

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MAY 2008
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Migros Türk Ticaret A.Ş.

1. We have audited the accompanying consolidated interim financial statements of Migros Türk Ticaret A.Ş. ("Migros"), its subsidiaries (collectively referred to as the "Group") which comprise the consolidated interim balance sheet as of 31 May 2008 and the consolidated interim statement of income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the five-month period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

4. As discussed in Note 2.v, the Group has prepared consolidated interim financial statements for a five-month interim period for the first time at 31 May 2008. Accordingly, consolidated interim statement of income, consolidated interim statement of changes in equity, consolidated interim statement of cash flows and related notes for the five-month period ended 31 May 2008 have not been presented comparatively with the corresponding five-month period ending at 31 May 2007.

Qualified Opinion

5. In our opinion, except for the failue to include the comparative financial information discusical in paragraph 4, the accompanying consolidated interim financial statements present fairly, in all material respects, the financial position of Migros Türk Ticaret A.Ş. as of 31 May 2008, and its financial performance and its cash flows for the five-month period then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English

6. The accounting principles described in Note 2 to the consolidated interim financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated interim financial statements are not intended to present the financial position and results of operations of the Group in accordance with IFRS.

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

Originally issued and signed in Turkish

Adnan Akan, SMMM
Partner

Istanbul, 11 August 2008

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 31 MAY 2008

CONTENTS	PAGE
CONSOLIDATED INTERIM BALANCE SHEETS	1-2
CONSOLIDATED INTERIM STATEMENT OF INCOME	3
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	5
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	6-50
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	6-7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7-19
NOTE 3 SEGMENT REPORTING	19-21
NOTE 4 CASH AND CASH EQUIVALENTS	21-22
NOTE 5 FINANCIAL ASSETS	22-23
NOTE 6 FINANCIAL LIABILITIES	24
NOTE 7 TRADE RECEIVABLES AND PAYABLES	25
NOTE 8 OTHER RECEIVABLES AND PAYABLES	26
NOTE 9 INVENTORIES	26
NOTE 10 INVESTMENT PROPERTY	27
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	28-29
NOTE 12 INTANGIBLE ASSETS	29
NOTE 13 GOODWILL/NEGATIVE GOODWILL	29
NOTE 14 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	30-31
NOTE 15 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS	31-32
NOTE 16 OTHER CURRENT/NON CURRENT ASSETS AND SHORT-/LONG-TERM LIABILITIES	32-33
NOTE 17 SHAREHOLDERS' EQUITY	33-36
NOTE 18 REVENUE AND COST OF SALES	37
NOTE 19 OPERATING EXPENSES	38
NOTE 20 OTHER OPERATING INCOME AND EXPENSE	38
NOTE 21 FINANCIAL INCOME	39
NOTE 22 FINANCIAL EXPENSE	39
NOTE 23 TAXES ON INCOME	39-42
NOTE 24 EARNINGS PER SHARE	43
NOTE 25 DUE FROM AND DUE TO RELATED PARTIES	43-46
NOTE 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	46-49
NOTE 27 FINANCIAL INSTRUMENTS	49-50

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS

AT 31 MAY 2008 AND 31 DECEMBER 2007

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

	Notes	31 May 2008	31 December 2007
ASSETS			
Current assets			
Cash and cash equivalents	4	385.393	396.952
Financial assets (net)	5	456.210	628.767
Trade receivables (net)	7	25.010	27.808
Due from related parties (net)	25	3.450	41.293
Other receivables (net)	8	621	593
Inventories (net)	9	435.255	400.517
Other current assets	16	172.934	167.483
Total current assets		1.478.873	1.663.413
Non-current assets			
Trade receivables (net)	8	781	733
Financial assets (net)	5	2.215	1.706
Goodwill/negative goodwill (net)	13	234.466	234.466
Investment property (net)	10	9.356	9.145
Property, plant and equipment (net)	11	743.443	737.229
Intangible assets (net)	12	179.719	179.626
Other non-current assets	16	1.396	3.407
Total non-current assets		1.171.376	1.166.312
Total assets		2.650.249	2.829.725

These consolidated interim financial statements as at and for the period ended 31 May 2008 have been approved for issue by the Board of Directors on 11 August 2008.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS

