MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY-30 JUNE 2006 TOGETHER WITH AUDITOR'S REVIEW REPORT

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE INTERIM PERIOD 1 JANUARY-30 JUNE 2006

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have reviewed the accompanying consolidated interim balance sheet of Migros Türk Ticaret A.Ş. ("Migros" or the "Company") at 30 June 2006 and the related consolidated interim statement of income for the period then ended in accordance with the limited review standards issued by the Capital Market Board ("CMB"). Our work on the interim balance sheet and the statement of income was limited compared to the work performed in accordance with generally accepted auditing standards for the year-end financial statements. Our work covered mainly analytical review, gathering information and various audit techniques in accordance with the limited review standards, on the basis of our understanding of the interim financial statements preparation system. Accordingly, our report should not be considered comparable to an independent full scope audit report.

2. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with accounting principles issued by Capital Market Board (Note 2).

We would like to draw your attention to the following matter:

3. As explained in Note 2 to the consolidated financial statements US Dollar ("USD") and Euro ("EUR") amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and are translated from New Turkish Lira ("YTL"), as a matter of arithmetic computation only, at the official USD and EUR bid rates announced by the Central Bank of the Republic of Turkey at 30 June 2006. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into USD and EUR at these or any other rates.

Additional paragraph for convenience translation into English:

4. The accounting principles described in Note 2 to the consolidated financial statements (defined as “CMB Accounting Standards”) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Adnan Akan, SMMM
Partner

Istanbul, 5 September 2006

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2006

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CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2006 AND 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.)

		*30 June 2006		30 June	31 December
	Notes	**EUR**	**USD**	**2006**	**2005**
ASSETS					
Current assets					
Cash and cash equivalents	4	166.990	209.349	335.566	316.936
Marketable securities (net)	5	37.795	47.383	75.950	63.832
Trade receivables (net)	7	20.859	26.151	41.917	32.884
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	4.171	5.229	8.381	7.641
Other receivables (net)	10	640	803	1.287	495
Biological assets (net)	11	-	-	-	-
Inventories (net)	12	142.301	178.398	285.954	266.389
Construction contract receivables (net)	13	-	-	-	-
Deferred tax assets	14	-	-	-	-
Other current assets	15	34.501	43.251	69.328	55.806
Total current assets		**407.257**	**510.564**	**818.383**	**743.983**
Non-current assets					
Trade receivables (net)	7	333	418	670	562
Finance lease receivables (net)	8	-	-	-	-
Due from related parties (net)	9	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	104.866	131.467	210.729	182.660
Goodwill/negative goodwill (net)	17	86.200	108.065	173.218	173.218
Investment property (net)	18	34.604	43.381	69.536	55.380
Property, plant and equipment (net)	19	528.663	662.767	1.062.349	935.151
Intangible assets (net)	20	89.866	112.662	180.586	181.191
Deferred tax assets	14	14.907	18.688	29.955	61.609
Other non-current assets	15	17.219	21.587	34.601	27.124
Total non-current assets		**876.658**	**1.099.035**	**1.761.644**	**1.616.895**
Total assets		**1.283.915**	**1.609.599**	**2.580.027**	**2.360.878**

These consolidated financial statements have been approved by the Board of Directors on 5 September 2006.

(*) US dollar and Euro amounts presented above are translated from New Turkish lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey at 30 June 2006 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by the Capital Market Board ("CMB") (see Note 2).

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2006 AND 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.)

	Notes	*30 June 2006 EUR	*30 June 2006 USD	30 June 2006	31 December 2005
LIABILITIES					
Current liabilities					
Financial liabilities (net)	6	13.745	17.232	27.621	4.627
Current portion of long-term financial liabilities (net)	6	69.651	87.319	139.963	58.843
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	16.876	21.157	33.913	33.914
Trade payables (net)	7	342.021	428.780	687.292	677.122
Due to related parties (net)	9	24.058	30.161	48.345	32.739
Advances received	21	-	-		-
Construction progress billings (net)	13	-	-	-	-
Provisions	23	5.830	7.309	11.716	23.366
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15	27.278	34.196	54.812	58.054
Total current liabilities		**499.459**	**626.154**	**1.003.662**	**888.665**
Non-current liabilities					
Financial liabilities (net)	6	350.850	439.849	705.034	653.167
Finance lease payables (net)	8	-	-	-	-
Other financial liabilities (net)	10	-	-	-	-
Trade payables (net)	7	7.769	9.739	15.611	17.907
Due to related parties (net)	9	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23	5.721	7.173	11.497	8.979
Deferred tax liabilities	14	-	-	-	-
Other liabilities (net)	15	-	-	-	-
Total non-current liabilities		**364.340**	**456.761**	**732.142**	**680.053**
Total liabilities		**863.799**	**1.082.915**	**1.735.804**	**1.568.718**
MINORITY INTERESTS	24	**7.764**	**9.733**	**15.601**	**85.230**
SHAREHOLDERS' EQUITY					
Share capital	25	**78.803**	**98.793**	**158.355**	**137.700**
Adjustment to share capital	25	-	-	-	-
Capital reserves	26	**102.777**	**128.848**	**206.530**	**206.441**
Share premium		9.382	11.762	18.854	18.854
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve		5.931	7.435	11.918	11.829
Shareholders' equity restatement differences		87.464	109.651	175.758	175.758
Profit reserves	27	**44.594**	**55.906**	**89.612**	**20.589**
Legal reserves		6.673	8.366	13.410	11.157
Statutory reserves		-	-	-	-
Extraordinary reserves		39.118	49.041	78.608	56.449
Special reserves		-	-	-	-
Investment and property sales income to be added to the capital		-	-	-	-
Translation reserve	2	(1.197)	(1.501)	(2.406)	(47.017)
Additional contribution to shareholders' equity related to the merger	**24**	**37.358**	**46.834**	**75.071**	**-**
Net income for the period		**956**	**1.198**	**1.921**	**73.705**
Retained earnings	28	**147.864**	**185.372**	**297.133**	**268.495**
Total shareholders' equity		**412.352**	**516.951**	**828.622**	**706.930**
Total liabilities and shareholders' equity		**1.283.915**	**1.609.599**	**2.580.027**	**2.360.878**

Commitments, contingent assets and liabilities 31

(*) US dollar and Euro amounts presented above are translated from New Turkish lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey at 30 June 2006 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by the Capital Market Board ("CMB") (see Note 2).

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE

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

	Notes	1 January-30 June 2006 EUR	1 January-30 June 2006 USD	1 January-30 June 2006	1 April-30 June 2006	1 January-30 June 2005	1 April-30 June 2005
OPERATING REVENUE							
Sales (net)	33,36	988.392	1.239.113	1.986.174	1.032.887	1.168.309	602.773
Cost of sales (-)	33,36	(734.978)	(921.416)	(1.476.938)	(757.200)	(890.420)	(457.488)
Service income (net)	36	-	-	-	-	-	-
Other operating income	36	-	-	-	-	-	-
Gross operating profit		**253.414**	**317.697**	**509.236**	**275.687**	**277.889**	**145.285**
Operating expenses (-)	37	(200.697)	(251.608)	(403.302)	(206.469)	(236.837)	(121.787)
Net operating profit	**33**	**52.717**	**66.089**	**105.934**	**69.218**	**41.052**	**23.498**
Other income and profit	38	45.139	56.590	90.709	69.056	25.245	12.510
Other expenses and losses (-)	38	(2.962)	(3.714)	(5.953)	(2.498)	(1.590)	(841)
Financial expenses (net) (-)	39	(74.762)	(93.726)	(150.234)	(125.120)	(28.329)	(13.729)
Operating profit		**20.132**	**25.239**	**40.456**	**10.656**	**36.378**	**21.438**
Share of loss of associates	16	(164)	(206)	(330)	(262)	(226)	(153)
Monetary gain	40	-	-	-	-	-	-
Minority interest	24	(1.860)	(2.332)	(3.738)	(474)	(1.366)	(493)
Income before tax		**18.108**	**22.701**	**36.388**	**9.920**	**34.786**	**20.792**
Taxes on income	41	(17.152)	(21.503)	(34.467)	(27.324)	(11.217)	(6.204)
Net income/(loss)		**956**	**1.198**	**1.921**	**(17.404)**	**23.569**	**14.588**
Weighted average number (000's) of shares with face value of YKr 1 each	42			15.835.500	15.835.500	15.835.500	15.835.500
Basic and diluted earnings per share (YKr)	42			0.01	(0.11)	0.15	0.09

(*) US dollar and Euro amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey at 30 June 2006 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by the Capital Market Board ("CMB") (see Note 2).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE

(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 reserves	Additional contribution to shareholders' equity related to merger	Net income/(loss) for the period	Retained earnings	Total shareholders' equity
Balances at 31 December 2004 as previously reported	**137.700**	**18.854**	**-**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.397**	**225.936**	**650.688**
Change in accounting policy- IAS 39 (Note 2)	-	-	5.083	-	-	-	-	-	290	(5.373)	-
Balances at 31 December 2004- as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.687**	**220.563**	**650.688**
Change in accounting policy- IFRS 3 (Note 2)	-	-	-	-	-	-	-	-	-	4.346	4.346
Balances at 1 January 2005- as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**-**	**74.687**	**224.909**	**655.034**
Transfers	-	-	-	-	2.932	28.169	-	-	(74.687)	43.586	-
Dividends relating to 2004	-	-	-	-	-	(20.655)	-	-	-	-	(20.655)
Currency translation differences	-	-	-	-	-	-	(5.895)	-	-	-	(5.895)
Financial assets net fair value loss, net of deferred tax (Note 16)	-	-	293	-	-	-	-	-	-	-	293
Net income for the period	-	-	-	-	-	-	-	-	23.569	-	23.569
Balances at 30 June 2005	**137.700**	**18.854**	**5.376**	**175.758**	**11.157**	**56.449**	**(45.012)**	**-**	**23.569**	**268.495**	**652.346**
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	-	-	-	-	-	-	44.611	-	-	-	44.611
Financial assets net fair value loss, net of deferred tax (Note 16)	-	-	89	-	-	-	-	-	-	-	89
Transfer to shareholders' equity due to the merger with the subsidiary (Note 24)	-	-	-	-	-	-	-	75.071		-	75.071
Net income for the period	-	-	-	-	-	-	-	-	1.921	-	1.921
Balances at 30 June 2006	**158.355**	**18.854**	**11.918**	**175.758**	**13.410**	**78.608**	**(2.406)**	**75.071**	**1.921**	**297.133**	**828.622**

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 and Şok stores, and since 10 November 2005 Tansaş and Macrocenter stores, shopping centres, Ramstores abroad and on-line sales. The Company also rents floor space in the shopping malls to other trading companies. The average number of people employed in Migros, its subsidiaries and Joint-venture ("the Group") throughout the first six-month period of 2006 is 18.083 (2005: 10.790). As of 30 June 2006 the Group is operating in 823 (31 December 2005: 783) supermarkets with a net retail space of 638.930 (31 December 2005: 616.186) square meters. Retail is the main business segment of the Group and constitutes almost 95,3% (2005: 94,5%) of gross sales. Therefore, due to the International Accounting Standard 14 ("IAS 14"), "Segment Reporting", retail is the sole reportable segment.

