**911,924**

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

As of the dates of the reporting period, the Group has no government incentives and grants which have been utilized or are to be utilized.

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

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given at 31 December 2007 and 2006 are as follows:

	2007	2006
Letters of guarantees given	**71,860**	**27,464**

Migros is the guarantor of loan agreements signed by Ramstore Kazakhstan and IFC on 30 July 1999 and 22 November 2001 in the amount of USD 11 million and USD 1.9 million, respectively, as per the agreements signed on the same date. In the event the Migros ceases to be a guarantor, Ramstore Kazakhstan Samal shopping mall and hypermarket (25,050 sqm) and the assets in Astana (3,194 sqm) and Tastak (2,020 sqm) supermarkets will be pledged.

b) Guarantees received at 31 December 2007 and 2006 are as follows:

	2007	2006
Guarantees obtained from customers	49,761	55,022
Guarantees obtained due to the sale of joint-venture	148,379	-
	198,140	**55,022**

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

	2007	2006
Payable within 1 year	2,074	12,749
Payable in 1 to 2 years	2,074	10,527
Payable in 2 to 5 years	6,222	25,838
Payable in 5 to 10 years	7,161	24,218
Payable after 10 years	-	26,314
	17,531	**99,646**

d) Kazakhstan and Kyrgyzstan's tax legislation are subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of Ramstore Kazakhstan may not coincide with that of the management. As a result transactions may be challenged by tax authorities and Ramstore Kazakhstan may be assessed for additional taxes, penalties and interest, which can be significant. The period remains open to review by Kazakh tax authorities for five years.

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

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

e) There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour issues constitute the majority of these lawsuits. The Company management assesses the outcomes of these lawsuits and the financial effects thereof, and the required provisions are made in accordance with expected gains and liabilities. As of 31 December 2007 such provisions amount to YTL 6,795 (2006: YTL 7,188).

f) As of 31 December 2007, Migros has a liability of annual paid leave due to its employees which have been earned yet have not been used with its present value in the amount of YTL 2,820 as calculated based on the actuarial assumptions. As per the company policy, in order to encourage the employees to use their leaves, no provision was reserved for the said liability in the consolidated financial statements pertaining to the interim fiscal period between 1 January-31 December 2007.

NOTE 32 - BUSINESS COMBINATIONS

On 30 June 2006 the Company acquired 50% of the shares of Harranova Besi for YTL4,982. Goodwill in the amount of YTL1,962 has been recognised as an asset and has initially been measured as the excess of the cost of the acquisition over the fair value of acquiree's assets, liabilities and contingent liabilities. Details of the fair values of net assets and liabilities acquired at 30 June 2006 are as follows:

Purchase consideration	**4,982**
Fair value of identifiable assets, liabilities and contingent liabilities	**3,020**
Goodwill	**1,962**
Trade receivables	2,327
Inventories and biological assets	8,366
Property, plant and equipment	13,390
Other assets	4,455
Bank borrowings	(24,449)
Other liabilities	(1,069)
Fair value of identifiable assets, liabilities and contingent liabilities	**3,020**

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

NOTE 33 - SEGMENT INFORMATION

In these consolidated financial statements for the period at 31 December 2007 and 2006, the primary reportable segments comprise the geographical segments.

Geographical segments are distinguishable economic components of an enterprise subject to risks and returns that are different from those operating in other economic environments.

