MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2005 TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY-31 DECEMBER 2005

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

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

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

3. As explained in Note 2 to the consolidated financial statements US Dollar ("USD") and Euro ("EUR") amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and are translated from New Turkish Lira ("YTL"), as a matter of arithmetic computation only, at the official USD and EUR bid rates announced by the Central Bank of the Republic of Turkey at 31 December 2005. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into USD and EUR at these or any other rates.

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 Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Adnan Akan, SMMM

Istanbul, 16 March 2006

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2005

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MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004

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

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

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

* US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINAL ISSUED IN TURKISH

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004

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

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

* US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2005 AND 2004

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

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

* US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

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

	Share capital	Share premium	Financial assets fair value reserve	Shareholder's equity restatement differences	Legal reserves	Extraordinary reserves	Translation reserve	Net income for the period	Retained earnings	Total shareholders' equity
Balances at 31 December 2003										
-as previously reported	**137.700**	**18.854**	**-**	**175.656**	**4.447**	**50.235**	**(24.977)**	**81.016**	**166.141**	**609.072**
Change in accounting policy – IAS 39 (Note 2)	-	-	5.373	-	-	-	-	-	(5.373)	-
Balances at 31 December 2003										
-as restated	**137.700**	**18.854**	**5.373**	**175.656**	**4.447**	**50.235**	**(24.977)**	**81.016**	**160.768**	**609.072**
Transfers	-	-	-	102	3.778	16.601	-	(81.016)	60.535	-
Dividends relating to 2003	-	-	-	-	-	(17.901)	-	-	(740)	(18.641)
Currency translation differences	-	-	-	-	-	-	(14.140)	-	-	(14.140)
Financial assets										
net fair value loss, net of tax	-	-	(290)	-	-	-	-	-	-	(290)
Net income for the period	-	-	-	-	-	-	-	74.687	-	74.687
Balances at 31 December 2004										
-as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**74.687**	**220.563**	**650.688**
Balances at 31 December 2004										
-as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**74.687**	**220.563**	**650.688**
Change in accounting policy - IFRS 3 (Note 2)	-	-	-	-		-	-	-	4.346	4.346
Balances at 1 January 2005										
-as restated	**137.700**	**18.854**	**5.083**	**175.758**	**8.225**	**48.935**	**(39.117)**	**74.687**	**224.909**	**655.034**
Transfers	-	-	-	-	2.932	28.169	-	(74.687)	43.586	-
Dividends relating to 2004	-	-	-	-	-	(20.655)	-	-	-	(20.655)
Currency translation differences	-	-	-	-	-	-	(7.900)	-	-	(7.900)
Financial assets										
net fair value gain, net of tax	-	-	6.746	-	-	-	-	-	-	6.746
Net income for the period	-	-	-	-	-	-	-	73.705	-	73.705
Balances at 31 December 2005	**137.700**	**18.854**	**11.829**	**175.758**	**11.157**	**56.449**	**(47.017)**	**73.705**	**268.495**	**706.930**

(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

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

The Company is mainly engaged in the retail sales of food and beverages, and consumer and durable goods through its Migros, Tansaş and Şok stores, shopping 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 throughout the period 2005 is 11.806 (31 December 2004: 9.871). Migros and its subsidiaries are operating in 783 (31 December 2004: 507) supermarkets with a net retail space of 616.186 (2004: 423.472) square meters. Retail is the main business segment of Migros and its subsidiaries and constitutes almost 94,8% (31 December 2004: 93,9%) of gross sales. Therefore, due to the International Accounting Standard 14 ("IAS 14"), "Segment Reporting", retail is the sole reportable segment.