The address of the registered office is as follows:

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

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

On 18 August 2005, for acquisition of the majority shares of Tansaş Perakende Mağazacılık Ticaret A.Ş. ("Tansaş"), the Company and main shareholder Koç Holding A.Ş. signed a Share Transfer Contract with Doğuş Holding companies which own shares in Tansaş. The Competition Board's permission required for the transfer was received on 1 November 2005 and the transfer was realised on 10 November 2005. Accordingly, Tansaş became a subsidiary of the Company. Tansaş was incorporated on 15 December 1986 and is operating in the retail and shopping sector with Tansaş and Macrocenter brands with 227 stores. 18,29% of Tansaş shares are publicly listed on the Istanbul Stock Exchange. As it is stated below, Tansaş merged with Migros and was dissolved as of 30 June 2006.

Permission was obtained from the Capital Markets Board on 23 May 2006 for the merger that 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. By this merger, through the exchange of 0,1569 Migros shares in consideration for each Tansaş share to the shareholders of Tansaş which was dissolved as of 30 June 2006, the share capital of the Company will increase by YTL17.911,87 from YTL158.355 to YTL176.266,87 (Note 34).

(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 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
ansaş Perakende Mağazacılık Ticaret A.Ş. (**)	Turkey	Turkey	Retail
amstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore Azerbaycan")	Azerbaijan	Azerbaijan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Retail
imited Liability Company Rambutya ("Rambutya")	Kazakhstan	Kazakhstan	Retail
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retail
Ramstore Bishkek LLP ("Ramstore Bishkek")	Kyrgyzstan	Kazakhstan (*)	Retail
Şok Marketler Ticaret A.Ş. ("Şok Marketler")	Turkey	(*)	Trade
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	Turkey	(*)	Trade

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

(**) Tansaş was dissolved as of 30 June 2006 with the decision taken in the Extraordinary General Assembly Meeting held on 26 June 2006.

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

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

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

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

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

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

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

(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)

Interests in Joint-ventures

The Company has interests in the following Joint-venture ("the Joint-venture"). The nature of business of the Joint-venture and for the purpose of the consolidated financial statements, its respective geographical segment is as follows:

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Financial reporting standards

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

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its consolidated financial statements for the accounting periods starting 1 January 2005. The consolidated financial statements of the Company presented for comparison purposes are expressed in the purchasing power of New Turkish lira ("YTL") at 31 December 2004. These consolidated financial statements and the related notes have been presented in conformity with the alternative application stated above and in accordance with the formats required by the CMB with the announcement dated 20 December 2004. Inflation adjustment has not been made for the interim periods 1 January 30 June 2006 and 2005.

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.

(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)

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

Financial reporting in hyperinflationary periods

The Company did not apply inflation accounting in accordance with the decision of the CMB dated 17 March 2005 stating that effective from1 January 2005, the application of inflation accounting was no longer required for companies preparing their financial statements in accordance with CMB Accounting Standards.

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

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

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

The foreign Subsidiaries and the Joint-venture maintain their books of accounts in accordance with the laws and regulations in force in the countries in which they are registered and necessary adjustments and reclassifications have been made for fair presentation in accordance with the accounting policies applied in the consolidated financial statements of the Group. The assets and liabilities of foreign 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 foreign Subsidiaries and the Joint-venture and differences between the average and period-end rates are included in the translation reserve under shareholders' equity.

(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)

Basis of consolidation

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

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

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	**30 June 2006**	**31 December 2005**
Tansaş (1), (6)	64,25	64,25
Ramstore Azerbaijan (1)	94,75	94,75
Ramstore Bulgaria (1)	99,99	99,99
Rambutya (1), (5)	60,00	51,00
Ramstore Macedonia (1), (2)	99,00	99,00
Ramstore Bishkek (3)	60,00	-
Şok Marketler (4)	99,60	99,60
Sanal Merkez (4)	69,99	69,99

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

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

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

(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)

(3) Ramstore Bishkek, wholly owned by Rambutya, was established on 22 May 2006. Ramstore Bishkek did not yet start its operations as of 30 June 2006. Therefore, on the grounds of the materiality, it has not been included in the scope of the consolidation and has been classified and accounted for as a financial asset in the consolidated financial statements.

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

(5) The shares of Migros in the Subsidiary Rambutya which was 60%, has been increased to 100% as of 14 July 2006 (Note 34).

(6) Tansaş was dissolved as of 30 June 2006 as a result of the merger with Migros as stated in Note 1 and 34 in detail.

c) Joint-ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and its Subsidiaries and one or more other parties. Joint-venture Ramenka is consolidated using the proportionate consolidation method i.e. by consolidating the Group's share of assets, liabilities, income and expenditure of each Joint-venture on a line-by-line basis.

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	**30 June 2006**	**31 December 2005**
Ramenka	50,00	50,00

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

(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)

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

	Proportion of ownership interest (%)	
Associate	**30 June 2006**	**31 December 2005**
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00
Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş. ("Koç Ata") (*)	50,00	-

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

f) The results of foreign Subsidiaries and 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.

(*) Although the Group owns 50% of the shares of Koç Ata, it does not control its operations and accordingly Koç Ata was accounted for as an Associate in the accompanying consolidated financial statements. Since the shares of Koç Ata were acquired from the third parties and the date of the acquisition is close to the balance sheet date, the carrying amount of Koç Ata is considered to approximate to its fair value. The accounting for business combination regarding the acquisition of Koç Ata was determined provisionally since the studies carried out for the estimation of the fair values of identifiable assets, liabilities and contingent liabilities were not finalised as of the date of this report. Within the context of IFRS 3-"Business Combinations" accounting for business combinations which was performed provisionally, will be completed within twelve months following the acquisition date. There is no goodwill accounted for as of 30 June 2006 associated with the acquisition of Koç Ata.

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

Comparative information and restatement of prior periods' financial statements

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

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

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

Offsetting

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

US dollar and Euro convenience translation

US dollar ("USD") and EURO amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey's official YTL exchange rate of YTL 1,6029=USD 1,00 for purchases of USD and YTL 2,0095=EURO 1,00 for purchases of EURO at 30 June 2006. Therefore, USD and EURO amounts do not form part of the consolidated financial statements prepared in accordance with CMB Accounting Standards at 30 June 2006. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into USD and Euro at this or any other rate.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles used in the preparation of interim consolidated financial statements are consistent with the significant accounting principles used in preparation of the financial statements of the accounting period 1 January - 31 December 2005. The expenses that are not evenly distributed in a financial year, are recognised in the interim financial statements only if the expenses can be deferred or estimated properly at the end of the financial year.

The Group does not have seasonal or periodical operations that significantly affect interim consolidated financial statements due to the sector they operate in.

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

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 and sales premiums are accounted on accrual basis and booked against cost of goods sold.

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

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

Inventories

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

(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)

Property, plant and equipment

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

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

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

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

The useful life and depreciation method are periodically reviewed and whereupon it is verified whether the depreciation method and useful life are in line with the economic benefits to be gained from the related asset or not. In this context, the Company reviewed the useful lives of the property, plant and equipment and revised the useful lives of certain property, plant and equipment effective from 1 January 2006. As a result of the stated revision, the depreciation expense decreased by YTL 6.286 in the interim consolidated statement of income ending 30 June 2006.

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

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

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

Business 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 and which can be separated from goodwill, at their fair values in the consolidated financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

Goodwill arising on acquisitions of the Group before 31 March 2004, is capitalised and amortised using the straight-line method over its estimated useful life of 5 years, until 31 December 2004. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary. Within the context of IFRS 3 - "Business Combinations" amortisation accounting is not applied for goodwill related to the acquisitions after 31 March 2004, and the carrying value of goodwill is reviewed annually and adjusted for impairment where it is considered necessary. The carrying amount of negative goodwill related to the acquisitions after 31 March 2004 has been reviewed and accounted for as income in the related period. In accordance with IFRS 3, the Group ceased to amortise the negative goodwill associated with the transactions before 31 March 2004 at the beginning of the first annual period beginning after 31 March 2004 (1 January 2005). The carrying value of goodwill is reviewed annually for permanent impairment and the impairment provision, if any, is immediately recognised in the consolidated statements of income.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

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

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the consolidated financial statements.

Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale, in accordance with the allowed alternative treatment in IAS 23-"Borrowing Costs".

Financial instruments

Trade receivables

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans originated by the Company

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

Investment securities

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

Within the context of the revision in IAS 39, unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets, net of deferred tax, are recognised 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 recognised in the financial assets fair value reserve are transferred to statement of income when such available-for-sale financial assets are derecognised.

All investment securities are initially recognised at cost, being the fair value of the consideration given and include 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

Interest rate risk

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

Funding risk

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

Credit risk

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

Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes at the translation of foreign currency-denominated assets and liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 29).

Fair value of financial instruments

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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 recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have a material influence 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 outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Accounting policies, changes in accounting estimates and errors

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

The Company periodically reviews the useful lives of the registered property, plant and equipment and it is verified whether the depreciation method and useful life are in line with the economic benefits to be gained from the related asset or not. In this context, the Company reviewed the useful lives of the property, plant and equipment in the first half of the year 2006. As a result of the stated review, the management revised the estimates of the useful lives and consequently the depreciation expense in the current period is decreased by YTL 6.286 in the interim consolidated statement of income ending 30 June 2006.

