MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2004
TOGETHER WITH AUDITOR'S REVIEW REPORT

PRICEWATERHOUSECOOPERS

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

AUDITOR'S REVIEW REPORT

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have reviewed the accompanying consolidated interim balance sheet of Migros Türk Ticaret Anonim Şirketi ("the Company") at 30 June 2004 and the related consolidated interim statement of income and of cash flows for the six-month period then ended, all expressed in the equivalent purchasing power of the Turkish lira as of 30 June 2004. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

2. We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. International Accounting Standard 34 (''IAS 34'') Interim Financial Statements, requires the presentation of statements of income for the current interim period and cumulatively for the current financial year to date, with comparative statements of income for the comparable interim periods of the immediately preceding financial year. As disclosed in the Note 2.a to the accompanying consolidated interim financial statements, the Company prepared its consolidated interim financial statements for the three-month period ended 30 June 2004 in accordance with the International Financial Reporting Standards (''IFRS'') for the first time. Consequently, the consolidated interim statement of income and related notes thereto for the three-month period ended 30 June 2004 have not been presented on a comparative basis with the comparable interim period of the immediately preceding financial year contrary to the requirements of International Accounting Standard 34 "Interim Financial Reporting".

4. Based on our review, except for the failure to include the comparative financial information for the consolidated current interim statement of income for the three-month period ended 30 June 2004 as referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

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

Adnan Akan, SMMM
Partner

Istanbul, 1 September 2004

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2004 AND 31 DECEMBER 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		30 June 2004			
	Notes	**USD (*)**	**EURO (*)**	**30 June 2004**	**31 December 2003**
ASSETS					
Current assets					
Cash and cash equivalents	5	75,632	62,197	112,382	144,287
Available-for-sale investments	6	76,831	63,183	114,164	114,628
Trade receivables	7	19,744	16,237	29,338	32,959
Due from related parties	8	3,024	2,487	4,494	1,463
Inventories	9	83,916	69,010	124,692	129,197
Other current assets	10	19,627	16,140	29,163	27,053
Total current assets		**278,774**	**229,254**	**414,233**	**449,587**
Non-current assets					
Available-for-sale investments	11	1,091	897	1,621	1,621
Investments in associates	11	1,652	1,358	2,454	4,263
Investment property	15	35,872	29,500	53,303	50,935
Property, plant and equipment	12	427,077	351,214	634,598	632,518
Intangible assets	13	1,693	1,392	2,516	2,664
Goodwill	14	(1,372)	(1,128)	(2,038)	(2,717)
Other non-current assets	16	9,886	8,130	14,689	13,922
Total non-current assets		**475,899**	**391,363**	**707,143**	**703,206**
Total assets		**754,673**	**620,617**	**1,121,376**	**1,152,793**

(*) As explained in the Note 2.c to the consolidated interim financial statements, USD and EURO amounts shown in these consolidated interim financial statements are translated from TL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate. Thus, USD and EURO amounts do not form a part of the consolidated interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS) at 30 June 2004.

These consolidated interim financial statements have been approved by the Board of Directors on 1 September, 2004.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2004 AND 31 DECEMBER 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		30 June 2004			
	Notes	**USD (*)**	**EURO (*)**	**30 June 2004**	**31 December 2003**
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank borrowings	17	23,481	19,310	34,890	26,046
Lease obligations	22	696	572	1,034	1,419
Trade payables	18	209,865	172,586	311,840	337,132
Due to related parties	8	10,925	8,985	16,234	29,237
Taxes on income	19	2,113	1,737	3,139	3,601
Other current liabilities	20	20,588	16,931	30,592	24,172
Total current liabilities		**267,668**	**220,121**	**397,729**	**421,607**
Non-current liabilities					
Bank borrowings	17	60,674	49,896	90,156	104,036
Lease obligations	22	318	262	473	1,042
Provision for employment termination benefits	21	4,057	3,336	6,028	5,172
Deferred tax liabilities	19	22,548	18,543	33,505	32,487
Other non-current liabilities		2,087	1,715	3,100	3,203
Total non-current liabilities		**89,684**	**73,752**	**133,262**	**145,940**
Total liabilities		**357,352**	**293,873**	**530,991**	**567,547**
Minority interest	**23**	**5,927**	**4,874**	**8,807**	**6,695**
Shareholders' equity					
Share capital	24	92,670	76,209	137,700	137,700
Adjustment to share capital	24	(53,973)	(44,386)	(80,199)	(80,199)
Total paid-in capital		38,697	31,823	57,501	57,501
Capital surplus	25	97,715	80,358	145,196	145,196
Translation reserve	2.b	(15,989)	(13,149)	(23,758)	(23,726)
Retained earnings	26	270,971	222,838	402,639	399,580
Total shareholders' equity		**391,394**	**321,870**	**581,578**	**578,551**
Total liabilities, minority interest and shareholders' equity		**754,673**	**620,617**	**1,121,376**	**1,152,793**
Commitments, contingent assets and liabilities	31				

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(*) As explained in the Note 2.c to the consolidated interim financial statements, USD and EURO amounts shown in these consolidated interim financial statements are translated from TL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate. Thus, USD and EURO amounts do not form a part of the consolidated interim financial statements prepared in accordance with IFRS at 30 June 2004.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	1 January-30 June 2004 USD (*)	1 January-30 June 2004 EURO (*)	1 April – 30 June 2004	1 January – 30 June 2004
Net sales	4,27	674,623	554,788	505,029	1,002,429
Cost of sales		(519,676)	(427,365)	(384,019)	(772,192)
Gross profit		**154,947**	**127,423**	**121,010**	**230,237**
Selling and marketing expenses	4	(13,792)	(11,342)	(9,947)	(20,493)
General and administrative expenses	4,28	(119,012)	(97,872)	(88,667)	(176,841)
Other operating income/(expense) – net	4	1,332	1,097	1,139	1,979
Operating profit	**4**	**23,475**	**19,306**	**23,535**	**34,882**
Financial expenses – net	29	(1,697)	(1,396)	(3,761)	(2,522)
Share of loss of associates	11	(1,217)	(1,001)	(1,027)	(1,809)
Fair value (loss)/gain of available-for-sale investments		(852)	(701)	(5,466)	(1,266)
Gain on net monetary position	2a	4,475	3,680	710	6,650
Profit before taxation on income and minority interest		**24,184**	**19,888**	**13,991**	**35,935**
Taxes on income	19	(9,317)	(7,662)	(7,239)	(13,844)
Income before minority interest		**14,867**	**12,226**	**6,752**	**22,091**
Net income attributable to minority interest	23	(892)	(734)	(615)	(1,326)
Net income		**13,975**	**11,492**	**6,137**	**20,765**