The address of the registered office is as follows:

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

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

On 18 August 2005, for acquisition of the majority shares of Tansaş Perakende Mağazacılık Ticaret A.Ş. ("Tansaş"), the Company and main shareholder Koç Holding A.Ş. signed a Share Transfer Contract with Doğuş Holding companies which own shares in Tansaş. The Competition Board's permission required for the transfer was received on 1 November 2005 and the transfer was realized on 10 November 2005 (Notes 16 and 24). Accordingly, Tansaş became a subsidiary of the Company. Tansaş was incorporated on 15 December 1986 and is operating in the retail and shopping sector with Tansaş and Macrocenter brands with 217 stores. 21.9% of Tansaş shares are publicly listed on the Istanbul Stock Exchange.

Subsidiaries:

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

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The 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

Interests in joint-ventures

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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.

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

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

Financial reporting in hyperinflationary periods

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

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

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

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

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

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

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

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

Basis of consolidation

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

(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)

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

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	31 December 2005	31 December 2004
Tansaş (1)	64,25	-
Ramstore Azerbaijan (1)	94,75	79,75
Ramstore Bulgaria (1)	99,99	99,99
Rambutya (1)	51,00	51,00
Ramstore Macedonia (1), (2)	99,00	94,95
Şok Marketler (3)	99,60	99,60
Sanal Merkez (3)	69,99	69,99

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

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

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

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

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

(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 the Joint-venture and shows its shareholding structure:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	31 December 2005	31 December 2004
Ramenka	50,00	50,00

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

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

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

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

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

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

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

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

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

Offsetting

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

US Dollar and Euro convenience translation

US dollar ("USD") and EURO amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from New Turkish Lira ("YTL"), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate of YTL1,3418=USD 1,00 for purchases of USD and YTL1,5875=EURO 1,00 for purchases of EURO at 31 December 2005. Thus, USD and EURO amounts do not form part of the consolidated financial statements prepared in accordance with CMB Accounting Standards at 31 December 2005. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into USD and Euro at this or any other rate.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

Revenues and discounts from suppliers and sales premiums are accounted on accrual basis and booked against cost of goods sold.

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

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

Inventories

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

Property, plant and equipment

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

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Intangible assets

Intangible assets, other than goodwill and intangible assets with indefinite useful lives, comprise acquired intellectual property and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from date of acquisition. Intangible assets (such as trademark) with indefinite useful lives are not amortised. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. Intangible assets with indefinite useful lives are tested annually for permanent impairment (Note 20).

Business Acquisitions and Goodwill

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

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

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

In accordance with IFRS 3, the carrying amount of negative goodwill at 31 December 2004 which arised 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

Impairment of assets

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

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

Borrowing Costs

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

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

Loans originated by the Company

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

Investment securities

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

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets were recognised in the statement of income until 31 December 2004. The Group changed its accounting policy as required by IAS 39 retrospectively and accordingly the changes in the fair values of available-for-sale financial assets, net of deferred tax, were adjusted and recognized under a separate line "financial assets fair value reserve" in shareholders' equity. Changes in the fair values of available-for-sale financial assets are determined as the difference between their fair values and their amortised costs at the balance sheet date. Gains and losses previously recognized in financial assets fair value reserve are transferred to statement of income when such available-for-sale financial assets are derecognised.

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

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

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

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

Interest rate risk

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

Funding risk

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

Credit risk

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

Foreign currency risk

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

Fair value of financial instruments

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

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

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

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. (Note 42).

Subsequent events

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

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 should be disclosed as contingent liabilities or assets.

Accounting policies, changes in accounting estimates and errors

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

Leases

Finance leases

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

Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to the statement of income over the period of the lease (Note 8).

Operating leases

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

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

Prepayments for land leases

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investment property

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

Taxes on income

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

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

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.