The Company adjusted the errors resulting from the elimination of inflation accounting of the property, plant and equipment according to IAS 29 in the previous years. The errors were identified during the examination of the tangible assets which were owned by Tansaş, the Subsidiary acquired in the year 2005. As of 30 June 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 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 (Note 8).

Operating leases

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

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

Prepayments for land leases

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

Related parties

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

Segment information

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

Government incentives and grants

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

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 liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date (Note 23).

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

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

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

Employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees in accordance with the Turkish Labour Law and is calculated by applying actuarial valuation methods. Liabilities payable within a 12-month period subsequent to the balance sheet date are accounted for in full and classified in the short-term provision in the consolidated financial statements (Note 23).

(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)

Cash flow

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

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

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

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

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

Significant accounting estimates and judgments

Preparation of financial statements require the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expense items in the fiscal period. Although these estimates and assumptions are based on the management's best knowledge of the exiting events and transactions, actual results may differ from those estimates.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2006	31 December 2005
Cash	15.220	19.737
Banks		
-demand deposits	45.046	50.984
-time deposits	115.273	101.713
Cheques in collection	66	184
Other cash and cash equivalents	159.961	144.318
	335.566	**316.936**

(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)

Effective interest rates on YTL denominated time deposits vary between 15,05% and 19,50% (31 December 2005: 16% and 19,25%). There are no time deposits denominated in EUR or USD (effective interest rates at 31 December 2005 vary between 3,5% and 6,08% and 1,5% and 3% respectively). Other cash and cash equivalents mainly include receivables on credit card slips with a maturity of less than one month (31 December 2005: less than one month).

The analysis of time deposits by maturity at 30 June 2006 and 31 December 2005 is as follows:

	30 June 2006	**31 December2005**
1 - 30 days	115.273	96.836
31- 90 days	-	4.877
	115.273	**101.713**

NOTE 5 - MARKETABLE SECURITIES

	30 June 2006	**31 December2006**
Available-for-sale investments	63.614	60.132
Held-to-maturity time deposits	12.336	3.700
Total financial assets	**75.950**	**63.832**

Available-for-sale investments

	30 June 2006		**31 December 2005**	
	Interest rate p.a.	**Amount**	**Interest rate p.a.**	**Amount**
Eurobond (USD)	7,38%-12,38%	35.641	7,38%-12,38%	32.746
Treasury bills and government bonds	13,66%-20,17%	27.057	13,53%-20,17%	26.534
Eurobond (Euro)	5,50%	916	5,50%	852
		63.614		**60.132**

(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)

Held-to-maturity time deposits:

	30 June 2006				31 December 2005		
	USD	**Euro**	**Amount**		**USD**	**Euro**	**Amount**
ABN Amro Bank	6.310	-	10.115		2.757	-	3.700
Koçbank Nederland N.V.	-	1.105	2.221		-	-	-
			12.336	**(Note 16)**			**3.700**

Effective interest rates on USD and EUR denominated held-to-maturity time deposits are 8,98%-10,82% (31 December 2005: 8,11%-10,13%) and 7,78% (31 December 2005: None) respectively.

The analysis of debt securities by maturity at 30 June 2006 and 31 December 2005 is as follows:

	30 June 2006	**31 December 2005**
Period remaining to maturity:		
1 - 30 days	4.766	2.971
31 - 90 days	7.243	1.052
91 - 180 days	10.236	2.682
181 days - 1 year	17.969	12.071
Over 1 year	35.736	45.056
	75.950	**63.832**

(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

	30 June 2006			
	Effective interest rate p.a.	**USD**	**Euro**	**YTL**
Short-term bank borrowings				
With fixed interest rates	7,5%-8,25%	16.660	-	26.704
With floating interest rates	Euribor + 1,00%	-	456	917
Short-term bank borrowings		**16.660**	**456**	**27.621**
Current portion of long-term bank borrowings				
With fixed interest rates	2% - 9,85%	1.734	124	3.029
With floating interest rates	Libor + 1,6%- Libor +5,83% Euribor + 1,55%-Euribor +5,05%	63.126	17.790	136.934
Current portion of long-term bank borrowings		**64.860**	**17.914**	**139.963**
Long-term bank borrowings				
With fixed interest rates	2% - 9,85%	3.472	1.239	8.055
With floating interest rates	Libor + 1,6%- Libor + 5,83%, Euribor + 1,55% -Euribor 5,05%	337.550	77.591	696.979
Long-term bank borrowings		**341.022**	**78.830**	**705.034**
Total bank borrowings		**422.542**	**97.200**	**872.618**

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

(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)

The redemption schedule of long-term bank borrowings at 30 June 2006 is as follows:

	USD	Euro	YTL
1 July 2007 - 30 June 2008	85.495	21.230	179.702
1 July 2008 - 30 June 2009	120.716	21.180	236.058
1 July 2009 - 30 June 2010	106.295	21.180	212.943
1 July 2010 - 30 June 2011	28.516	11.769	69.355
1 July 2011 and over	-	3.471	6.976
	341.022	**78.830**	**705.034**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 June 2006	31 December 2005
Receivables from tenants and wholesale activities	43.253	32.660
Doubtful trade receivables	7.917	6.480
Notes receivable	992	-
Deposits and guarantees given	128	66
	52.290	39.206
Less: Provision for doubtful receivables	(7.820)	(6.322)
Less: Unearned financial income on term sales	(2.553)	-
Short-term trade receivables, net	**41.917**	**32.884**

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

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

	2006	2005
1 January	**6.322**	**3.879**
Current year provision	1.643	650
Collections and reversal of provisions	(494)	(432)
Currency translation difference	349	(31)
30 June	**7.820**	**4.066**

(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)

The maturities of trade receivables are generally less than one month and they are discounted with the rate of 14.36% as of 30 June 2006. Trade receivables were not discounted as of 31 December 2005, as it was not material to the consolidated financial statements

	30 June 2006	31 December 2005
Deposits and guarantees given	670	562
Long-term trade receivables	**670**	**562**

Trade payables:

	30 June 2006	31 December 2005
Trade payables	715.509	686.528
Less: Unincurred financial expense on due date purchases	(28.217)	(9.406)
Short-term trade payables, net	**687.292**	**677.122**

The maturity of trade receivables is generally less than three months as of 30 June 2006 and they are discounted with the rate of 14,36% (31 December 2005: between 8,14%-13,53%).

	30 June 2006	31 December 2005
Trade payables	9.060	13.590
Deposits and guarantees taken	8.022	6.290
Less: Unincurred financial expense on due date purchases	(1.471)	(1.973)
Long-term trade payables	**15.611**	**17.907**

Long-term trade payables mainly consist of property, plant and equipment purchases and are discounted with the rate of 13,80% (31 December 2005: 13.80%).

NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

None (31 December 2005: None).

(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

Balances with related parties

Due from related parties:	**30 June 2006**	**31 December 2005**
Sanal Merkez T.A.Ş.	2.916	3.127
Palmira Turizm Tic. A.Ş.	1.652	741
Koç Finansal Kiralama A.Ş.	1.471	-
Ramstore Bishkek LLP	921	-
Opet Petrolcülük A.Ş.	537	703
Ford Otosan San. A.Ş.	64	1.738
Other	820	1.322
	8.381	**7.641**

Due to related parties:

Due to shareholders:	**30 June 2006**	**31 December 2005**
Koç Holding A.Ş.	391	377
Dividend liabilities to other shareholders	33	34
	424	**411**

Due to group companies:

	30 June 2006	**31 December 2005**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	13.721	14.242
Beko Ticaret A.Ş.	10.157	4.563
Tat Konserve Sanayi A.Ş.	8.697	3.153
Türk Demirdöküm Fabrikaları A.Ş.	7.663	1.035
Entek Elektrik Üretimi A.Ş.	2.055	1.181
Ark İnşaat San.ve Tic. A.Ş.	1.529	-
Ram Kofisa Pasific Ltd.	1.353	1.020
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş.	1.233	15
Palmira Turizm Tic. A.Ş.	764	2.082
Ram Sigorta Aracılık Hizmetleri. A.Ş.	22	2.857
Other	727	2.180
	47.921	**32.328**
Total due to related parties	**48.345**	**32.739**

(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:	**30 June 2006**	**31 December 2005**
Yapı ve Kredi Bankası A.Ş. ("Yapı ve Kredi")		
- demand deposit	96	350
- time deposit	-	38.891
- other cash and cash equivalents (credit card slip receivables)	28.432	26.318
Yapı ve Kredi Bankası A.Ş. Bahrain		
- demand deposit	-	1.054
- time deposit	4.000	1.576
Koçbank A.Ş.		
- demand deposit	5.975	6.479
- time deposit	3.050	4.806
- other cash and cash equivalents (credit card slip receivables)	3.121	7.405
Koçbank Nederland N.V.		
- time deposit	13.325	12.597
Koçbank Azerbaijan		
- demand deposit	784	224
- time deposit	-	134
Koçbank Bahrain		
- time deposit	26.448	25.000
	85.231	**124.834**

Borrowings:	**30 June 2006**	**31 December 2005**
Yapı ve Kredi Bankası A.Ş.	167.102	137.199
Koçbank Nederland N.V.	13.133	12.617
	180.235	**149.816**

(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)

Significant transactions with related parties

Sales of goods:	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April-30 June 2005**
Tat Konserve Sanayi A.Ş.	12.380	8.132	8	5
Sanal Merkez T.A.Ş.	6.866	3.316	4.557	2.330
Palmira Turizm Tic. A.Ş. (*)	4.506	2.337	-	-
Tüpraş Petrol Rafinerileri A.Ş.	361	327	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	267	267	-	-
Aygaz A.Ş.	236	115	197	111
Setur Servis Turistik A.Ş.	-	-	4.370	2.161
Diğer	1.488	1.280	914	392
	26.104	**15.774**	**10.046**	**4.999**

(*) As of 1 July 2005, Palmira Turizm Ticaret A.Ş. has been established under Setur Servis Turistik A.Ş. ("Setur") as a result of the partial split-off of Setur.