Weighted average number (000's) of shares with face value of TL1,000 each	3	137,700,000	137,700,000	137,700,000
Basic and diluted earnings per share in full TL	3	45	151	134

(*) As explained in the Note 2.c to the consolidated interim financial statements, USD and EURO amounts shown in these consolidated interim financial statements are translated from TL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate. Thus, USD and EURO amounts do not form a part of the consolidated interim financial statements prepared in accordance with IFRS at 30 June 2004.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Share capital	Adjustment to share capital	Capital surplus	Translation reserve	Retained earnings	Total shareholders' equity
Balances at 1 January 2003	**55,080**	**2,422**	**145,196**	**(1,791)**	**328,615**	**529,522**
Dividends relating to 2002	-	-	-	-	(5,934)	(5,934)
Currency translation difference	-	-	-	(21,890)	-	(21,890)
Net income for the period	-	-	-	-	18,461	18,461
Balances at 30 June 2003	**55,080**	**2,422**	**145,196**	**(23,681)**	**341,142**	**520,159**
Balances at 1 January 2004	**137,700**	**(80,199)**	**145,196**	**(23,726)**	**399,580**	**578,551**
Dividends relating to 2003	-	-	-	-	(17,706)	(17,706)
Currency translation difference	-	-	-	(32)	-	(32)
Net income for the period	-	-	-	-	20,765	20,765
Balances at 30 June 2004	**137,700**	**(80,199)**	**145,196**	**(23,758)**	**402,639**	**581,578**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

		30 June 2004			
	Notes	USD (*)	EURO (*)	30 June 2004	30 June 2003
Operating Activities					
Net income		13,975	11,492	20,765	18,461
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest	23	892	734	1,326	44
Depreciation and amortization	12, 13, 14, 15	19,373	15,932	28,787	31,714
Employment termination benefits-net	21	576	474	856	1,052
Taxation expense/(income)	19	9,317	7,662	13,844	(1,288)
Interest income		(9,874)	(8,120)	(14,672)	(22,699)
Interest expense		13,445	11,057	19,978	39,643
Impairment loss provided for property, plant and equipment	12	381	313	566	1,620
Share of loss of associates	11	1,217	1,001	1,809	1,207
Fair value (gain)/loss on available for sale investments		852	700	1,266	(2,580)
Cash flows provided by operating activities before changes in operating assets and liabilities		**50,154**	**41,245**	**74,525**	**67,174**
Changes in operating assets and liabilities-net (excluding the effects of acquisitions and disposals):					
Decrease/(increase) in trade receivables		2,437	2,004	3,621	(8,192)
(Increase)/decrease in due from related parties		(2,040)	(1,677)	(3,031)	355
Decrease/(increase) in inventories		3,032	2,493	4,505	(10,678)
(Increase)/decrease in other current assets		(1,420)	(1,168)	(2,110)	8,399
(Decrease)/increase in trade payables		(17,021)	(13,998)	(25,292)	4,134
Decrease in due to related parties		(8,751)	(7,196)	(13,003)	(2,623)
Increase/(decrease) in current liabilities		4,321	3,553	6,420	(1,572)
Increase/(decrease) in other non-current liabilities		1,083	890	1,609	(3,182)
Income taxes paid		(8,921)	(7,336)	(13,256)	(7,847)
(Increase)/decrease in other non-current assets		(517)	(424)	(767)	2,279
Net cash provided by operating activities		**22,357**	**18,386**	**33,221**	**48,247**
Investing activities					
Purchase of property, plant and equipment	12	(22,916)	(18,845)	(34,051)	(41,196)
Proceeds from sale of property, plant and equipment		129	106	192	38
(Increase)/decrease in available-for-sale investments		(397)	(327)	(590)	24,630
Purchase of other intangible assets-net	13	(221)	(182)	(329)	(223)
Interest received		9,731	8,003	14,460	25,356
Net cash (used in)/provided by investing activities		**(13,674)**	**(11,245)**	**(20,318)**	**8,605**
Financing activities					
Decrease in bank borrowings		(1,911)	(1,572)	(2,840)	(6,862)
Decrease in lease obligations		(642)	(528)	(954)	(6,088)
Dividends paid		(11,916)	(9,799)	(17,706)	(5,934)
Interest paid		(13,453)	(11,063)	(19,989)	(39,706)
Net cash used in financing activities		**(27,922)**	**(22,962)**	**(41,489)**	**(58,590)**
Increase in capital of minority interest	23	246	202	365	71
Effects of exchange rate differences		(2,479)	(2,039)	(3,684)	(6,042)
Net decrease in cash and cash equivalents		(21,472)	(17,658)	(31,905)	(7,709)
Cash and cash equivalents at the beginning of the period	5	**97,103**	**79,855**	**144,287**	**117,132**
Cash and cash equivalents at the end of the period	5	**75,632**	**62,197**	**112,382**	**109,423**

(*) As explained in the Note 2.c to the consolidated interim financial statements, USD and EURO amounts shown in these consolidated interim financial statements are translated from TL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate. Thus, USD and EURO amounts do not form a part of the consolidated interim financial statements prepared in accordance with IFRS at 30 June 2004.

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is mainly engaged in the retail sales of food and beverage, consumer and durable goods through its Migros and Şok stores, shopping centers, Ramstores abroad and on-line sales. The Company also rents floor space of the shopping malls to other trading companies. The average number of people employed in Migros during the first six months of 2004 is 6,388 (2003: 5,977). Migros and its subsidiaries are operating in 488 (31 December 2003: 484) supermarkets with net retail space of 405,006 (31 December 2003: 396,300) square metres. Retail is the main business segment of Migros and its subsidiaries. Reportable segments comprise the geographical segments (Note 4).

The address of the registered office is as follows:

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

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

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

(*) Ramstore Macedonia was established on 3 October 2003 and is not operative as it is in the investment stage at the balance sheet date.

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

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

- Ramstore Qapali Tipli Sehmdar Cemiyeti
  Xatai Reyonu Babek Prospekt Mehelle 1129
  Baku, Azerbaijan
- TOO Rambutya
  Samal-1, Furmanova Street
  Almaty, Kazakhstan

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

- Ramstore Bulgaria A.D.
  196 A1. Stamboliyski Blvd.
  1309 Sofia, Bulgaria

- Ramstore Macedonia DOO Skopje
  Vodnjanska Str. No.15/5
  1000 Skopje
  The Former Yugoslav Republic of 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:

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Turkish lira financial statements

The Company prepared its consolidated interim financial statements for the three-month period between 1 April - 30 June 2004, for the first time and accordingly the consolidated interim statement of income and related notes thereto for the 1 April-30 June 2004 interim period have not been presented on a comparative basis with the comparable interim period of the preceding financial period.