Wholesale and rent income are not identified as a different reportable section on the grounds of materiality in accordance with IAS 14 and accordingly the industrial segments are not presented as secondary segment reporting (Note 36). Within this framework, retailing is presented as the sole reportable business segment in these consolidated financial statements.

a) Net sales	**2007**	**2006**
Turkey	4,251,932	3,699,282
Kazakhstan	141,971	100,921
Bulgaria (Note 1)	26,965	33,940
Azerbaijan	17,104	15,743
Net sales from continuing operations	**4,437,972**	**3,849,886**
Net sales from discontinued operations	**355,387**	**423,083**

b) Net Operating profit	**2007**	**2006**
Turkey	188,567	164,879
Kazakhstan	11,332	11,041
Bulgaria	2,893	2,474
Azerbaijan	1,070	807
Net sales from continuing operations	**203,862**	**179,201**
Net sales from discontinued operations	**9,555**	**25,885**

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

NOTE 33 - SEGMENT INFORMATION (Continued)

c) Segmental analysis for the period of 1 January-31 December 2007

	Turkey	Azerbaijan	Bulgaria	Kazakhstan	Total Combined	Inter-segment elimination	Total	Discontinued operations
External revenues	4,251,932	17,104	26,965	141,971	4,437,972	-	4,437,972	355,387
Inter-segment revenues	9,724	-	-	-	9,724	(9,724)	-	-
Revenues	4,261,656	17,104	26,965	141,971	4,447,696	(9,724)	4,437,972	355,387
Cost of sales	(3,232,601)	(12,771)	(17,239)	(106,932)	(3,369,543)	9,724	(3,359,819)	(238,642)
Gross profit	1,029,055	4,333	9,726	35,039	1,078,153	-	1,078,153	116,745
Selling and marketing expenses	(637,719)	(1,182)	(3,601)	(16,212)	(658,714)	-	(658,714)	(70,444)
General and administrative expenses	(202,769)	(2,081)	(3,232)	(7,495)	(215,577)	-	(215,577)	(36,746)
Net operating profit	**188,567**	**1,070**	**2,893**	**11,332**	**203,862**	**-**	**203,862**	**9,555**

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

	Turkey	Azerbaijan	Bulgaria	Kazakhstan	Total Combined	Inter-segment elimination	Total	Discontinued operations
External revenues	3,699,282	15,743	33,940	100,921	3,849,886	-	3,849,886	423,083
Inter-segment revenues	8,753	-	-	-	8,753	(8,753)	-	-
Revenues	3,708,035	15,743	33,940	100,921	3,858,639	(8,753)	3,849,886	423,083
Cost of sales	(2,798,310)	(11,825)	(23,100)	(73,514)	(2,906,749)	8,753	(2,897,996)	(291,961)
Gross profit	909,725	3,918	10,840	27,407	951,890	-	951,890	131,122
Selling and marketing expenses	(559,490)	(1,123)	(4,605)	(4,675)	(569,893)	-	(569,893)	(59,466)
General and administrative expenses	(185,356)	(1,988)	(3,761)	(11,691)	(202,796)	-	(202,796)	(45,771)
Net operating profit	**164,879**	**807**	**2,474**	**11,041**	**179,201**	**-**	**179,201**	**25,885**

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

NOTE 33 - SEGMENT INFORMATION (Continued)

e) Geographical segment assets employed

	2007	2006
Total assets		
Turkey	2,850,958	2,346,707
Russian Federation (Note 1)	-	561,797
Bulgaria (Note 1)	35,866	60,457
Kazakhstan	67,005	58,597
Azerbaijan	8,971	9,088
Total combined	2,962,800	3,036,646
Less: Inter-segment elimination	(133,075)	(246,714)
Total assets as per consolidated financial statements	**2,829,725**	**2,789,932**

	2007	2006
Net assets		
Turkey	1,522,493	895,318
Russian Federation	-	188,587
Kazakhstan	35,729	31,372
Bulgaria	31,241	26,857
Azerbaijan	6,689	6,941
Total combined	1,596,152	1,149,075
Less: Inter-segment elimination	(126,819)	(226,106)
Total net assets	1,469,333	922,969
Less: Minority interest	(265)	(199)
Total shareholder's equity as per consolidated financial statements	**1,469,068**	**922,770**

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

NOTE 33 - SEGMENT INFORMATION (Continued)

f) Capital expenditures, depreciation and amortisation

Capital expenditures	**2007**	**2006**
Turkey	169,923	123,183
Discontinued operations	44,195	97,931
Kazakhstan	4,846	5,568
Azerbaijan	92	345
Bulgaria	119	890
	219,175	**227,917**