Purchases of property, plant and equipment	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April-30 June 2005**
Koçtaş Yapı Marketleri Tic. A.Ş.	4.728	2.431	-	-
Ark İnşaat San. Ve Tic. A.Ş.	3.306	2.464	-	-
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	631	436	644	532
Koçnet Haberleşme Teknolojileri A.Ş.	603	516	37	37
Diğer	18	11	376	162
	9.286	**5.858**	**1.057**	**731**

(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:	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April 30 June 2005**
Koç Finansal Kiralama A.Ş.	1.900	1.900	-	-
Ramstore Bishkek	609	609	-	-
	2.509	**2.509**	**-**	**-**

Inventory purchases:	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April 30 June 2005**
Tat Konserve Sanayi A.Ş.	42.636	24.663	6.811	6.220
Düzey Tüketim Mal. San. Paz.ve Tic. A.Ş.	37.417	16.535	29.811	11.137
Türk Demir Döküm Fabrikaları A.Ş.	6.536	6.332	4.892	3.336
Palmira Turizm Tic. A.Ş.	4.856	2.307	-	-
Ram Kofisa Pasific Ltd.	2.106	735	5.143	2.647
Beldeyama Motorlu Vasıtalar San.ve Tic.A.Ş.	1.078	-	138	138
Setur Servis Turistik A.Ş. Divan Sütlüce	-	-	4.395	2.187
Diğer	2.671	2.633	1.279	709
	97.300	**53.205**	**52.469**	**26.374**

(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)

Service purchases:	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April 30 June 2005**
Beko Ticaret A.Ş. (*)	42.041	25.073	21.710	11.734
Entek Elektrik Üretimi A.Ş.	6.147	3.449	2.043	2.043
Koç Holding A.Ş.	3.503	2.626	1.188	619
Koçnet Haberleşme Tekn. Ve İlet. Hizm. A.Ş.	1.378	1.021	900	627
Palmira Turizm Tic. A.Ş.	1.127	831	-	-
Ece Türkiye Proje Yönetim ve Tic. A.Ş.	-	-	3.982	1.960
Eltek Elektrik Enerjisi İth. İhr. ve Tic. A.Ş.	-	-	2.377	620
Diğer	3.156	1.920	2.233	1.420
	57.352	**34.920**	**34.433**	**19.023**

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

Interest income:	**1 January-30 June 2006**	**1 April-30 June 2006**	**1 January-30 June 2005**	**1 April-30 June 2005**
Koçbank A.Ş.	4.133	2.236	879	455
Yapı ve Kredi (*)	1.304	376	-	-
Koratrade MTMC Ltd..	-	-	324	324
Diğer	389	222	114	114
	5.826	**2.834**	**1.317**	**893**

(*) Yapı ve Kredi has been a group company of Koç Holding effective from 30 September 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 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

Dividends paid:

	1 January - 30 June 2006	1 April 30 June 2006	1 January 30 June 2005	1 April 30 June 2005
Koç Holding A.Ş.	**-**	**-**	**10.546**	**10.546**

Dividends calculated based on the net income of the year 2005 were not paid in cash, instead they have been distributed as bonus shares as addition to the share capital.

Other related party transactions are as follows:

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Interest expense	5.700	3.124	371	366
Rent income	612	342	399	207
Rent expense	1.455	751	1.383	701
Management fee received	378	203	168	76
Donations	-	-	13	-

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Salaries and other benefits provided to the Board of Directors and the key management of Migros	**2.253**	**701**	**2.018**	**704**

(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

	30 June 2006	31 December 2005
Receivables from personnel	1.287	495
	1.287	**495**

Other Payables

	30 June 2006	31 December 2005
T. Garanti Bankası A.Ş. ("Garanti Bankası")		
- Credit card collection account	33.913	33.914
	33.913	**33.914**

Payable to Garanti Bankası consists of credit card collections on behalf of Garanti Bankası through Tansaş stores with a maturity of less than one month.

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	30 June 2006	31 December 2005
Raw materials	338	302
Semi-finished goods	1.851	1.952
Finished goods	-	17
Merchandise stocks	281.332	263.419
Advances given	256	314
Other	4.096	2.892
	287.873	268.896
Less: Provision for obsolescence	(1.919)	(2.507)
	285.954	**266.389**

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

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes:

The Group recognises deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB standards and the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on taxable income in coming years under the liability method using a principal tax rate. The principal tax rates as of 30 June 2006 and 31 December 2005 are 24%, 30%, 15% and 22% for the Russian Federation, Kazakhstan, Bulgaria and Azerbaijan, respectively. The principal tax rate is 20% and 30% for Turkey as of 30 June 2006 and 31 December 2005, respectively.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided as of 30 June 2006 and 31 December 2005 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2006	**31 December 2005**	**30 June 2006**	**31 December 2005**
Carry forward tax losses	212.484	266.415	51.885	79.845
Investment incentives	30.736	30.964	4.700	4.864
Provision for expenses and other provisions	20.598	12.860	4.358	3.763
Net difference between the tax base and the carrying value of inventories	18.927	3.781	3.865	1.039
Unrealised financial cost	18.909	28.979	3.782	8.693
Provision for employment termination benefits	11.872	13.782	2.298	4.132
Allowance for unearned interest income	2.553	-	510	-
Adjustment for fair value of financial assets	366	(3.076)	73	(923)
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(152.769)	(130.422)	(34.607)	(35.670)
Allowance for unincurred interest expense	(29.688)	(11.379)	(5.938)	(3.414)
Deferred prepaid expenses	(2.029)	(2.266)	(406)	(680)
Other	(2.070)	(383)	(565)	(40)
Deferred tax assets			71.471	102.336
Deferred tax liabilities			(41.516)	(40.727)
Deferred tax assets, net			**29.955**	**61.609**

(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 assets/(liabilities)	
	2006	**2005**
1 January	61.609	(35.472)
Foreign currency translation difference	(4.503)	(173)
Current period (expense)/income (Note 41)	(28.147)	820
Current period effect in shareholders’ equity (Note 3 - Financial instruments)	996	146
30 June	**29.955**	**(34.679)**

In accordance with the Tax Procedural Law, previous years losses can be carried for a maximum of 5 years. It is estimated by the management that previous years losses in the amount of YTL 184.669 arising during the years 2001-2003 resulting from the acquisition of Tansaş can be offset against taxable profits during the period between the years 2006 and 2008. Details of previous years losses in terms of years that the Company plans to benefit from in the coming periods are as follows:

	2006
2001	90.781
2002	73.298
2003	20.590
2006	27.815
	212.484

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

Other current assets

	30 June 2006	**31 December 2005**
Value Added Tax (“VAT”) receivables	30.490	25.017
Prepaid expenses	26.899	22.899
Deductible taxes and funds	5.528	1.844
Migros Club discount cheques	5.505	5.289
Prepayments for land leases	488	376
Other	418	381
	69.328	**55.806**

(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 non-current assets

	30 June 2006	31 December 2005
Prepayments for land leases	20.362	16.227
Prepaid expenses	14.239	9.778
VAT receivables	-	1.119
	34.601	**27.124**

Other short-term liabilities

	30 June 2006	31 December 2005
Payables to personnel	14.755	18.069
Other taxes and funds payable	13.937	16.016
Expense accruals	11.684	8.241
VAT payable	6.995	7.955
Deferred income	3.408	2.335
Merchandise coupons	2.116	3.668
Other	1.917	1.770
	54.812	**58.054**

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

NOTE 16 - FINANCIAL ASSETS

	30 June 2006	31 December 2005
Held-to-maturity time deposits	166.816	145.189
Associates	7.662	3.010
Available-for-sale investments	36.251	34.461
Total financial assets	**210.729**	**182.660**

(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)

Available-for-sale investments:

	30 June 2006		31 December 2005	
	Share	**Amount**	**Share**	**Amount**
Quoted:				
Tat Konserve San. A.Ş.("Tat Konserve")	2,87%	5.060	2,87%	6.022
Unquoted:				
Koç Finansal Hizmetler A.Ş. ("KFS")	0,37%	26.538	0,37%	23.766
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9,24%	2.944	9,24%	2.944
Sanal Merkez Ticaret A.Ş.	69,99%	1.186	69,99%	1.186
Şok Marketler Ticaret A.Ş.	99,60%	520	99,60%	520
Ramstore Bishkek	60,00%	3	-	-
Sibernet Kültür ve Turizm İşl. Ltd. Şti.	-	-	20,00%	23
		36.251		**34.461**

Associates:

	30 June 2006		31 December 2005	
	Share	**Amount**	**Share**	**Amount**
Koç Ata	50,00%	4.982	-	-
Tanı Pazarlama	32,00%	2.680	32,00%	3.010
		7.662		**3.010**

Held-to-maturity time deposits:

	30 June 2006			31 December 2005	
	USD	**Euro**	**Amount**	**USD**	**Amount**
ABN Amro Bank	97.143	-	155.710	100.000	134.180
Koçbank Nederland N.V.	-	5.527	11.106	8.205	11.009
			166.816		**145.189**

(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:

	30 June 2006	31 December 2005
1-2 years	32.752	18.449
2-3 years	60.536	43.495
3-4 years	49.850	41.706
4 years and over	23.678	41.539
	166.816	**145.189**

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

	30 June 2006	31 December 2005
Total Assets	11.699	12.247
Total Liabilities	3.039	2.840

As of 30 June 2006, net sales of Tanı Pazarlama is YTL4.353 (2005: YTL4.223) and net loss for the six-month period ended 30 June 2006 is YTL1.032 (2005: YTL708).

The financial information about Koç Ata which has been acquired by the Company at 30 June 2006 is as follows:

	30 June 2006
Total assets	67.251
Total liabilities	51.035
Net income	16.174
Net loss	(10.483)

The movements of financial assets are as follows:

	2006	2005
1 January	**182.660**	**52.284**
Additions to held-to-maturity time deposits-net	33.963	32.127
Short-term portion of held-to-maturity time deposits (Note 5)	(12.336)	-
Acquisition of associate	4.985	-
Increase in the fair value of available-for-sale investments - net	1.810	(296)
Share in loss of associates	(330)	(226)
Sale of available-for-sale investment	(23)	-
Capital increase in financial assets	-	1.014
30 June	**210.729**	**84.903**

(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)

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.