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

The consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS.

The restatement for the changes in the general purchasing power of the Turkish lira at 30 June 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by Turkey's State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate these interim financial statements at 30 June 2004 are given below:

Dates	Index	Conversion factors	Cumulative three years' inflation rate
30 June 2004	**7,982.7**	**1.000**	**110.3%**
31 December 2003	7,382.1	1.081	181.1%
30 June 2003	7,222.2	1.105	207.7%

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

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

b) Translation of financial statements of foreign Subsidiaries and Joint-venture

The results of foreign Subsidiaries and Joint-venture are translated into Turkish lira at average rates for the period and then restated in accordance with IAS 29 from the date of the transaction. The assets and liabilities of foreign undertakings of the Company are translated into Turkish lira at the closing rate for the period. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and Joint-venture and differences between the average and period-end rates are included in translation reserve.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

c) US dollar and EURO convenience translation

US dollar ("USD") and EURO amounts presented in the consolidated interim financial statements have been included solely for the convenience of the reader and are translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate of TL1,485,911=USD 1.00 for purchases of USD and TL1,806,868=EURO 1.00 for purchases of EURO on 30 June 2004. Thus, USD and EURO amounts do not form part of the consolidated interim financial statements prepared in accordance with IFRS at 30 June 2004. Such translations should not be construed as a representation that the TL amounts have been or could be converted into USD and EURO at this or any other rate.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Group accounting

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

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

The table below sets out all Subsidiaries and shows their shareholding structure at 30 June 2004 and 31 December 2003:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	2004	2003
Ramstore (1)	79.75	79.75
Ramstore Bulgaria (1)	99.99	99.99
Rambutya (1)	51.00	51.00
Ramstore Macedonia (2)	79.99	79.99
Şok Marketler (3)	99.60	99.60
Sanal Merkez (3)	69.99	69.99

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(2) Ramstore Macedonia which is included in the consolidated financial statements as a Subsidiary was established on 3 October 2003 and is not currently operating as it is in the investment stage at the balance sheet date.

(3) Şok Marketler and Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. These subsidiaries are accounted for as if they are available-for-sale investments (Note 11).

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

The table below sets out the Joint-venture and shows its shareholding structure at 30 June 2004 and 31 December 2003:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	30 June 2004	31 December 2003
Ramenka	50.00	50.00

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The table below sets out all Associates and the proportion of ownership interest at 30 June 2004 and 31 December 2003:

	Proportion of ownership interest (%)	
Associate	30 June 2004	31 December 2003
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32.00	32.00

e) Investments, in which Migros has controlling interests below 20%, or over which the Company does not exercise a significant influence, are carried at cost and restated to the equivalent purchasing power at 30 June 2004 less any impairment when their fair value cannot be reliably measured. All other investments are classified as available-for-sale equity securities (Note 6).

f) The results of foreign Subsidiaries and Joint-venture are translated into Turkish lira at average rates for the period and then restated in accordance with IAS 29 from the date of the transaction. The assets and liabilities of foreign undertakings of the Company are translated into Turkish lira at the closing rate for the period. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and Joint-venture and differences between the average and period-end rates are included in translation reserve.

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business (Note 8).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment securities

The Company classified its investments into the following categories: trading, held-to-maturity and available-for-sale in accordance with IAS 39, Financial Instruments. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. During the period the Group did not hold any investments in these categories.

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

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

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

Trade receivables

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

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

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

Loans originated by the Company

When the loan is originated by the Company by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortised cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Company.

Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories including mainly merchandise stocks are valued at the lower of cost restated to equivalent purchasing power at 30 June 2004 or net realisable value. Cost of inventories comprise 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 is the estimated selling price in the ordinary course of business, less estimated selling expenses (Note 9).

Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method (Note 15). The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Company applies IAS 16, Property, Plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 30 June 2004. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

Goodwill

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets other than goodwill comprise acquired intellectual property and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 13).

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they incur. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Leases

Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 12).

Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to income over the period of the lease (Note 22).

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Prepayments for land leases

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred taxes

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

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

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

Provision for 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 calculated in accordance with the Turkish Labor Law (Note 21).

Foreign currency transactions and translation

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

Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commission, and exclude sales taxes (Note 27).

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

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

Provisions

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital and dividends

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

Financial instruments and financial risk management

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

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

Interest rate risk

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

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and limiting the aggregate risk from any individual counter party. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

Foreign currency risk

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated assets and liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 32).

Fair value of financial instruments

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

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

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary assets

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

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

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

Monetary liabilities

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

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

Trading liabilities have been estimated at their fair values.

Earnings per share

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

Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

	1 April - 30 June 2004	**1 January - 30 June 2004**	**1 January - 30 June 2003**
Net income	6,137	20,765	18,461
Weighted average number of ordinary shares in issue	137,000,000,000	137,000,000,000	137,000,000,000
Earnings per share (expressed in full TL per share)	45	151	134

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION

In these consolidated interim financial statements at 30 June 2004, the geographical segments are presented as the primary reporting segments.

Wholesales and rent income were not identified as different sectors on the grounds of materiality 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 interim financial statements.

	1 April - 30 June 2004	1 January - 30 June 2004	1 January - 30 June 2003
a) Net Sales			
Turkey	422,535	838,311	742,801
Russian Federation	64,135	128,435	143,979
Kazakhstan	13,110	25,333	26,956
Bulgaria	2,906	5,856	6,321
Azerbaijan	2,343	4,494	4,045
	505,029	**1,002,429**	**924,102**
b) Operating profit/(loss)			
Turkey	16,176	20,002	9,777
Russian Federation	5,827	11,733	12,533
Kazakhstan	1,902	3,946	3,164
Azerbaijan	84	(16)	(376)
Bulgaria	(454)	(783)	(1,058)
	23,535	**34,882**	**24,040**

c) Segmental analysis for the three-month period between 1 April - 30 June 2004

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total combined	Inter-segment elimination	Total
External revenues	422,535	2,343	2,906	64,135	13,110	505,029	-	505,029
Inter segment revenues	1,396	-	-	-	-	1,396	(1,396)	-
Revenues	423,931	2,343	2,906	64,135	13,110	506,425	(1,396)	505,029
Cost of sales	(326,885)	(1,776)	(2,332)	(45,229)	(9,086)	(385,308)	1,289	(384,019)
Gross profit	97,046	567	574	18,906	4,024	121,117	(107)	121,010
Selling and marketing expenses	(6,512)	(24)	(169)	(2,912)	(330)	(9,947)	-	(9,947)
General and administrative expenses	(75,294)	(461)	(870)	(10,142)	(2,002)	(88,769)	102	(88,667)
Other income/(expense)-net	941	2	11	(25)	210	1,139	-	1,139
Operating profit/(loss)	**16,181**	**84**	**(454)**	**5,827**	**1,902**	**23,540**	**(5)**	**23,535**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