(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)

Employment termination benefits

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

Cash flow

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

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

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

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

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

Significant accounting estimates and judgements

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

NOTE 5 – MARKETABLE SECURITIES

Available-for-sale investments

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

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

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

(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

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

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

(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 31 December 2005 is as follows:

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

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

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

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

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

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

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

Trade payables

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

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

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

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

NOTE 8 – FINANCE LEASE RECEIVABLES AND PAYABLES

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

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

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

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

Due to related parties:

Due to shareholders:	**2005**	**2004**
Koç Holding A.Ş.	377	181
Dividend liabilities to other shareholders	34	23
	411	**204**

Due to group companies:		
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	14.242	16.386
Beko Ticaret A.Ş.	4.563	5.226
Tat Konserve Sanayi A.Ş.	3.153	35
Ram Sigorta Aracılık Hizmetleri. A.Ş.	2.857	2.904
Palmira Turizm Tic. A.Ş.	2.082	-
Entek Elektrik Üretimi A.Ş.	1.181	-
Türk Demirdöküm Fabrikaları A.Ş.	1.035	677
Other	3.215	3.535
	32.328	**28.763**
Total due to related parties	**32.739**	**28.967**

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

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

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

Significant transactions with related parties

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

(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)

Purchases of property, plant and equipment:

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

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

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

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

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

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

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

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

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

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

Other related party transactions are as follows:

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

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

NOTE 10– OTHER RECEIVABLES AND PAYABLES

Other Receivables

	2005	**2004**
Receivables from personnel	495	719
	495	**719**

(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 (Continued)

Other Payables

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

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

NOTE 11– BIOLOGICAL ASSETS

None.

NOTE 12 - INVENTORIES

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

NOTE 13 – CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

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

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

NOTE 14 – DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes:

The Group recognises deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB standards and the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on taxable income in coming years under the liability method using a principal tax rate of 30%, 24%, 30% and 15% for Turkey, Russian Federation, Kazakhstan and Bulgaria, respectively. The principal tax rate is 22% and 24% for Azerbaijan as of 31 December 2005 and 2004 respectively.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided as of 31 December 2005 and 2004 using the currently enacted tax rates, is as follows:

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

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

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

	2005
2001	119.996
2002	73.298
2003	51.197
2004	20.933
	265.424

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

Other current assets

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

(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

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

Other short-term liabilities

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

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

NOTE 16 – FINANCIAL ASSETS

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

(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:

	2005		2004	
	Share	**Amount**	**Share**	**Amount**
Quoted:				
Tat Konserve San. A.Ş.("Tat Konserve")	2,87%	6.022	2,87%	6.565
Unquoted:				
Koç Finansal Hizmetler A.Ş. ("KFS")	0,37%	23.766	0,37%	5.448
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9,24%	2.944	9,24%	1.929
Sanal Merkez Ticaret A.Ş.	69,99%	1.186	69,99%	1.186
Şok Marketler Ticaret A.Ş.	99,60%	520	99,60%	520
Sibernet Kültür ve Turizm İşl. Ltd. Şti.	20,00%	23	-	-
Ece Türkiye Proje Yönetimi ve Tic. A.Ş. ("Ece Türkiye")	-	-	2,00%	145
		34.461		**15.793**

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

Associates:

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

Held-to-maturity time deposits:

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

(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:

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

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

	2005	2004
Total Assets	12.247	14.781
Total Liabilities	2.840	5.242

As of 31 December 2005, net sales of Tanı Pazarlama is YTL9.184 (2004: YTL10.127) and net loss for the period is YTL133 (2004: YTL4.485).

The movement of financial assets is as follows:

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

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

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

(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)

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

NOTE 17 – GOODWILL/NEGATIVE GOODWILL

	Opening 1 January 2005	Additions	Disposals(*)	Closing 31 December 2005
Goodwill	5.510	170.302	-	175.812
Negative goodwill	(7.276)	-	7.276	-
Accumulated amortisation	336	-	(2.930)	(2.594)
Net book value	**(1.430)**	**170.302**	**4.346**	**173.218**

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

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

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

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

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

NOTE 18 – INVESTMENT PROPERTY

	Opening 1 January 2005	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2005
Cost					
Land and Buildings	51.584	-	10.590	(1.864)	60.310
Accumulated depreciation					
Land and Buildings	(4.009)	(1.067)	-	146	(4.930)
Net book value	**47.575**				**55.380**