Depreciation and amortisation	**2007**	**2006**
Turkey	91,134	83,740
Discontinued operations	15,917	16,738
Bulgaria	1,369	2,219
Kazakhstan	1,518	1,438
Azerbaijan	337	402
	110,275	**104,537**

g) Minority interest

	2007	**2006**
Bulgaria	265	199
	265	**199**

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

NOTE 34 - SUBSEQUENT EVENTS

a) Pursuant to the resolution of the Board of Directors of Koç Holding, the parent company of Migros, dated 13 February 2008, the Holding decided to sell its 50.83% of shares of Migros to Moonlight Capital S.A. controlled by BC Partners or to the companies or the parties to be set by Moonlight Capital S.A. following signing of the share transfer agreement.

b) The Group decided to repay the loans before the expiry of the term on 11 February 2008, which were borrowed on 9 February 2007, a total amount of USD 10 million; USD 5 million being from ABN Amro Bank and USD 5 million being from Citibank with a term of 5 years to be utilized for the investment expenses in its joint venture Ramenka, where the Group holds 50% controlling interest.

NOTE 35 - DISCONTINUED OPERATIONS

a) The Group signed a share transfer agreement dated 11 September 2007 with Enka Holding Investment S.A. regarding the sale of all its shares in Ramenka, a joint-venture where the Group held 50% controlling interest, in return for USD 542.5 million. After the permit was obtained from the Competition Board of Federation of Russia and the other conditions precedent were fulfilled, the transfer of shares was completed on 9 November 2007. The profit in the amount of YTL 379,991 that arose out of the said transaction was recorded under the other operating income and gains (Note 38).

A summary of income statement of Ramenka for the period of 1 January-31 October 2007 is as follows:

	1 January 2007- 31 October 2007
Income	370,586
Expenses	(369,883)
Income before tax from discontinued operations	703
Taxes on income	(7,085)
Loss after tax from discontinued operations	**(6,382)**

b) Ramstore Bulgaria closed down its three stores and stopped its retailing operations as of March 2007. The Group sold the land of its Sophia store and the whole building including the equipment and installations, which are seen among its assets, in return for 8,500 Euro (YTL11,625), VAT excluded. The profit that was earned in the amount of 2,400 Euro (YTL4,157) due to such sale was classified under the field of income and profit from other activities.

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

NOTE 36 - OPERATING REVENUE

	2007	2006
Domestic sales	4,315,477	3,770,817
Foreign sales	524,569	553,938
	4,840,046	**4,324,755**
Other sales	20,238	24,837
	4,860,284	**4,349,592**
Less: Discounts and returns	(66,925)	(76,623)
Sales revenue - net	**4,793,359**	**4,272,969**
Cost of sales	(3,598,461)	(3,189,957)
Gross operating profit	**1,194,898**	**1,083,012**

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	2007	2006
Retail sales	4,655,020	4,139,176
Rent income	118,517	111,579
Wholesale	66,509	74,000
	4,840,046	**4,324,755**