Segmental analysis for the six-month period between 1 January - 30 June 2004

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total combined	Inter-segment elimination	Total
External revenues	838,311	4,494	5,856	128,435	25,332	1,002,429	-	1,002,429
Inter segment revenues	2,479	-	-	-	-	2,479	(2,479)	-
Revenues	840,790	4,494	5,856	128,435	25,332	1,004,908	(2,479)	1,002,429
Cost of sales	(658,137)	(3,440)	(4,700)	(90,670)	(17,530)	(774,477)	2,285	(772,192)
Gross profit	182,654	1,054	1,156	37,765	7,802	230,431	(194)	230,237
Selling and marketing expenses	(13,828)	(44)	(169)	(5,772)	(680)	(20,493)	-	(20,493)
General and administrative expenses	(150,453)	(1,029)	(1,770)	(20,180)	(3,597)	(177,029)	188	(176,841)
Other income/(expense)-net	1,635	3	-	(80)	421	1,979	-	1,979
Operating profit/(loss)	**20,008**	**(16)**	**(783)**	**11,733**	**3,946**	**34,888**	**(6)**	**34,882**

Segmental analysis for the six-month period between 1 January - 30 June 2003

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total combined	Inter-segment elimination	Total
External revenues	742,801	4,045	6,321	143,979	26,956	924,102	-	924,102
Inter segment revenues	3,917	-	-	-	-	3,917	(3,917)	-
Revenues	746,718	4,045	6,321	143,979	26,956	928,019	(3,917)	924,102
Cost of sales	(580,570)	(3,105)	(5,071)	(106,114)	(18,839)	(713,699)	3,621	(710,078)
Gross profit	166,148	940	1,250	37,865	8,117	214,320	(296)	214,024
Selling and marketing expenses	(13,131)	(28)	-	(6,267)	(612)	(20,038)	-	(20,038)
General and administrative expenses	(141,142)	(1,305)	(2,308)	(19,065)	(4,815)	(168,635)	296	(168,339)
Other income/(expense)-net	(2,098)	17	-	-	474	(1,607)	-	(1,607)
Operating profit/(loss)	**9,777**	**(376)**	**(1,058)**	**12,533**	**3,164**	**24,040**	**-**	**24,040**

d) Geographical segment assets employed

Total assets	30 June 2004	31 December 2003
Turkey	950,456	974,178
Russian Federation	268,278	272,090
Kazakhstan	36,576	37,360
Bulgaria	22,051	20,552
Azerbaijan	6,841	7,192
Total combined	1,284,202	1,311,372
Less: Inter segment elimination	(162,826)	(158,579)
Total assets as per consolidated financial statements	**1,121,376**	**1,152,793**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

	30 June 2004	31 December 2003
Net assets		
Turkey	582,785	586,191
Russian Federation	131,448	123,143
Kazakhstan	15,113	11,481
Bulgaria	13,028	12,519
Azerbaijan	5,162	5,277
Total combined	747,536	738,611
Less: Inter-segment elimination	(157,151)	(153,365)
Total net assets	**590,385**	**585,246**
Less: minority interest	**(8,807)**	**(6,695)**
Total shareholders' equity as per consolidated financial statements	**581,578**	**578,551**

e) **Capital expenditures, depreciation and amortisation**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Capital expenditures			
Russian Federation	4,867	16,689	8,032
Turkey	7,344	13,262	31,182
Bulgaria	2,923	4,321	1
Kazakhstan	34	55	91
Azerbaijan	33	53	2,113
	15,201	**34,380**	**41,419**
Depreciation and amortisation			
Turkey	12,004	23,985	25,684
Russian Federation	1,999	3,923	4,101
Bulgaria	409	750	1,018
Kazakhstan	342	629	629
Azerbaijan	100	179	148
	14,854	**29,466**	**31,580**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

f) Minority interest

	30 June 2004	31 December 2003
Kazakhstan	7,406	5,626
Azerbaijan	1,045	1,068
Bulgaria	356	1
	8,807	**6,695**

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2004	31 December 2003
Cash in hand	4,669	7,910
Banks		
- demand deposits	6,840	12,405
- time deposits	29,620	33,408
Cheques in collection	75	177
Other	71,178	90,387
	112,382	**144,287**

Weighted average effective interest rates on TL, USD and EURO denominated bank accounts are 23% p.a. (31 December 2003: 26%), 1.8%-3.2% (31 December 2003: 1.35%-4.50% p.a.), and 4.2% (31 December 2003: none), respectively. Time deposits have an average maturity of less than one month (2003: one month). Other cash equivalents mainly include receivables on credit card slips with maturities of less than one month.

NOTE 6 - CURRENT AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2004	31 December 2003
Debt securities	101,534	105,962
Equity securities	12,630	8,666
	114,164	**114,628**

The details of debt securities at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004		31 December 2003	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Treasury bills and government bonds	24%-53%	67,965	27%-55%	65,103
Eurobond (USD)	8.4%-14.40%	29,690	9.70%-13.80%	40,859
Eurobond (EURO)	6.50%	3,879	-	-
		101,534		**105,962**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Analysis of debt securities by maturity at 30 June 2004 and 31 December 2003 is as follows:

	30 June 2004	31 December 2003
Period remaining to maturity		
1-30 days	640	89
30-90 days	14,964	4,698
90-180 days	12,438	16,230
180 days - one year	34,645	44,686
Over one year	38,847	40,259
	101,534	**105,962**

Details of equity securities at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004		31 December 2003	
	Shareholding	Amount	Shareholding	Amount
Listed				
Tat Konserve San. A.Ş. ("Tat")	2.87%	5,726	0.80%	1,684
Not Listed				
Koç Finansal Hizmetler A.Ş. ("KFS")	0.37%	4,935	0.37%	5,013
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9.24%	1,831	9.24%	1,831
Ece Türkiye Proje Yönetimi ve Tic. A.Ş. ("Ece Türkiye")	2.00%	138	2.00%	138
		12,630		**8,666**

KFS is stated at fair value after an impairment loss provision amounting to TL78 billion in the consolidated interim financial statements. Impairment loss is recognised in fair value loss on available-for-sale investments in the consolidated interim statement of income.

For Tat, which is traded in an active market, fair value is determined by reference to İstanbul Stock Exchange quoted bid prices at balance sheet dates. Koçtaş and Ece Türkiye are carried at cost and restated to the equivalent purchasing power at 30 June 2004.