	Opening 1 January 2004	Additions	Transfers (Note 19)	Effect of changes in foreign exchange rates	Closing 31 December 2004
Cost					
Land and Buildings	56.937	-	546	(5.899)	51.584
Accumulated depreciation					
Land and Buildings	(3.315)	(1.037)	-	343	(4.009)
Net book value	**53.622**				**47.575**

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The result of the work completed by an independent appraisal firm in order to estimate the fair value of the investment property at 31 December 2005 amounted to a range of YTL109.000 and YTL128.000 (31 December 2004: YTL99.672). 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 2005	Additions	Disposals	Impairment loss(Not 38)	Transfers	Transfers to investment property (Note 18)	Effect of changes in foreign exchange rates	Increase in property,plant and equipment due to acquisition of subsidiary (Tansaş) (*)	Closing 31 December 2005
Cost									
Land and buildings	346.016	37.648	-	-	67.929	-	(7.669)	9.073	452.997
Leasehold improvements	303.408	7.273	(7.892)	(90)	4.104	-	(87)	108.406	415.122
Machinery and equipment	365.520	16.289	(1.705)	-	4.662	-	(1.641)	22.504	405.629
Furniture and fixtures	91.343	22.305	(1.412)	-	2.798	-	(491)	30.262	144.805
Motor vehicles	3.321	511	(975)	-	26	-	(21)	-	2.862
Construction in progress	25.031	98.984	-	-	(72.743)	(10.590)	(1.128)	3	39.557
Advances given	16.128	8.383	-	-	6.776	-	(558)	501	17.678
	1.150.767	**191.393**	**(11.984)**	**(90)**		**(10.590)**	**(11.595)**	**170.749**	**1.478.650**
Accumulated depreciation									
Buildings	(41.521)	(8.422)	-	-	-	-	603	-	(49.340)
Leasehold improvements	(145.021)	(23.916)	4.363	65	-	-	7	-	(164.502)
Machinery and equipment	(238.005)	(26.845)	1.622	-	-	-	764	-	(262.464)
Furniture and fixtures	(57.083)	(9.598)	895	-	-	-	204	-	(65.582)
Motor vehicles	(1.966)	(543)	893	-	-	-	5	-	(1.611)
	(483.596)	**(69.324)**	**7.773**	**65**			**1.583**		**(543.499)**
Net book value	**667.171**			**(25)**					**935.151**

(*) The amount of property, plant and equipment considered in the calculation of goodwill related to Subsidiary acquisition is YTL109.707 (64,25 % of YTL170.749) (Note 32). Current year investments comprise new stores and shopping malls.

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

(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 YTL3.138 (2004: YTL505) arising on financing specifically entered into for the construction of the new stores were capitalised during the period. The capitalisation rate used represents the interest cost of the borrowing used to finance the project.

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

	2005	**2004**
Net book value	14.428	20.051

NOTE 20 – INTANGIBLE ASSETS

	Opening 1 January 2005	**Additions**	**Effect of changes in foreign exchange rates**	**Increase in intangible assets due to acquisition of Subsidiary**	**Closing 31 December 2005**
Cost					
Trademark (Tansaş) (*)	-	-	-	174.158	174.158
Rights	9.189	2.405	(40)	2.319	13.873
Other intangible assets	88	-	-	-	88
Accumulated amortisation	(5.496)	(1.531)	99	-	(6.928)
Net book value	**3.781**				**181.191**

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

(*)The Company acquired 64,25% of the shares of Tansaş at 10 November 2005. IFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date. The work was performed by an independent appraisal firm in order to estimate the fair value of the trademark which was considered as an identifiable intangible asset. The appraisal firm applied the relief from royalties method and estimated the fair value of the trademark in the amount of 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.

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

NOTE 21 – ADVANCES RECEIVED

The Group does not have any advances received.

NOTE 22 – RETIREMENT PLANS

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

NOTE 23 – PROVISIONS

Short-term provisions

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

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

Long-term provisions

	2005	2004
Provision for employment termination benefits	**8.979**	**6.268**

Provision for employment termination benefits is explained below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires (the retirement age is 58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of YTL1.727,15 (31 December 2004: YTL1.574,74) for each year of service at 31 December 2005.