Ramstore Bishkek was established on 22 May 2006 and has not started its operations. Therefore it has not been included in the scope of the consolidation on the grounds of materiality and has been classified as an available-for-sale investment in the consolidated financial statements as of 30 June 2006.

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

KFS is stated at fair value in the consolidated financial statements. The carrying value of Koçtaş is considered to approximate its fair value.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	Opening 1 January 2006	**Additions**	**Disposals**	**Closing 30 June 2006**
Goodwill	175.812	-	-	175.812
Negative goodwill	-	-	-	-
Accumulated amortisation	(2.594)	-	-	(2.594)
Net book value	**173.218**			**173.218**

	Opening 1 January 2005	**Additions**	**Disposals (*)**	**Closing 30 June 2005**
Goodwill	5.510	-	-	5.510
Negative goodwill	(7.276)	-	7.276	-
Accumulated amortisation	336	-	(2.930)	(2.594)
Net book value	**(1.430)**	**-**	**4.346**	**2.916**

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

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

NOTE 17 - GOODWILL/NEGATIVE GOODWILL (Continued)

Details of goodwill related to the purchase of subsidiary (Tansaş) in year 2005 and which is included in the opening balance as at 1 January 2006, are as follows (details about business combinations are disclosed in Note 32):

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

NOTE 18 - INVESTMENT PROPERTY

	Opening 1 January 2006	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 30 June 2006
Cost					
Land and Buildings	60.310	-	-	16.268	76.578
Accumulated depreciation					
Land and Buildings	(4.930)	(781)		(1.331)	(7.042)
Net book value	**55.380**				**69.536**

	Opening 1 January 2005	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 30 June 2005
Cost					
Land and Buildings	51.584		14	(1.691)	49.907
Accumulated depreciation					
Land and Buildings	(4.009)	(519)		132	(4.396)
Net book value	**47.575**				**45.511**

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The result of the work completed by an independent appraisal firm in order to estimate the fair value of the investment property at 31 December 2005 amounts to YTL127.970 (30 June 2005: YTL 99.672). The valuation includes land that is under operating lease by the Company as it cannot be separated from the valuation of investment property.

(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 2006	Additions	Disposals	Impairment loss	Transfers	Adjustments (*)	Transfers to investment property (Note 18)	Effect of Changes in foreign exchange rates	Closing 30 June 2006
Cost									
Land and buildings	452.997	1.317	(676)	-	8.988	-	-	59.245	521.871
Leasehold improvements	415.122	12.549	-	(148)	539	(2.601)	-	104	425.565
Machinery and equipment	405.629	5.624	(1.369)	-	3.805	2.879	-	12.232	428.800
Furniture and fixtures	144.805	8.091	(623)	-	6.881	837	-	6.858	166.849
Motor vehicles	2.862	133	(771)	-	-	-	-	118	2.342
Construction in progress	39.557	61.741	(64)	-	(19.471)	-	-	9.795	91.558
Advances given	17.678	6.148	-	-	(742)	-	-	4.525	27.609
	1.478.650	**95.603**	**(3.503)**	**(148)**	**-**	**1.115**	**-**	**92.877**	**1.664.594**
Accumulated depreciation									
Buildings	(49.340)	(4.825)	38	-	-	66	-	(4.793)	(58.854)
Leasehold improvements	(164.502)	(19.450)	-	123	-	3.087	-	70	(180.672)
Machinery and equipment	(262.464)	(16.132)	1.012	-	-	(3.918)	-	(5.667)	(287.169)
Furniture and fixtures	(65.582)	(6.537)	244	-	-	(589)	-	(1.796)	(74.260)
Motor vehicles	(1.611)	(268)	634	-	-	(27)	-	(18)	(1.290)
	(543.499)	**(47.212)**	**1.928**	**123**	**-**	**(1.381)**	**-**	**(12.204)**	**(602.245)**
Net book value	**935.151**			**(25)**		**(266)**			**1.062.349**

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

(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 (Continued)

	Opening 1 January 2005	Additions	Disposals	Impairment loss	Transfers	Transfers to investment property (Note18)	Effect Of changes In foreign exchange rates	Closing 30 June 2005
Cost								
Land and buildings	346.016	586	-	-	23.948	-	(6.707)	363.843
Leasehold improvements	303.408	1.460	-	(61)	1.469	-	(8)	306.268
Machinery and equipment	365.520	4.515	(363)	-	1.559	-	(1.434)	369.797
Furniture and fixtures	91.343	6.838	(339)	-	1.259	-	(421)	98.680
Motor vehicles	3.321	446	(581)	-	-	-	(9)	3.177
Construction in progress	25.031	38.712	-	-	(25.981)	(14)	(999)	36.749
Advances given	16.128	15.598	-	-	(2.254)	-	(519)	28.953
	1.150.767	**68.155**	**(1.283)**	**(61)**	**-**	**(14)**	**(10.097)**	**1.207.467**
Accumulated deprecation								
Buildings	(41.521)	(3.934)	-	-	-	-	243	(45.212)
Leasehold improvements	(145.021)	(9.917)	-	61	-	-	(1)	(154.878)
Machinery and equipment	(238.005)	(12.842)	305	-	-	-	288	(250.254)
Furniture and fixtures	(57.083)	(3.911)	330	-	-	-	75	(60.589)
Motor vehicles	(1.966)	(274)	484	-	-	-	1	(1.755)
	(483.596)	**(30.878)**	**1.119**	**61**	**-**	**-**	**606**	**(512.688)**
Net book value	**667.171**							**694.779**

(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 (Continued)

Borrowing costs of YTL35 (30 June 2005: YTL1.869) arising on financing specifically entered into for the construction of the new stores were capitalised during the period. The capitalisation rate used represents the interest cost of the borrowing used to finance the project.

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

	30 June 2006	**31 December 2005**
Net book value	29.791	35.291

NOTE 20 - INTANGIBLE ASSETS

	Opening 1 January 2006	**Additions**	**Disposals**	**Effect of changes in foreign exchange rates**	**Closing 30 June 2006**
Cost					
Trademark (Tansaş) (*)	174.158	-	-	-	174.158
Rights	13.873	650	(145)	596	14.974
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(6.928)	(1.345)	63	(424)	(8.634)
Net book value	**181.191**				**180.586**

	Opening 1 January 2005	**Additions**	**Disposals**	**Effect of changes in foreign exchange rates**	**Closing 30 June 2005**
Cost					
Rights	9.189	587	-	(32)	9.744
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(5.496)	(659)	-	22	(6.133)
Net book value	**3.781**				**3.699**

(*) The Company acquired 64,25% of the shares of Tansaş at 10 November 2005. IFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date. The work was performed by an independent appraisal firm in order to estimate the fair value of the trademark which was considered as an identifiable intangible asset. The appraisal firm applied the relief from royalties method and estimated the fair value of the trademark in the amount of YTL174.158 in its report dated 6 March 2006. This amount has been accounted for as an intangible asset in the consolidated financial statements. Since the trademark does not have a definite useful live and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful live and therefore has not been amortised. Additionally, as mentioned in "Accounting Policies", the Group assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

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NOTE 21 - ADVANCES RECEIVED

The Group does not have any advances received (2005: None).

NOTE 22 - RETIREMENT PLANS

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

NOTE 23 - PROVISIONS

Short-term provisions

	30 June 2006	31 December 2005
Tax and legal provisions	-	18.672
Less: Prepaid corporation tax	(5.054)	(15.313)
Tax provisions, net	**(5.054) (*)**	**3.359**

(*) The prepaid corporation tax is higher than corporate tax provision as of 30 June 2006. As a result, Migros has a net tax receivable and this amount is classified in other current assets as deductible tax and funds (Note 15).

Provision for legal disputes (Note 31.f)	11.716	12.935
Provision for employment termination benefits (**)	-	4.803
Other	-	2.269
	11.716	**20.007**
Total short-term provisions	**11.716**	**23.366**

(**) Provision for employment termination benefits which were expected to be paid by the Company in one year were included in short term provisions in full at 31 December 2005. As of 30 June 2006, the Company reversed the excess amount of the short-term portion of provision for employment termination benefits and included in other income in the consolidated statement of income, after completing the necessary payments in the first six-month period. As of 30 June 2006, there is no provision for employment termination benefits that is required to be classified in short-term provisions.

Long-term provisions

	30 June 2006	31 December 2005
Provision for employment termination benefits	**11.497**	**8.979**

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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 YTL1.770,62 (31 December 2005: YTL1.727,15) for each year of service at 30 June 2006.

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

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

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

	30 June 2006	31 December 2005
Discount rate	5,49%	5,49%
Turnover rate to estimate the probability of retirement	83%-87,40%	83% - 85,40%

The principal assumption is that the maximum liability of YTL 1,770.62 as of 30 June 2006 (31 December 2005: YTL 1.727,15) for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 1.815,28 which is effective from 1 July 2006 has been taken into consideration for the calculation of the provision for employment termination benefits.

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

	2006	2005
1 January	13.782	6.268
Increase during the period (Note 37)	1.353	800
Less: Reversal of provisions	(3.638)	-
30 June	**11.497**	**7.068**

(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:

	2006	2005
1 January	**85.230**	**9.797**
Increase in share capital	-	464
Decrease in minority interest due to changes in the shareholdings in Subsidiaries	(2.124)	(744)
Net income attributable to minority interest	3.738	1.366
Translation reserve	3.828	(388)
Transfer to equity due to the merge with the subsidiary (Tansaş) (Note 33.i)	(75.071)	-
30 June	**15.601**	**10.495**

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Markets Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of YKr1. The Company's historical authorised and paid-in share capital at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Limit on registered share capital (historical)	190.000	190.000
Historical authorised and paid-in share capital	158.355	137.700

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

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

The shareholders of the Company and their shareholdings to capital with historical figures as at 30 June 2006 and 31 December 2005 are stated below:

	30 June 2006		31 December 2005	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding A.Ş.	51,06	80.853	51,06	70.307
Publicly held	48,94	77.502	48,94	67.393
Total capital	**100,00**	**158.355**	**100,00**	**137.700**
Adjustment to share capital (*)		(77.165)		(77.165)
Total paid-in capital		**81.190**		**60.535**

(*) Adjustment to share capital represents the restatement effect of cash contributions to share capital.