NOTE 7 - TRADE RECEIVABLES

	30 June 2004	31 December 2003
Trade receivables	32,892	36,946
Less: Provision for impairment of receivables	(3,554)	(3,278)
Unearned financial income	-	(709)
	29,338	**32,959**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES (Continued)

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances:	**30 June 2004**	**31 December 2003**
Koçbank A.Ş. ("Koçbank")		
- demand deposits	1,120	4,786
- time deposits	12,496	15,463
- other cash equivalents (credit card slip accounts)	11,418	44,592
Koçbank Azerbaijan		
- demand deposits	79	300
Total	**25,113**	**65,141**

Due from related parties:	**30 June 2004**	**31 December 2003**
Sanal Merkez T.A.Ş.	2,326	314
Setur Servis Turistik A.Ş. ("Setur Servis")	1,427	198
Arçelik A.Ş. ("Arçelik")	10	375
Other	731	576
Total	**4,494**	**1,463**

Due to related parties:	**30 June 2004**	**31 December 2003**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş. ("Düzey Tüketim")	12,301	19,429
Türk Demir Döküm Fabrikaları A.Ş. ("Türk Demir Döküm")	981	-
Entek Elektrik Üretimi A.Ş.	844	671
Beko Ticaret A.Ş. ("Beko")	799	921
TNT Lojistik ve Dağıtım Hizmetleri A.Ş. ("TNT Lojistik")	83	1,388
Ram Sigorta Aracılık Hizmetleri A.Ş.	33	2,400
Ece Türkiye	2	959
Ark İnşaat San. ve Tic. A.Ş.	-	874
Other	1,191	2,595
Total	**16,234**	**29,237**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Sales of goods:			
Setur Servis	2,103	2,781	421
Sanal Merkez	1,858	4,653	4,380
Setur Divan Sütlüce	254	362	25
Düzey Tüketim	212	385	-
Türk Traktör	202	328	109
Aygaz A.Ş.	65	128	162
Setur Divan Kuruçeşme	55	113	156
Arçelik	40	88	117
Other	432	616	616
Total	**5,221**	**9,454**	**5,986**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Purchases of property, planty and equipment:			
Koçnet Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş. (“Koçnet”)	90	144	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş	61	771	398
Birleşik Motor Sanayi ve Tic. A.Ş.	24	131	230
Otokoç Otomotiv Tic. Ve San. A.Ş.	13	139	211
Ark İnşaat San. Ve Tic. AS	-	-	4,332
Other	2	78	15
Total	**190**	**1,263**	**5,186**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Inventory purchases:			
Düzey Tüketim	18,519	40,087	18,074
Türk Demir Döküm	2,200	2,200	-
Ram Kofisa Pacific Ltd.	1,732	2,602	1,970
Setur Divan Sütlüce	1,606	2,823	630
Maret Marmara Besicilik ve Et San. ve Tic. A.Ş.	-	-	14,209
Koç Ata Besi ve Tarım Ürünleri A.Ş.	26	45	634
Sek Süt Endüstrisi Kurumu San.ve Tic. A.Ş.	-	-	6,613
Other	182	580	1,312
Total	**24,265**	**48,337**	**43,442**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Service purchases:			
TNT Lojistik	2,361	5,505	5,167
Ece Türkiye	2,191	4,115	2,519
Entek Elektrik Üretimi A.Ş.	1,258	2,874	2,783
Beko	1,207	1,873	-
Koç Holding	563	1,088	1,133
Koçnet	456	844	944
Other	870	1,580	1,509
Total	**8,906**	**17,879**	**14,055**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Rent Income:			
Setur Servis	76	142	70
Koçbank	60	121	166
Arçelik	41	70	50
Other	13	24	41
Total	**190**	**357**	**327**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Rent Expense:			
Temel Ticaret ve Yatırım A.Ş	278	593	579
Vehbi Koç Vakfı	245	497	512
Other	109	238	547
	632	**1,328**	**1,638**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Interest income:			
Koçbank	959	2,223	1,903
Other	-	9	2
	959	**2,232**	**1,905**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Interest expense:			
Koçbank Azerbaijan	4	9	-
Koç Finansal Kiralama A.Ş.	-	1	253
Koçbank A.Ş.	-	-	150
	4	**10**	**403**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Dividend paid:			
Koç Holding A.Ş.	9,044	9,044	14
Temel Ticaret ve Yatırım A.Ş.	-	-	3,017
	9,044	**9,044**	**3,031**

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Management fee received:			
Koçbank	75	147	-
Tanı Pazarlama	-	24	161
	75	**171**	**161**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Salaries and other benefits provided to the Board of Directors and key management of Migros	723	1,475	1,240
	723	**1,475**	**1,240**

NOTE 9 - INVENTORIES

	30 June 2004	31 December 2003
Merchandise stock	123,026	128,225
Other	2,670	1,966
	125,696	**130,191**
Less: Provision for obsolescence	(1,004)	(994)
	124,692	**129,197**

NOTE 10 - OTHER CURRENT ASSETS

	30 June 2004	31 December 2003
Prepaid expenses	15,937	12,562
Value Added Tax (“VAT”) deductable (Note 33)	10,869	12,905
Due from employees	547	187
Prepayments for land leases	215	316
Taxes and funds deductible	149	152
Other	1,446	931
	29,163	**27,053**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	30 June 2004		31 December 2003	
	Amount	**Shareholding %**	**Amount**	**Shareholding %**
Available-for-sale investments				
Sanal Merkez (*)	1,127	69.99	1,127	69.99
Şok Marketler (*)	494	99.60	494	99.60
	1,621		**1,621**	

(*) 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 30 June 2004 as they do not have quoted market prices in active markets and their fair values cannot be reliably measured.

	30 June 2004		31 December 2003	
	Amount	**Shareholding %**	**Amount**	**Shareholding %**
Investments in associates				
Tanı Pazarlama	2,454	32.00	4,263	32.00
	2,454		**4,263**	

The percentages of ownership are computed over the nominal value of shares.