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

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

NOTE 23 – PROVISIONS (Continued)

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

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

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

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

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

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

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

Changes in minority interest during the period are as follows:

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

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

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Markets Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of YKr1. The Company's historical authorised and paid-in share capital at 31 December 2005 and 31 December 2004 are as follows:

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

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

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

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

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

In accordance with article 1 of the Law Concerning the Amendments to the Turkish Commercial Law No.5274 dated 9 December 2004, which came into force on 1 January 2005, the nominal value of a share certificate is at least one Yeni Kuruş. Accordingly, the Articles of Association of the Company was changed in the General Assembly at 8 April 2005 as "Issued and paid-in share capital amounting to YTL137.700 is divided into 13.770.000.000 shares with a nominal value of one Yeni Kuruş each". As of 31 December 2004, there were 137.700.000.000 shares each with a nominal value of TL1.000. There are no privileged shares.

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

Capital surplus

Capital surplus (share premium) represents the net proceeds from the offering of the Company's shares remaining from unutilised pre-emptive rights at the share capital increase in 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that, in accordance with the Board of Directors Resolution dated 5 August 1998, the Company sold 75.000.000 shares in foreign stock exchange markets and obtained funds at a net amount of YTL152.855 expressed in terms of the purchasing power of the YTL at 31 December 2004 (historic cost: YTL18.854). This surplus is also recorded in shareholders' equity and is not available for distribution.

Profit reserves, shareholders' equity restatement differences and retained earnings

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

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

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

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

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

(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 of profit distribution has not been taken in the general assemblies of these companies.

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

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

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

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

(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:

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

NOTE 29 - FOREIGN CURRENCY POSITION

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

YTL equivalent of foreign currency amounts

	2005					
	USD	**Euro**	**Russian ruble**	**Kazakhstan tenge**	**Other currencies**	**Total YTL**
Cash and cash equivalents	3.430	3.663	10.661	7.506	3.822	29.082
Trade receivables	6.623	464	1.811	248	764	9.910
Due from related parties	211	-	76	-	-	287
Marketable securities	32.746	852	-	-	-	33.598
Other current assets	4.574	-	36.607	494	410	42.085
Financial assets	148.889	-	-	-	-	148.889
Other non-current assets	-	-	23.178	-	-	23.178
Total assets denominated in foreign currency	**196.473**	**4.979**	**72.333**	**8.248**	**4.996**	**287.029**

(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)

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

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

(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)

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

NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS

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

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

	2005	**2004**
Letters of guarantee given	**23.060**	**16.960**

Assets of Rambutya in Samal shopping centre and hypermarket (25.050m^2) and Astana (3.194m^2) and Tastak (2.020m^2) supermarkets are 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 are 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.

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

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

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

	2005	2004
Guarantees obtained from customers	**55.417**	**57.119**

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

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

d) As of 31 December 2005, there are contractual commitments for the new hypermarket constructions of Ramenka amounting to YTL39.643 (31 December 2004: YTL81.780).

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

f) There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour issues constitute the majority of these lawsuits. The Company management assesses outcomes of these lawsuits and financial effects thereof, and required provisions are made in accordance with expected gains and liabilities. As of 31 December 2005 such provisions amount to 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 at 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. The net effects of operations to net sales and net income of the Group between the date of acquisition and the balance sheet date are YTL177.485 and YTL 6.365, respectively. If the acquisition had occurred on 1 January 2005, total Group revenue would have been YTL3.710.297 and net income would have been YTL76.475. Details of the fair values of net assets and liabilities acquired at 10 November 2005 are as follows:

Purchase consideration (*)	**476.080**
Fair value of identifiable assets, liabilities and contingent liabilities	**305.778**
Goodwill (**)	**170.302**
Cash, cash equivalents and marketable securities	100.558
Inventory	49.245
Property, plant and equipment (Note 19)	109.707
Tansaş trademark (Note 20)	174.158
Deferred tax assets (***)	61.937
Other assets	8.414
Bank borrowings	(6.716)
Trade payables	(150.527)
Other liabilities	(40.998)
Fair value of identifiable assets, liabilities and contingent liabilities	**305.778**

(*) Purchase consideration settled in cash.