The issued and paid-in share capital amounting to YTL 158.355 (31 December 2005: YTL 137.700) is divided into 15.835.500.000 shares (31 December 2005: 13.770.000.000) with a nominal value of one Yeni Kuruş each. There are no privileged shares.

There is pledge of shares on 8.085.305.000 unit of shares that Koç Holding A.Ş. owns in the Company and 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) represents the net proceeds from the offering of the Company's shares remaining from unutilised pre-emptive rights in the share capital increase of 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that, in accordance with the Board of Directors Resolution dated 5 August 1998, the Company sold 75.000.000 shares in foreign stock exchange markets and obtained funds at a historic amount of YTL18.854 (YTL 152.855 net, expressed in terms of the purchasing power of the YTL at 31 December 2004). This surplus is also recorded in shareholders' equity and is not available for distribution.

Profit reserves, shareholders' equity restatement differences and retained earnings

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

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

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

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

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

(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 Communiqué XI-25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit which is calculated based on the financial statements prepared in accordance with CMB Accounting Standards. Based on the decision of the general assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. Net income of subsidiaries, Joint-ventures and associates, included in consolidated net income, is not considered in profit distribution if a decision on profit distribution has not been taken in the general assemblies of these companies.

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

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

In accordance with the above explanation, the composition of the Company's shareholders' equity as of 30 June 2006 and 31 December 2005 according to the Communiqué XI-25 is as follows:

	30 June 2006	**31 December 2005**
Share capital	158.355	137.700
Capital surplus	18.854	18.854
Legal reserves	13.410	11.157
Extraordinary reserves	78.608	56.449
Financial assets fair value reserve	11.918	11.829
Shareholders' equity restatement differences	175.758	175.758
Translation reserve	(2.406)	(47.017)
Net income for the period	1.921	73.705
Additional contribution to shareholders' equity related to merger	75.071	-
Retained earnings	297.133	268.495
Total shareholders' equity	**828.622**	**706.930**

(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)

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

	30 June 2006			31 December 2005		
	Historical amounts	**Restated amounts**	**Shareholders' equity restatement differences**	**Historical amounts**	**Restated amounts**	**Shareholders' equity restatement differences**
Share capital	158.355	81.190	(77.165)	137.700	60.535	(77.165)
Capital surplus	18.854	152.855	134.001	18.854	152.855	134.001
Legal reserves	13.410	38.664	25.254	11.157	36.411	25.254
Extraordinary reserves	78.608	172.276	93.668	56.449	150.117	93.668
Total	**269.227**	**444.985**	**175.758**	**224.160**	**399.918**	**175.758**

NOTE 29 - FOREIGN CURRENCY POSITION

	30 June 2006	**31 December 2005**
Assets	337.908	287.029
Liabilities	(983.522)	(801.926)
Net foreign currency liability position	**(645.614)**	**(514.897)**

YTL equivalent of foreign currency amounts

	30 June 2006					
	USD	**Euro**	**Russian ruble**	**Kazakhstan tenge**	**Other currencies**	**Total YTL**
Cash and cash equivalents	1.472	688	3.653	10.308	4.634	20.755
Trade receivables	13.039	847	1.520	902	1.792	18.100
Due from related parties	927	-	190	-	13	1.130
Marketable securities	45.756	3.137	-	-	-	48.893
Other current assets	5.066	-	44.383	229	1.195	50.873
Financial assets	155.710	11.106	-	-	-	166.816
Other non-current assets	-	-	28.002	3.339	-	31.341
Total assets denominated in foreign currencies	**221.970**	**15.778**	**77.748**	**14.778**	**7.634**	**337.908**

(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)

	30 June 2006					
	USD	**Euro**	**Russian ruble**	**Kazakhstan tenge**	**Other currencies**	**Total YTL**
Short-term financial liabilities	130.669	36.915	-	-	-	167.584
Long-term financial liabilities	546.623	158.411	-	-	-	705.034
Trade payables	8.308	649	76.923	5.751	6.084	97.715
Due to related parties	961	-	27	-	2	990
Other liabilities	2.015	174	7.202	-	2.808	12.199
Total liabilities denominated in foreign currencies	**688.576**	**196.149**	**84.152**	**5.751**	**8.894**	**983.522**

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

(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)

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

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

As of the dates of the reporting periods, the Group has no government incentives and grants to be utilised.

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Letters of guarantees given	**29.660**	**23.060**

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

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

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

b) Guarantees received at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Guarantees obtained from customers	**45.488**	**55.417**

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

	30 June 2006	31 December 2005
Payable within 1 year	11.447	9.891
Payable in 1 to 2 years	10.457	9.080
Payable in 2 to 5 years	29.399	26.410
Payable in 5 to 10 years	33.661	29.654
Payable after 10 years	20.541	13.280
Total	**105.505**	**88.315**

d) As of 30 June 2006, there are contractual commitments for the new hypermarket constructions of Ramenka amounting to YTL43.014 (31 December 2005: YTL39.643).

e) Russian and Kazakhstan tax legislation are subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of Ramenka and Rambutya may not coincide with that of management. As a result transactions may be challenged by tax authorities and Ramenka and Rambutya may be assessed for additional taxes, penalties and interest, which can be significant. The periods remain open to review by Russian and Kazakhstan tax authorities for three and five years, respectively.

f) There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour issues constitute the majority of these lawsuits. The Company management assesses the outcomes of these lawsuits and financial effects thereof, and required provisions are made in accordance with expected gains and liabilities. As of 30 June 2006 such provisions amount to YTL 11.716 (31 December 2005: YTL12.935).

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

NOTE 32 - BUSINESS COMBINATIONS

On 10 November 2005 the Company acquired 64,25% of the shares of Tansaş for YTL476.080. Goodwill in the amount of YTL170.302 has been recognised as an asset and has initially been measured as the excess of the cost of the acquisition over the fair value of acquiree's assets, liabilities and contingent liabilities. Details of the fair values of net assets and liabilities acquired at 10 November 2005 are as follows:

Purchase consideration (*)	**476.080**
Fair value of identifiable assets, liabilities and contingent liabilities	**305.778**
Goodwill (**)	**170.302**

Cash, cash equivalents and marketable securities	100.558
Inventory	49.245
Property, plant and equipment	109.707
Tansaş trademark (Note 20)	174.158
Deferred tax assets (***)	61.937
Other assets	8.414
Bank borrowings	(6.716)
Trade payables	(150.527)
Other liabilities	(40.998)
Fair value of identifiable assets, liabilities and contingent liabilities	**305.778**

(*) Purchase consideration settled in cash.

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

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

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

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

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

(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 at 30 June 2006 and 2005, the primary reportable segments comprise the geographical segments.

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

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

a) Net Sales	**1 January- 30 June 2006**	**1 April- 30 June 2006**	**1January- 30 June 2005**	**1 April- 30 June 2005**
Turkey	1.731.367	899.113	969.937	503.522
Russian Federation (Note 44)	191.267	99.677	152.752	75.789
Kazakhstan	40.933	22.028	32.866	16.603
Bulgaria	15.480	8.213	7.360	4.081
Azerbaijan	7.127	3.856	5.394	2.778
	1.986.174	**1.032.887**	**1.168.309**	**602.773**

b) Operating profit/(loss)	**1 January- 30 June 2006**	**1 April- 30 June 2006**	**1January- 30 June 2005**	**1 April- 30 June 2005**
Turkey	85.960	59.134	26.290	15.459
Russian Federation	12.294	5.975	11.484	6.730
Kazakhstan	5.880	2.988	4.749	2.277
Azerbaijan	512	258	325	107
Bulgaria	1.288	863	(1.796)	(1.075)
	105.934	**69.218**	**41.052**	**23.498**

(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-30 June 2006

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	1.731.367	7.127	15.480	191.267	40.933	1.986.174	-	1.986.174
Inter-segment revenues	3.339	-	-	-	-	3.339	(3.339)	-
Revenues	1.734.706	7.127	15.480	191.267	40.933	1.989.513	(3.339)	1.986.174
Cost of sales	(1.304.023)	(5.387)	(10.371)	(131.763)	(28.733)	(1.480.277)	3.339	(1.476.938)
Gross profit	430.683	1.740	5.109	59.504	12.200	509.236	-	509.236
Selling and marketing expenses	(256.976)	(25)	(2.045)	(28.222)	(1.741)	(289.009)	-	(289.009)
General and administrative expenses	(87.747)	(1.203)	(1.776)	(18.988)	(4.579)	(114.293)	-	(114.293)
Net operating profit/(loss)	**85.960**	**512**	**1.288**	**12.294**	**5.880**	**105.934**	**-**	**105.934**

d) Segmental analysis for the period of 1 April-30 June 2006

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	899.113	3.856	8.213	99.677	22.028	1.032.887	-	1.032.887
Inter-segment revenues	2.025	-	-	-	-	2.025	(2.025)	-
Revenues	901.138	3.856	8.213	99.677	22.028	1.034.912	(2.025)	1.032.887
Cost of sales	(667.029)	(2.931)	(5.313)	(68.494)	(15.458)	(759.225)	2.025	(757.200)
Gross profit	234.109	925	2.900	31.183	6.570	275.687	-	275.687
Selling and marketing expenses	(134.710)	(15)	(1.104)	(14.559)	(1.004)	(151.392)	-	(151.392)
General and administrative expenses	(40.265)	(652)	(933)	(10.649)	(2.578)	(55.077)	-	(55.077)
Net operating profit/(loss)	**59.134**	**258**	**863**	**5.975**	**2.988**	**69.218**	**-**	**69.218**

(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) Segmental analysis for the period of 1 January-30 June 2005