Movements of investments in associates are displayed as follows:

	2004	**2003**
1 January	4,263	4,093
Capital increase in investment in associates	-	6,621
Sales of investments in associates	-	(1,589)
Transfers to the unlisted available-for-sale investments (Note 6)	-	(138)
Share of loss of associates	(1,809)	(1,207)
30 June	**2,454**	**7,780**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2004	Additions	Disposals	Impairment loss	Transfers	Transfers to investment property (Note 15)	Effect of changes in foreign exchange rates	Closing 30 June 2004	
Cost									
Land and buildings	330,011	2,226	-	-	6,634	-	239	339,110	
Leasehold improvements	279,151	1,106	-	(1,943)	4,124	-	(9)	282,429	
Machinery and equipment	334,403	3,344	(104)	-	3,614	-	142	341,399	
Furniture and fixtures	78,576	1,447	(38)	-	2,956	-	(38)	82,903	
Motor vehicles	2,812	215	(188)	-	65	-	(209)	3,113	
Construction in progress	14,848	12,122	(27)	-	(17,062)	(3,187)	(13)	6,681	
Advances given	3,704	13,591	-	-	(331)	-	-	16,964	
	1,043,50534,051		**(357)**	**(1,943)**	**-**	**(3,187)**	**530**	**1,072,599**	
Accumulated depreciation									
Buildings	32,976	4,135	-	-	-	-	(1)	37,110	
Leasehold improvements	120,877	9,494	-	(1,377)	-	-	-	128,994	
Machinery and equipment	206,891	11,312	(49)	-	-	-	339	218,493	
Furniture and fixtures	48,765	2,995	(38)	-	-	-	(16)	51,706	
Motor vehicles	1,478		296	(188)	-	-	-	112	1,698
	410,987	**28,232**	**(275)**	**(1,377)**	**-**	**-**	**434**	**438,001**	
Net book value	**632,518**							**634,598**	

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Borrowing costs of TL111 billion (31 December 2003: TL352 billion) arising on financing specifically entered into for the construction of the new stores were capitalised during the period. The capitalisation rate used represents the interest cost of the borrowing used to finance the project.

Leased assets included in property, plant and equipment where the Company is under a finance lease, comprise machinery and equipment with TL21,708 billion (31 December 2003: TL24,442 billion) of net book value.

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2004	Additions	Disposals	Effect of changes in foreign exchange rates	Closing 30 June 2004
Rights	6,890	329	-	(1)	7,218
Other intangible assets	84	-	-	-	84
	6,974	329	-	(1)	7,302
Accumulated amortisation	(4,310)	(478)	-	2	(4,786)
Net book value	**2,664**				**2,516**

NOTE 14 - GOODWILL

	Opening 1 January 2004	Additions	Disposals	Closing 30 June 2004
Goodwill	5,234	-	-	5,234
Negative goodwill	(6,9	-	-	(6,910)
Less: Accumulated amortisation	(1,(	679	-	(362)
Net book value	**(2,'**			**(2,038)**

In 2001, Migros purchased 9.21% of the issued share capital of Rambutya for a cash consideration of TL7,568 billion and 10% of the issued share capital of Ramenka for a cash consideration of TL17,405 billion and 7% of the issued share capital of Ramstore for a cash consideration of TL8,236 billion from Ram Dış Tic. A.Ş.

Total net assets acquired and related negative goodwill are as follows:

Total cash consideration (net of cash acquired)	33,209
Less: net assets acquired at fair value	(40,119)
	(6,910)

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 15 - INVESTMENT PROPERTY

	Opening 1 January 2004	Additions	Transfers (Note 12)	Effect of changes in foreign exchange rates	Closing 30 June 2004
Cost					
Land and buildings	54,084	-	3,187	(67)	57,204
Total	**54,084**	**-**	**3,187**	**(67)**	**57,204**
Accumulated depreciation					
Land and buildings	(3,149)	(756)	-	4	(3,901)
Net book value	**50,935**	**(756)**	**-**	**(63)**	**53,303**

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The result of the work made by an independent appraiser firm in order to estimate the fair value of the investment property at 31 December 2003 amounted to TL102,507 billion expressed in the purchasing power of TL at 30 June 2004. Throughout the current period, it is assumed that there is not any significant change in the fair value of the investment property. A new investment property amounting to TL3,187 billion is transferred from the property, plant and equipment and it is assumed that its fair value does not deviate significantly from the carrying value at 30 June 2004.

NOTE 16 - OTHER NON-CURRENT ASSETS

	30 June 2004	31 December 2003
Prepayments for land leases	13,314	12,448
Prepaid expenses	1,248	1,341
Other	127	133
	14,689	**13,922**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 17 - BANK BORROWINGS

	30 June 2004		
	Interest rate p.a.	**USD**	**TL billion**
Short-term bank borrowings	Libor +2%; 7.75%-9.50%	4,804	7,139
Current portion of long-term bank borrowings			
With fixed interest rates	9.73%-9.85%	1,616	2,401
With floating interest rates	Libor +2.35% - Libor +5.83%	17,061	25,350
Short-term bank borrowings		**23,481**	**34,890**
Long term bank borrowings			
With fixed interest rates	9.73%-9.85%	6,703	9,960
With floating interest rates	Libor +2.35% - Libor +5.83%	53,971	80,196
Long-term bank borrowings		**60,674**	**90,156**
Total bank borrowings		**84,155**	**125,046**

	31 December 2003		
	Interest rate p.a.	**USD**	**TL billion**
Short-term bank borrowings	4.23%-8%, Libor +1.9%	2,395	3,613
Current portion of long-term bank borrowings			
With fixed interest rates	4.25%-10.85%	7,013	10,585
With floating interest rates	Libor +2.35% - Libor +5.83%	7,848	11,848
Short-term bank borrowings		**17,256**	**26,046**
Long-term bank borrowings			
With fixed interest rates	4.25%-10.85%	19,528	29,476
With floating interest rates	Libor +2.35% - Libor +5.83%	49,397	74,560
Long-term bank borrowings		**68,925**	**104,036**
Total bank borrowings		**86,181**	**130,082**

The redemption schedule of long-term bank borrowings at 30 June 2004 is as follows:

	USD	**TL Billion**
1 July 2005 - 30 June 2006	17,546	26,072
1 July 2006 - 30 June 2007	16,924	25,148
1 July 2007 - 30 June 2008	11,240	16,702
1 July 2008 - 30 June 2009	10,781	16,019
1 July 2009 and over	4,183	6,215
	60,674	**90,156**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 18 - TRADE PAYABLES

	30 June 2004	31 December 2003
Trade payables	320,517	342,326
Less: Unincurred financial expense	(8,677)	(5,194)
	311,840	**337,132**

NOTE 19 - TAXES ON INCOME

	30 June 2004	31 December 2003
Corporation and income taxes currently payable	8,516	11,577
Less: prepaid taxes	(5,377)	(7,976)
Taxes on income	**3,139**	**3,601**

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 year 2004 is 33% (2003: 30%). This rate is % 30 for the following years. 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.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers will submit their opening balance sheets restated for inflation at 31 December 2003 in accordance with the General Communiqué on Tax Procedure Law No: 328 (“Comminiqué”) dated 28 February 2004 and declare their advance corporation tax prepared for the second tax period (January-June) of 2004 in accordance with the General Communiqué on Tax Procedure Law No: 338 dated 13 August 2004. The companies required to make restatement for inflation according to the comminiqué, are required to restate only the balance sheet of financial statements prepared after 1 January 2004 if the restatement conditions occur.