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

(***) Utilisable deferred tax asset resulting from the 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 for the periods 1 January-31 December 2005 and 2004, the primary reportable segments comprise the geographical segments.

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

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

a) Net Sales

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

b) Operating profit/(loss)

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

(*) Net sales of Tansaş between the acquisition date 10 November 2005 and the balance sheet date is YTL177.485 and is included in the net sales.

(**) Net operating profit of Tansaş between the acquisition date 10 November 2005 and the balance sheet date is YTL8.386 and is included in the consolidated operating profit.

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

NOTE 33 - SEGMENT INFORMATION (Continued)

c) Segmental analysis for the period of 1 January-31 December 2005

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

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

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

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

NOTE 33 - SEGMENT INFORMATION (Continued)

e) Geographical segment assets employed

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

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

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

NOTE 33 - SEGMENT INFORMATION (Continued)

f) Capital expenditures, depreciation and amortisation

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

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

g) Minority interest

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

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NOTE 34 - SUBSEQUENT EVENTS

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

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

NOTE 35 - DISCONTINUED OPERATIONS

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

NOTE 36 – OPERATING REVENUE

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

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

NOTE 36 – OPERATING REVENUE (Continued)

Details of domestic and foreign sales are as follows:

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

NOTE 37 – OPERATING EXPENSES

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

(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

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

Other operating expenses and losses

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

(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

Financial expenses

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

NOTE 40 - MONETARY GAIN/LOSS

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

NOTE 41 – TAXES ON INCOME

Turkey

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

Corporation tax rate for the year 2005 is 30% (2004: 33%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. No further tax is payable unless the profit is distributed.

The Company prepared its opening tax balance sheet on 1 January 2004 in accordance with the Tax Law No: 5024 and the related Communiqués. As of 31 December 2004, the Company calculated the tax provision by applying inflation accounting in accordance with the procedures and basis stated in the Tax Laws No: 5024 and 5028 and the related Communiqués. The Company did not make any inflation adjustments while calculating the tax provision as of 31 December 2005 since the requirements for inflation accounting were not met in 2005.

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

NOTE 41 – TAXES ON INCOME (Continued)

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

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

Capital expenditures after 24 April 2003, with some exceptions, over YTL10.000 (2004: YTL6.000) are eligible for an investment incentive allowance of 40% which is deductible from taxable income prior to the calculation of corporate income tax. An investment incentive certificate is not required to benefit from the investment allowance and the amount of allowance is not subject to withholding tax. Investment allowance benefit is transferred to following periods when current period taxable income is not sufficient for utilisation of the whole amount. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the related financial year. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

<u>Russian Federation</u>

The applicable income tax rate is 24% in the Russian Federation (2004: 24%).

Under the Russian taxation system tax losses can be carried forward to offset future taxable profits over the subsequent 10 years. The maximum offset in any one year is limited to 30% (2004: 30%) of the total taxable income of the year. Losses not utilised in the eligible periods cannot be carried forward.

<u>Kazakhstan</u>

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

(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)

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

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

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

NOTE 42 - EARNINGS PER SHARE

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

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

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

	2005	**2004**
Net income attributable to the shareholders	73.705	74.687
Weighted average number of shares with TL1,000 face value each (Note 25)	13.770.000.000	13.770.000.000
Earnings per share (YKr)	0,54	0,54

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

(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

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

* US Dollar and Euro amounts presented above are translated from New Turkish Lira ("YTL") for convenience purpose only, at the official YTL exchange rate announced by the Central Bank of Turkey at 31 December 2005 and therefore do not form a part of these consolidated financial statements prepared in accordance with accounting principles issued by Capital Market Board ("CMB") (see Note 2).

(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

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

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

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

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