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

NOTE 37 - OPERATING EXPENSES

	2007			2006		
	General and Administrative Expenses	**Selling and Marketing Expenses**	**Total**	**General and Administrative Expenses**	**Selling and Marketing Expenses**	**Total**
Staff costs	92,255	269,513	361,768	70,679	247,051	317,730
Rent expense	2,679	159,632	162,311	20,687	124,574	145,261
Depreciation and amortisation	110,275	-	110,275	104,537	-	104,537
Transportation, porterage and cleaning expenses	-	91,968	91,968	-	82,268	82,268
Energy expenses	1,809	59,799	61,608	1,818	52,092	53,910
Repair, maintenance and security expenses	2,991	45,861	48,852	10,807	36,394	47,201
Advertising expenses	-	43,400	43,400	-	45,280	45,280
Warehouse expenses	-	14,489	14,489	-	5,558	5,558
Taxes and other fees	6,631	4,538	11,169	7,581	1,635	9,216
Communication expenses	3,749	5,783	9,532	2,923	5,838	8,761
Travelling expenses	5,873	2,944	8,817	4,833	2,710	7,543
Mechanisation expenses	1,130	6,048	7,178	1,983	4,152	6,135
Insurance premiums	1,358	4,751	6,109	1,550	3,504	5,054
Donations	3,851	-	3,851	1,742	-	1,742
Stationary expense	858	2,034	2,892	1,273	2,109	3,382
Employment termination benefits-net	552	1,756	2,308	374	1,239	1,613
Parent company service charges	1,974	-	1,974	3,530	1,693	5,223
Other	16,338	16,642	32,980	14,250	13,262	27,512
Total	**252,323**	**729,158**	**981,481**	**248,567**	**629,359**	**877,926**

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

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

Other operating income and gains

	2007	2006
Income from sale of joint-venture	379,991	-
Foreign exchange gain	86,068	33,244
Interest income on marketable securities	26,387	9,960
Interest income on bank deposits	24,477	32,963
Income from sale of available-for-sale investments (Note 16)	18,418	-
Due date charges on credit sales	11,278	21,777
Income from sales of property, plant and equipment	4,104	946
Unutilised provisions	3,533	15,452
Income from transfer of shopping mall	3,396	-
Income from scrap good sales	2,976	2,212
Cash discount	2,744	1,902
Dividend income	462	-
Other	4,376	4,563
	568,210	**123,019**

Unutilised provisions comprise provisions for lawsuits and compensation, employment termination benefits, unbilled goods and other balance sheet provisions that have been cancelled during the period and included in the consolidated statement of income.

Other operating expenses and losses

	2007	2006
Foreign exchange loss	(34,434)	(238)
Closed store expenses of joint-venture	(4,763)	-
Bad debt provision expenses (Note 7)	(3,663)	(1,068)
Credit cards commission expense	(1,928)	(2,630)
Loss of sale of associate (Note 16)	(1,688)	-
Impairment loss of property, plant and equipment (Note 19)	(1,280)	(4,289)
Other	(5,797)	(1,954)
	(53,553)	**(10,179)**

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

NOTE 39 - FINANCIAL EXPENSES

	2007	2006
Interest expense on bank borrowings	(44,235)	(52,000)
Interest expense on term purchases	(43,562)	(65,636)
Foreign exchange loss from financial activities	(478)	(41,791)
Other	(1,385)	(444)
	(89,660)	**(159,871)**

NOTE 40 - MONETARY GAIN/LOSS

None.

NOTE 41 - TAXES ON INCOME

Turkish tax legislation does not permit a parent company and its Joint-ventures to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkey

Corporation tax rate for the year 2007 is 20% (2006: 20%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TSI WPI increase rate). Since these conditions in question were not fulfilled during the years 2006 and 2007, no inflation adjustments were performed.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

NOTE 41 - TAXES ON INCOME (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2006: 20%) on their corporate income. Advance tax is declared by the 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those concerning the Company are explained as follows:

Domestic participation exemption

Dividends obtained from Turkish resident corporations (except dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the sale of shares at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Foreign company participation exemption

If the below conditions are fulfilled, participation revenues obtained from abroad and those transferred to Turkey by the date when the corporate tax declaration regarding the taxation period in which they are obtained is filed shall not be subject to corporate tax in Turkey.

Conditions are those that the Turkish resident company holds at least a 10% stake for a continuous period of a year in the non-resident company, the total tax burden of the non resident company is at least 15% (for insurance and financing leasing companies the tax burden should be equal to at least the corporate tax burden in Turkey) and the profit is transferred to Turkey in cash till the corporate tax declaration date.

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

75% of the gains derived from the sale of investment equity, real property, preferential rights, usufruct shares and founding shares which have remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales value has to be collected until the end of the second calendar year following the year the sale was realised.