Corporate taxpayers who prepare their financial statements in accordance with CMB’s accounting principles related to hyperinflation accounting are not required to prepare their financial statements in accordance with Tax Law No: 5024. However, the accumulated depreciation disclosed in the opening balance sheet restated for inflation at 31 December 2003 should conform to the depreciation periods set out in the Tax Procedure Law. The Company has decided to prepare its opening tax balance sheet on 1 January 2004 restated for inflation as permitted by Tax Law No: 5024, instead of using the balance sheet of 31 December 2003 prepared in accordance with CMB’s accounting principles related to hyperinflation.

NOTE 19 - TAXES ON INCOME (Continued)

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

Corporations are required to pay advance corporation tax quarterly at the rate of 33% on their corporate income. Advance tax is payable by the 17^{th} 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 TL5 billion (TL6 billion for the year 2004) are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the 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 Russia.

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

<u>Kazakhstan</u>

The applicable income tax rate is 30% in Kazakhstan. Rambutya is exempt from income tax for five years beginning 1999 on income received from the Ramstore cinema, skating rink, 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 from 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 billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

The taxation on income for the three and six months periods ended at 30 June 2004 and the six months period ended at 30 June 2003, expressed in terms of the purchasing power of the Turkish lira at 30 June 2004, is summarised as follows:

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Deferred tax (charge)/credit	(68)	(1,051)	8,585
Current period taxation charge	(7,171)	(12,793)	(7,297)
Taxation on income	**(7,239)**	**(13,844)**	**1,288**

Deferred taxes

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. These temporary differences usually result from the recognition of revenue and expenses in different periods and by different amounts for IFRS and tax purposes.

The principal tax rate that is used by Migros to calculate deferred income taxes under the liability method on all temporary differences that are expected to be realised or settled based on the taxable income in the second half of 2004 is 33% at 30 June 2004. The rate for other temporary differences is 30%.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided as of 30 June 2004 and 31 December 2003, were as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
Provision for employment termination benefits	6,028	5,172	1,808	1,552
Lease obligations	1,507	2,383	483	755
Net difference between the tax base and the carrying value of inventories	1,159	5,029	278	1,524
Tax losses carried forward	1,060	1,213	254	291
Allowance for unearned interest income	-	707	-	234
Adjustment for fair value of financial assets	(240)	(8,313)	(79)	(2,715)
Allowance for unincurred interest expense	(8,677)	(5,195)	(2,863)	(1,714)
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(121,238)	(116,894)	(33,344)	(32,090)
Other	(112)	(1,461)	(42)	(324)
	(120,513)	**(117,359)**	**(33,505)**	**(32,487)**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

Movements in deferred taxes can be analysed as follows:

	Deferred tax assets/(liabilities)
1 January 2003	**(72,914)**
Foreign currency translation difference	2,922
Credit to income statement	8,585
30 June 2003	**(61,407)**
1 January 2004	**(32,487)**
Foreign currency translation difference	33
Charge to income statement	(1,051)
30 June 2004	**(33,505)**

NOTE 20 - OTHER CURRENT LIABILITIES

	30 June 2004	**31 December 2003**
Taxes and funds payable	10,505	10,044
Miscellaneous accrued expenses	8,872	1,356
Payable to personnel	5,253	5,158
Security deposits	1,591	2,044
Payable due to land leases	1,363	1,887
Deferred income	248	504
Other	2,760	3,179
	30,592	**24,172**

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TL1,575 million (31 December 2003: TL 1,390 million) for each year of service at 30 June 2004.

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

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	30 June 2004	**31 Dcember 2003**
Discount rate	6%	6%
Turnover rate to estimate the probability of retirement	85%	84%

The principal assumption is that the maximum liability of TL1,575 million for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL1,575 million (31 December 2003: TL1,390 million - historical amount) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

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

	2004	**2003**
Balance - 1 January	5,172	4,221
Increase for the year	1,298	1,513
Less: monetary gain	(442)	(461)
Balance – 30 June	**6,028**	**5,273**

The average number of people employed by the Company, its Subsidiaries and Joint-venture during the six-month interim period ended at 30 June 2004 was 9,553 (2003: 8,847) in aggregate.

NOTE 22 - LEASE OBLIGATIONS

	30 June 2004			**31 December 2003**		
	EUR	**USD**	**TL equivalent**	**EUR**	**USD**	**TL equivalent**
Short-term lease obligations	568	4	1,034	544	260	1,419
Long-term lease obligations	262	-	473	552	-	1,042
	830	**4**	**1,507**	**1,096**	**260**	**2,461**

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

	EUR	**TL equivalent**
1 July 2005 – 30 June 2006	262	473
	262	**473**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 22 - LEASE OBLIGATIONS (Continued)

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

NOTE 23 - MINORITY INTEREST

Changes in minority interest during the period are as follows:

	2004	2003
1 January	**6,695**	**5,961**
Increase in share capital	365	71
Net income attributable to minority interest	1,326	44
Translation reserve	421	(592)
30 June	**8,807**	**5,484**

NOTE 24 - 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 TL1,000. The Company's historical authorised and paid-in share capital at 30 June 2004 and 31 December 2003 was as follows:

	30 June 2004	31 December 2003
Limit on registered share capital (historical)	190,000	137,700
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 issuance of free capital shares to existing shareholders.

The shareholders of the Company and their shareholdings to capital with historical figures as at 30 June 2004 and 31 December 2003 are stated below:

	30 June 2004		31 December 2003	
Shareholders	**Amount**	**Share %**	**Amount**	**Share %**
Koç Holding A.Ş.	70,307	51.06	70,307	51.06
Publicly held	67,393	48.94	67,393	48.94
	137,700	**100.00**	**137,700**	**100.00**

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

There are 137,700,000,000 (31 December 2003: 137,700,000,000) unit of shares with face value of TL1,000 each. There are no privileged shares.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 25 - CAPITAL SURPLUS

Capital surplus represents the net proceeds from the offering of the Company's shares remaining unutilised pre-emptive rights at the share capital increase in 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that in accordance with the Board of Directors Resolution dated August 5, 1998, the Company sold 75,000,000 shares in foreign stock exchange markets and obtained funds at a net amount of TL145,196 billion expressed in terms of the purchasing power of the TL at 30 June 2004. This surplus was also recorded in shareholders' equity and is not available for distribution.

NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

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

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

NOTE 27 - NET SALES

	1 April – 30 June 2004	**1 January – 30 June 2004**	**1 January – 30 June 2003**
Retail	486,038	960,410	877,387
Rent income	19,534	38,258	44,630
Wholesale	12,037	27,495	21,162
Other	2,718	4,783	2,513
Gross sales	**520,327**	**1,030,946**	**945,692**
Less: discounts and returns from sales	(15,298)	(28,517)	(21,590)
Net sales	**505,029**	**1,002,429**	**924,102**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 28 - GENERAL AND ADMINISTRATIVE EXPENSES

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Staff costs	33,986	70,630	64,790
Rent	16,038	31,490	29,911
Depreciation and amortisation	14,703	29,410	31,714
Energy	6,816	13,456	13,131
Repair, maintenance, cleaning and security	6,269	12,186	11,655
Taxes and other fees	1,209	2,111	3,106
Storage	1,160	2,029	1,060
Communication	1,001	2,263	2,300
Mechanisation	997	1,904	2,329
Insurance	898	1,789	952
Travel	567	973	729
Parent company service charges	563	1,088	1,133
Stationary	384	899	1,126
Donations	311	613	536
Employment termination benefits (Note 21)	106	1,298	1,513
Other	3,659	4,702	2,354
	88,667	**176,841**	**168,339**

NOTE 29 - FINANCIAL EXPENSES - NET

	1 April – 30 June 2004	1 January – 30 June 2004	1 January – 30 June 2003
Financial income:			
Due date difference on credit sales	4,031	7,522	10,433
Interest on debt securities	2,660	4,437	8,877
Interest income from time deposits	1,389	2,689	3,362
Foreign exchange gain, net	964	2,876	2,155
Other	7	24	27
Total financial income	**9,051**	**17,548**	**24,854**
Financial expense:			
Due date difference on credit purchases	(10,964)	(16,577)	(34,372)
Interest expense on bank borrowings	(1,757)	(3,308)	(4,872)
Interest expense on lease obligations	(52)	(93)	(399)
Other	(39)	(92)	(365)
Total financial expense	**(12,812)**	**(20,070)**	**(40,008)**
Net financial expense	**(3,761)**	**(2,522)**	**(15,154)**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 30 – INTEREST IN JOINT-VENTURE

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

	30 June 2004	**31 December 2003**
Property, plant and equipment	211,582	199,083
Other non-current assets	13,314	12,449
Current assets	43,382	60,558
	268,278	**272,090**
Long-term bank borrowings	(62,774)	(70,626)
Provisions	(12,068)	(12,429)
Current liabilities	(61,988)	(65,892)
	(136,830)	**(148,947)**
Net assets	**131,448**	**123,143**

	1 April – 30 June 2004	**1 January – 30 June 2004**	**1 January – 30 June 2003**
Net sales	**64,135**	**128,435**	**143,979**
Income before tax	3,363	11,020	14,857
Income taxes	(1,028)	(2,995)	(3,772)
Income after tax	**2,335**	**8,025**	**11,085**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 31 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given were as follows at 30 June 2004 and 31 December 2003:

	30 June 2004	31 December 2003
Pledges (*)	304,854	310,810
Letters of guarantee given to banks	16,896	15,915
	321,750	**326,725**

(*) All assets of Rambutya amounting to TL36,576 billion (Cash and due from banks TL2,290 billion, trade receivables TL395 billion, inventories TL3,427 billion, other current assets TL52 billion, property, plant and equipment TL30,412 billion), are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD11 million.

All assets of Ramenka amounting to TL268,278 billion (Cash and due from banks TL2,174 billion, trade receivables TL5,540 billion, inventories TL16,220 billion, other current assets TL19,448 billion, property, plant and equipment TL211,581 billion, and other non-current assets TL13,315 billion), are pledged as security for the IFC loan agreement amounting to USD30 million.

b) Guarantees taken at 30 June 2004 and 31 December 2003 were as follows:

	30 June 2004	31 December 2003
Guarantees obtained from customers	**68,802**	**72,792**

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

	30 June 2004	31 December 2003
Payable within 1 year	2,801	3,207
Payable in 1 to 2 years	3,505	3,298
Payable in 2 to 5 years	9,192	8,920
Payable in 5 to 10 years	9,597	8,063
Payable after 10 years	4,427	4,895
Total	**29,522**	**28,383**

d) As at 30 June 2004, there are contractual commitments for the new hypermarket constructions of Ramenka and Ramstore Bulgaria amounting to TL88,208 billion (31 December 2003: TL71,901 billion).

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 32 - FOREIGN CURRENCY POSITION

Historical amounts of assets and liabilities denominated in foreign currency held by the Parent Company at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004	31 December 2003
Assets	50,986	62,906
Liabilities	(26,490)	(32,121)
Net foreign currency position	**24,496**	**30,785**

TL equivalents of foreign currency amounts

		30 June 2004	31 December 2003
Cash and cash equivalents	USD	4,159	3,300
	EURO	1,052	747
Available-for-sale investments			
- Eurobond	USD	29,690	40,859
- Eurobond	EURO	3,879	-
Trade receivables, due from related parties and other current assets	USD	11,286	17,111
	EURO	920	889
Bank borrowings	USD	21,636	25,955
Trade payables, due to related parties, lease obligations and other liabilities	USD	3,194	3,796
	EURO	1,660	2,370

NOTE 33 - SUBSEQUENT EVENTS

a) On 6 October 2003, the Board of Directors decided to increase the capital of Ramstore Bulgaria AD from USD7,000 to USD12,000. Based on this decision, the capital increase was completed with transfer of cash contribution amounting to USD 2,162.65 at 1 July 2004.

b) In July 2004, the Constitutional Court of the Russian Federation made publicly available a recently issued interpretation of existing VAT legislation that has a possible effect of denying the recovery of deductible VAT or deferring the point at which the Joint-venture is able to offset deductible VAT to the extent the cause of such VAT is deemed to be attributable to the utilization of funds other than own funds. As of the date of this report there is uncertainty about the implementation of this decision and the amount of deductible VAT included in the consolidated interim financial statements of Migros as a result of the proportionate consolidation of the financial statements of Ramenka located in Russian Federation is TL7,590 billion (Note 10).

c) On 29 July 2004, the Board of Directors decided to obtain a loan from ABN Amro Bank for the new hypermarket constructions of Ramenka amounting to USD20,000 with an interest rate of LIBOR + 2.75% p.a. and a maturity of four years.

d) On 25 August 2004, the Board of Directors decided to increase the paid-in capital of Ramstore Bulgaria by EURO5,500 from EURO11,672.14.

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