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	969.937	5.394	7.360	152.752	32.866	1.168.309	-	1.168.309
Inter-segment revenues	2.713	-	-	-	-	2.713	(2.713)	-
Revenues	972.650	5.394	7.360	152.752	32.866	1.171.022	(2.713)	1.168.309
Cost of sales	(751.037)	(4.070)	(5.952)	(108.972)	(23.102)	(893.133)	2.713	(890.420)
Gross profit	221.613	1.324	1.408	43.780	9.764	277.889	-	277.889
Selling and marketing expenses	(140.899)	(30)	(1.226)	(19.389)	(1.264)	(162.808)	-	(162.808)
General and administrative expenses	(54.424)	(969)	(1.978)	(12.907)	(3.751)	(74.029)	-	(74.029)
Net operating profit/(loss)	**26.290**	**325**	**(1.796)**	**11.484**	**4.749**	**41.052**	**-**	**41.052**

f) Segmental analysis for the period of 1 April-30 June 2005

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter-segment elimination	Total
External revenues	503.522	2.778	4.081	75.789	16.603	602.773	-	602.773
Inter-segment revenues	1.005	-	-	-	-	1.005	(1.005)	-
Revenues	504.527	2.778	4.081	75.789	16.603	603.778	(1.005)	602.773
Cost of sales	(388.549)	(2.089)	(3.244)	(52.954)	(11.657)	(458.493)	1.005	(457.488)
Gross profit	115.978	689	837	22.835	4.946	145.285	-	145.285
Selling and marketing expenses	(72.037)	(18)	(866)	(9.566)	(651)	(83.138)	-	(83.138)
General and administrative expenses	(28.482)	(564)	(1.046)	(6.539)	(2.018)	(38.649)	-	(38.649)
Net operating profit/(loss)	**15.459**	**107**	**(1.075)**	**6.730**	**2.277**	**23.498**	**-**	**23.498**

(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)

g) Geographical segment assets employed

Total assets	30 June 2006	31 December 2005
Turkey	2.102.550	2.032.631
Russian Federation	540.355	415.521
Bulgaria	66.998	54.165
Kazakhstan	58.085	41.651
Azerbaijan	8.709	6.862
Total combined	2.776.697	2.550.830
Less: Inter-segment elimination	(196.670)	(189.952)
Total assets as per consolidated financial statements	**2.580.027**	**2.360.878**

Net assets	30 June 2006	31 December 2005
Turkey	759.102	772.993
Russian Federation (Note 44)	182.276	138.908
Kazakhstan	37.523	23.595
Bulgaria	28.509	20.879
Azerbaijan	7.489	5.956
Total combined	1.014.899	962.331
Less: Inter-segment elimination	(170.676)	(170.171)
Total net assets	844.223	792.160
Less: Minority interest	(15.601)	(85.230)
Total shareholders' equity as per consolidated financial statements	**828.622**	**706.930**

(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)

h) Capital expenditures, depreciation and amortisation

	1 January-30 June 2006	1 April-30 June 2006	1January-30 June 2005	1 April-30 June 2005
Capital expenditures				
Turkey	49.184	34.900	14.361	11.038
Russian Federation	46.468	35.386	41.984	29.727
Kazakhstan	431	239	125	79
Azerbaijan	120	51	70	52
Bulgaria	50	18	12.202	7.561
	96.253	**70.594**	**68.742**	**48.457**

	1 January-30 June 2006	1 April-30 June 2006	1January-30 June 2005	1 April-30 June 2005
Depreciation and amortisation				
Turkey	38.668	19.506	26.026	13.032
Russian Federation	8.406	5.056	4.489	1.918
Bulgaria	1.305	756	707	283
Kazakhstan	737	423	665	323
Azerbaijan	222	131	169	84
	49.338	**25.872**	**32.056**	**15.640**

(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)

i) Minority interest

	30 June 2006	31 December 2005
Turkey (*)	-	73.221
Kazakhstan	15.009	11.561
Azerbaijan	392	313
Bulgaria	200	135
	15.601	**85.230**

(*) The minority interest which is calculated in respect with the 37,75% shares belonging to the shareholders other than 64,25% of shares owned by the Company, amounts to YTL 75,071 as of 30 June 2006 (31 December 2005: YTL73.221). As Tansaş was dissolved as of 30 June 2006 and merged with Migros as of 1 July 2006, such minority interest stated above was transferred to the shareholders' equity accounts under "Additional contribution to shareholders' equity related to merger".

NOTE 34 - SUBSEQUENT EVENTS

(i) Migros acquired 40% of the shares of Rambutya which were owned by JSC Investment Fund of Risk Investment Retail Invest. The purchase consideration is USD22.000. The transfer of shares was realised on 14 July 2006 and as a result ownership of Migros in the shares of Rambutya increased from 60% to 100%.

(ii) The first store of Ramstore Bishkek which was incorporated as a subsidiary of Rambutya, was opened in Bishkek, the capital of Kyrgyzstan, on 4 August 2006.

(iii) With the decision taken in the Extraordinary General Assembly Meetings of Migros and Tansaş held on 26 June 2006, Tansaş was dissolved as of 30 June 2006 and merged with Migros as of 1 July 2006. The issued capital of Migros increased by YTL 17.911,87 from YTL 158.355 to YTL 176.266,87 due to the merger. 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 he Company fell from 51,06% to 50,83%. The exchange transactions which are 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.

(iv) Ramenka which is based in the Russian Federation, signed a loan agreement with a maturity of 8 years and amounting to USD 40 million with IFC on 6 June 2006 to be to utilised in its investments. USD 30 million of the aforementioned loan was borrowed on 10 July 2006.

(v) In the meeting of the Board of Directors dated 18 August 2006, No: 788, the Company decided to participate in the USD 10 million capital increase of Ramenka, Joint-venture of the Company with a share of 50%, in proportion to its ownership rate, namely by USD 5 million.

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

NOTE 35 - DISCONTINUED OPERATIONS

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

NOTE 36 - OPERATING REVENUE

	1 January- 30 June 2006	1 April- 30 June 2006	1January- 30 June 2005	1 April- 30 June 2005
Domestic sales	1.758.760	911.895	995.608	516.676
Foreign sales	245.351	128.784	192.381	96.302
	2.004.111	**1.040.679**	**1.187.989**	**612.978**
Other sales	12.426	7.315	7.972	3.884
	2.016.537	**1.047.994**	**1.195.961**	**616.862**
Less: Discounts and returns	(30.363)	(15.107)	(27.652)	(14.089)
Sales revenue - net	**1.986.174**	**1.032.887**	**1.168.309**	**602.773**
Cost of sales	(1.476.938)	(757.200)	(890.420)	(457.488)
Gross operating profit	**509.236**	**275.687**	**277.889**	**145.285**

Details of domestic and foreign sales are as follows:

	1 January- 30 June 2006	1 April- 30 June 2006	1January- 30 June 2005	1 April- 30 June 2005
Retail sales	1.910.872	989.015	1.122.965	578.390
Rent income	52.752	28.416	38.834	19.961
Wholesale	40.487	23.248	26.190	14.627
	2.004.111	**1.040.679**	**1.187.989**	**612.978**

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

NOTE 37 - OPERATING EXPENSES

	1 January - 30 June 2006			1 April - 30 June 2006		
	General and Administrative Expenses	Selling and Marketing Expenses	Total	General and Administrative Expenses	Selling and Marketing Expenses	Total
Staff costs	33.522	114.752	148.274	14.619	58.724	73.343
Rent expense	8.397	58.269	66.666	4.397	31.385	35.782
Depreciation and amortisation	47.798	-	47.798	24.422	-	24.422
Transportation and porterage expenses	-	28.632	28.632	-	14.140	14.140
Repair, maintenance, cleaning and security	5.663	22.444	28.107	1.408	13.553	14.961
Energy expenses	1.400	23.848	25.248	404	11.928	12.332
Advertising expenses	-	20.745	20.745	-	12.048	12.048
Taxes and other fees	4.268	1.433	5.701	2.222	371	2.593
Communication expenses	1.422	2.833	4.255	808	1.544	2.352
Parent company service charges	1.809	1.693	3.502	932	1.693	2.625
Travelling expenses	1.797	1.270	3.067	1.095	802	1.897
Insurance premiums	806	1.257	2.063	497	662	1.159
Mechanisation expenses	443	1.532	1.975	307	681	988
Employment termination benefits (Note 23)	329	1.024	1.353	(252)	(466)	(718)
Warehouse expenses	-	1.278	1.278	-	682	682
Donations	798	-	798	462	-	462
Stationery expenses	181	592	773	96	231	327
Other	5.660	7.407	13.067	3.660	3.414	7.074
Total	**114.293**	**289.009**	**403.302**	**55.077**	**151.392**	**206.469**

(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 (Continued)

	1 January - 30 June 2005			1 April - 30 June 2005		
	General and Administrative Expenses	Selling and Marketing Expenses	Total	General and Administrative Expenses	Selling and Marketing Expenses	Total
Staff costs	21.394	63.067	84.461	12.038	30.896	42.934
Rent expense	4.949	32.676	37.625	2.780	16.844	19.624
Depreciation and amortisation	32.195	-	32.195	15.848	-	15.848
Transportation and porterage expenses	-	16.710	16.710	-	9.118	9.118
Energy expenses	708	14.979	15.687	57	7.058	7.115
Repair, maintenance, cleaning and security	2.715	12.719	15.434	1.359	6.995	8.354
Advertising expenses	-	10.840	10.840	-	6.899	6.899
Taxes and other fees	2.920	757	3.677	1.586	65	1.651
Communication expenses	819	1.626	2.445	499	947	1.446
Insurance premiums	840	1.163	2.003	298	580	878
Mechanisation expenses	355	1.610	1.965	219	658	877
Travelling expenses	853	463	1.316	539	196	735
Parent company service charges	1.188	-	1.188	619	-	619
Stationery expenses	428	739	1.167	368	422	790
Warehouse expenses	-	930	930	-	473	473
Donations	827	-	827	381	-	381
Employment termination benefits (Note 23)	229	570	799	15	(145)	(130)
Other	3.609	3.959	7.568	2.043	2.132	4.175
Total	**74.029**	**162.808**	**236.837**	**38.649**	**83.138**	**121.787**