NOTE 41 - TAXES ON INCOME (Continued)

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

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

Transfer pricing

Article 13 of Corporation Tax Law numbered 5520 introduces new arrangements about the transfer pricing came into force as of 1 January 2007. Significant changes took place in the arrangements related to the transfer pricing following the respective article based on the transfer pricing guidance of EU and OECD. In this framework, the entities are required to use the prices or amounts to be determined according to the peers for the purpose of sales or service buy and sale transactions carried out with affiliated persons. The principle of suitability with the peers means that the price or amount to be used for the purpose of goods or service buy and sale carried out with the affiliated persons is suitable for the price or amount that would have arisen if there had been no relation between them. The entities will determine the prices or amounts suitable for the peers that will be applied for the purpose of transactions carried out with the affiliated persons by using the methods laid out in the respective law according to the nature of the transaction. The records, tables and documents related to the calculation of the prices or amounts determined in accordance with the principle of suitability with the peers must be kept by the entities as the evidencing documents. Also, the entities will draw up a report containing the information and documents related to the transactions carried out with the affiliated persons during a fiscal year.

In the event goods or services are bought or sold over the prices or amounts determined in breach of the principle of suitability with the peers, the profit will be deemed to have been partially or fully distributed as disguised by means of transfer pricing. The profit partially or fully distributed as disguised by means of transfer pricing will be deemed to be the profit share distributed on the last day of the fiscal year when the conditions listed in article 13 have been fulfilled or the amount transferred to the head office for the limited tax payers. A tax withholding will be made over the amount calculated as a result of assuming the profit share distributed by means of transfer pricing as the net profit share and completing such amount to gross amount according to the legal quality of the shareholders. The taxation transactions previously made will be adjusted in the tax payers who are party to such transactions. However, the taxes imposed on the entity that uses disguised capital should have become final and should have been paid-in to be able to make such correction. The amount to be taken into consideration in case of adjustment to be carried out for the entities distributing disguised profit should be finalized and paid-in amount.

In order to clarify the application after the provisions related to transfer pricing came into force as of January 1, 2007, the Ministry of Finance published on November 18 , 2007 General Communiqué On "Disguised Profit Distribution through Transfer Pricing" (Series No: 1).

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

NOTE 41 - TAXES ON INCOME (Continued)

Russian Federation

The applicable tax rate is 24% in Russian Federation.(2006: 24%).

Under the Russian taxation system tax losses can be carried forward to offset future taxable profits over the subsequent 10 years. The maximum offset in any one year is limited to 30% (2006: 30%) of the total taxable income of the year. Losses not utilised in the eligible periods cannot be carried forward.

Income tax rates applied in the Kazakhstan, Bulgaria, Macedonia, Azerbaijan and Kyrgyzstan are 30%, 10%, 12%, 22% and 10% respectively (2006: 30%, 15%, 15%, 22% and 10%).

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

	2007	**2006**
Current period taxation charge	(53,441)	(10,053)
Deferred tax charge (Note 14)	(32,276)	(66,270)
Taxation on income	**(85,717)**	**(76,323)**

NOTE 42 - EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Basic earnings per share are determined by dividing net income attributable to shareholders by the weighted average number of issued ordinary shares as below:

	2007	**2006**
Net income attributable to the shareholders	552,875	78,686
Weighted average number of shares with YKr 1 face value each ('000)	17,803,000	17,803,000
Earnings per share (YKr)	3.11	0.44

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

NOTE 43 - STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows are presented together with the primary consolidated financial statements.

NOTE 44 - DISCLOSURE OF MATTERS THAT HAVE SIGNIFICANT EFFECTS ON FINANCIAL STATEMENTS OR THAT NEED TO BE EXPLAINED FOR THE CLEAR INTERPRETATION AND COMPREHENSION OF THE FINANCIAL STATEMENTS

None.

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