(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 PROFIT/LOSS

Other operating income and profit	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Foreign exchange gain	51.680	42.797	1.545	(870)
Interest income on bank deposits	15.646	8.522	5.151	2.982
Due date charges on credit sales	9.653	7.506	3.743	3.244
Reversal of provisions	8.225	8.141	254	96
Interest income on marketable securities	2.662	942	12.252	6.003
Scrap good sales	1.028	563	882	372
Income from sale of property, plant and equipment	156	11	132	44
Other	1.659	574	1.286	639
	90.709	**69.056**	**25.245**	**12.510**

Other operating expenses and losses	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Credit cards commission expense	2.218	394	-	-
Bad debt provision expenses	1.581	784	573	141
Foreign exchange loss	680	617	261	209
Loss from sale of property, plant and equipment	331	331	-	-
Loss from sale of subsidiaries	288	-	-	-
Other	855	372	756	491
	5.953	**2.498**	**1.590**	**841**

(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

	1 January-30 June 2006	1 April-30 June 2006	1 January - 30 June 2005	1 April-30 June 2005
Foreign exchange loss from financial activities	104.231	100.306	7.716	4.493
Interest expense on bank borrowings	25.624	14.210	5.143	2.783
Due date difference on credit purchases	20.178	10.604	15.296	6.371
Other	201	-	174	82
	150.234	**125.120**	**28.329**	**13.729**

NOTE 40 - MONETARY GAIN/LOSS

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

NOTE 41 - TAXES ON INCOME

Turkey

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law No.5520 have come into force effective from 1 January 2006. Corporation tax rate for the year 2006 is 20% (2005: 30%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (SIS WPI increase rate). Since these conditions in question were not fulfilled in 2005 and in the six-month period of 2006, no inflation adjustments were performed.

NOTE 41 - TAXES ON INCOME (Continued)

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2005: 30%) on their corporate income. Advance tax is declared by the 10th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

Domestic participation exemption

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

Preferential right certificate sales and issued premiums exemption

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

Foreign company participation exemption

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

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

NOTE 41 - TAXES ON INCOME (Continued)

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 has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales value has to be collected until the end of the second calendar year following the year the sale was realised.

Investment allowance exemption:

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

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

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

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

NOTE 41 - TAXES ON INCOME (Continued)

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.

The tax provisions that are reflected in the consolidated financial statements have been calculated individually for each company that is included in consolidation.

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

a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
b) The CFC must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
c) Gross revenue of the CFC must exceed the equivalent of YTL 100 in a foreign currency in the related period.

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

<u>Russian Federation</u>

The applicable income tax rate is 24% in the Russian Federation (2005: 24%).

Under the Russian taxation system tax losses can be carried forward to offset future taxable profits over the subsequent 10 years. The maximum offset in any one year is limited to 30% (2005: 30%) of the total taxable income of the year. Losses not utilised in the eligible periods cannot be carried forward.

(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)

Kazakhstan

The applicable income tax rate is 30% in Kazakhstan (2005: 30%). Rambutya was exempt from income tax for five years beginning from 1999 on income received from the Ramstore cinema, skating rink and skate rental shop, gymnasium and parking place. Rambutya which is subject to the tax system of Kazakhstan starting from the year 2006 also had exemptions over property tax and land tax for five years starting from 1999.

Income tax rates applied in Bulgaria and Azerbaijan are 15% and 22%, respectively (2005: 15% and 22%).

The taxation on income for the periods ended at 30 June is summarised below:

	1 January-30 June 2006	1 April-30 June 2006	1 January-30 June 2005	1 April-30 June 2005
Current period taxation charge	(6.320)	(381)	(12.037)	(4.982)
Deferred tax (expense) / income (Note 14)	(28.147)	(26.943)	820	(1.222)
Taxation on income	**(34.467)**	**(27.324)**	**(11.217)**	**(6.204)**

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.

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

NOTE 42 - EARNINGS PER SHARE (Continued)

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

	1 January-30 June 2006	1 April-30 June 2006	1 January-30 June 2005	1 April-30 June 2005
Net income attributable to the shareholders	1.921	(17.404)	23.569	14.588
Weighted average number of shares with YKr 1 face value each (Note 25)	15.835.500.000	15.835.500.000	15.835.500.000	15.835.500.000
Earnings/(loss) per share (YKr)	0,01	(0,11)	0,15	0,09

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

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

NOTE 43 - STATEMENTS OF CASH FLOWS

	Notes	30 June 2006 EUR	30 June 2006 USD	30 June 2006	30 June 2005
Operating activities:					
Net income		956	1.198	1.921	23.569
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	24	1.860	2.332	3.738	1.366
Depreciation and amortisation	17,18,19,20	24.553	30.781	49.338	32.056
Employment termination benefits - net	23	(1.137)	(1.426)	(2.285)	800
Taxation expense	41	17.152	21.503	34.467	11.217
Interest income		(13.914)	(17.444)	(27.961)	(21.146)
Interest expense		22.793	28.574	45.802	20.486
Loss / gain on sales of property, plant and equipment- net		87	109	175	(126)
Impairment loss of property plant and equipment	19,38	12	16	25	-
Share of loss of associates	16	164	206	330	226
Cash flows from operating activities before changes in operating assets and liabilities		**52.526**	**65.849**	**105.550**	**68.448**
Changes in operating assets and liabilities – net					
Increase in trade receivables		(4.549)	(5.703)	(9.141)	(2.662)
(Increase)/decrease in due from related parties		(368)	(462)	(740)	1.892
Increase in inventories		(9.736)	(12.206)	(19.565)	(16.419)
Increase in other current assets and other receivables		(4.609)	(5.779)	(9.263)	(6.254)
Total increase/(decrease) in short and long-term trade payables		3.918	4.912	7.874	(3.865)
Increase/(decrease) in due to related parties		7.766	9.736	15.606	(3.493)
(Decrease)/increase in other current liabilities		(3.351)	(4.201)	(6.734)	1.690
Interest paid		(21.745)	(27.262)	(43.696)	(19.963)
Income taxes paid		(7.333)	(9.191)	(14.733)	(8.145)
Increase in other non-current assets		(3.720)	(4.662)	(7.477)	(4.539)
Net cash provided by operating activities		**8.799**	**11.031**	**17.681**	**6.690**
Investing activities:					
Purchase of property, plant and equipment	19	(47.576)	(59.644)	(95.603)	(68.155)
Purchase of associate	16	(2.479)	(3.108)	(4.985)	-
Increase in financial assets		(17.185)	(21.545)	(34.531)	(49.719)
Changes in shareholdings in subsidiaries - net		(1.057)	(1.325)	(2.124)	464
Purchase of other intangible assets	20	(323)	(406)	(650)	(587)
Interest received		12.966	16.256	26.056	14.896
Proceeds from sale of property, plant and equipment		738	925	1.483	290
Net cash used in investing activities		**(54.916)**	**(68.847)**	**(110.354)**	**(102.811)**
Financing activities:					
Decrease in finance lease payables		-	-	-	(586)
Increase in bank borrowings		47.374	59.391	95.199	65.255
Dividends paid		-	-	-	(20.655)
Net cash provided by financing activities		**47.374**	**59.391**	**95.199**	**44.014**
Effects of exchange rate differences		8.014	10.047	16.104	1.808
Net increase/(decrease) in cash and cash equivalents		9.271	11.622	18.630	(50.299)
Cash and cash equivalents at the beginning of the period	4	**157.719**	**197.727**	**316.936**	**184.354**
Cash and cash equivalents at the end of the period	4	**166.990**	**209.349**	**335.566**	**134.055**

(*) US dollar and Euro amounts presented above are translated from New Turkish lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of Turkey at 30 June 2006 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by the Capital Market Board ("CMB") (see Note 2).

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

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

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

	30 June 2006	31 December 2005
Property, plant and equipment	422.728	303.480
Other non-current assets	28.002	29.072
Current assets	89.625	82.969
	540.355	**415.521**
Long-term bank borrowings	(191.840)	(171.294)
Provisions	(17.933)	(13.722)
Short-term liabilities	(148.306)	(91.597)
	(358.079)	**(276.613)**
Net assets	**182.276**	**138.908**

	1 January-30 June 2006	1 April-30 June 2006	1 January-30 June 2005	1 April-30 June 2005
Net sales	**191.267**	**99.677**	**152.752**	**75.789**
Income before tax	16.336	6.975	5.058	1.683
Income tax	(4.660)	(2.620)	(1.405)	(403)
Net income	**11.676**	**4.355**	**3.653**	**1.280**

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 (Continued)

(ii) As stated in Summary of Significant Accounting Policies (Note 3), during the year 2006 the Company reviewed the useful lives of the property, plant and equipment considering the improvements in maintenance periods and the nature of the investments and in this context, revised the useful lives of property, plant and equipment effective from 1 January 2006. As a result of such revision, the depreciation expense has decreased by YTL 6.286 and deferred tax expense has increased by YTL 1.257 in the interim statement of income for the six-month period ended 30 June 2006. Consequently, consolidated net income of the period has increased by YTL 5.029.

The Company also announced its consolidated financial statements for the three months period ended 31 March 2006 without accounting the effects of the revised useful lives. Since the change in estimates have been made as of 1 January 2006, on a yearly basis, the financial statements for the period 1 January - 31 March 2006 have been restated and the consolidated statements of income and the accompanying notes for the period 1 April - 30 June 2006 presented in comparison with the consolidated financial statements for the interim period 1 January - 30 June 2006, have been prepared in consideration of the change in accounting estimate. Accordingly, income before tax in the consolidated statement of income for the interim period 1 January - 31 March 2006 increased by YTL 3.143 and amounted to YTL 26.468 as a result of the changes in the depreciation charge. Consolidated net income for the interim period 1 January - 31 March 2006 has increased by YTL 2.200 and amounted to YTL 19.235 due to increase in the deferred tax expense in the amount of YTL 943.

(iii) As of 30 June 2006, although the short-term liabilities of the Company exceed its current assets in the amount of YTL 185.279, the maturities of the short-term liabilities are longer than the maturities of the current assets. While the maturities of trade payables that constitute approximately 68% of the short-term liabilities are shorter than three months on average, the maturities of the significant amount of the current assets is one month on average. Furthermore, the Company has a net cash inflow from the operating activities (Note 43).

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