AT 31 MAY 2008 AND 31 DECEMBER 2007

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

	Notes	31 May 2008	31 December 2007
LIABILITIES			
Current liabilities			
Current portion of long-term financial liabilities (net)	6	73.681	117.828
Trade payables (net)	7	948.013	871.489
Due to related parties (net)	25	4.401	54.663
Other financial liabilities (net)	8	17.820	20.702
Provisions	14	18.208	43.158
Other current liabilities (net)	16	52.809	72.207
Total current liabilities		1.114.932	1.180.047
Non-current liabilities			
Financial liabilities (net)	6	66.029	142.663
Other liabilities	8	3.729	3.602
Deferred income tax liabilities	23	17.437	20.015
Provision for employee termination benefits	15	15.636	14.065
Total non-current liabilities		102.831	180.345
Total liabilities		1.217.763	1.360.392
EQUITY			
	17		
Attributable to equity holders of the parent		1.432.179	1.469.068
Share capital		178.030	178.030
Equity inflation restatement differences		(77.165)	(77.165)
Share premium		18.854	18.854
Financial assets fair value reserve		(15.696)	24.543
Cumulative translation differences		(2.191)	(6.457)
Restricted reserves		462.896	18.487
Additional contribution to shareholders' equity			
related to merger		119.422	119.422
Prior years' income		643.450	640.479
Net income for the period		104.579	552.875
Minority Interest		307	265
Total equity		1.432.486	1.469.333
Total liabilities and equity		2.650.249	2.829.725
Commitments, contingent assets and liabilities	14		

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

	Notes	1 January - 31 May 2008
<u>CONTINUING OPERATIONS</u>		
Revenue	3,18	1.937.085
Cost of sales (-)	3,18	(1.425.259)
GROSS PROFIT		511.826
Marketing, selling and distribution expenses (-)	19	(309.316)
General administrative expenses (-)	19	(83.798)
Other operating income	20	27.212
Other operating expense (-)	20	(11.711)
OPERATING PROFIT	3	134.213
Financial income	21	77.221
Financial expense (-)	22	(89.631)
INCOME BEFORE TAX		121.803
Income tax expense	23	(17.207)
Taxes on income (-)		(19.422)
Deferred income tax		2.215
NET INCOME FOR THE PERIOD		104.596
Attributable to:		
Minority interest		17
Equity holders of the parent		104.579
		104.596
Earnings per share (YKr)	24	0,59

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

	Share capital	Equity inflation restatement differences	Share premium	Financial assets fair value reserve	Cumulative translation differences	Restricted reserves	Additional contribution to shareholders’ equity related to merger	Prior years’ income	Net income for the period	Minority interest	Total equity
Balances at 1 January 2008	178.030	(77.165)	18.854	24.543	(6.457)	18.487	119.422	640.479	552.875	265	1.469.333
Transfers	-	-	-	-	-	444.409	-	2.971	(447.380)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(105.495)	-	(105.495)
Cumulative translation differences	-	-	-	-	4.266	-	-	-	-	25	4.291
Financial assets fair value loss, net of tax	-	-	-	(40.239)	-	-	-	-	-	-	(40.239)
Net income for the period	-	-	-	-	-	-	-	-	104.579	17	104.596
Balances at 31 May 2008	178.030	(77.165)	18.854	(15.696)	(2.191)	462.896	119.422	643.450	104.579	307	1.432.486

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

	Notes	31 May 2008
Operating activities:		
Net income		104.579
Adjustments to reconcile net income to net cash provided / used by operating activities:		
Minority interest		17
Depreciation and amortisation	10,11,12	39.921
Provision for employment termination benefits	15	4.949
Income tax expense	23	17.207
Interest income		(65.497)
Interest expense		81.306
Losses from sales of tangible assets (net)		3.598
Allowance for property, plant and equipment impairment	10	63
Available-for-sale investment sales gain	20	(21.245)
Unrecognised exchange rate differences		1.257
Cash flows from operating activities before changes in operating assets and liabilities		166.155
Changes in operating assets and liabilities-net		
Trade receivables		2.798
Due from related parties		37.843
Inventories		(34.738)
Current assets and other receivables		(128)
Trade payables		76.524
Due to related parties		(50.262)
Other current liabilities and provisions		(50.606)
Other non-current liabilities		1.963
Interest paid		(82.290)
Income taxes paid		(14.321)
Employment termination benefits paid		(3.378)
Net cash provided by operating activities		49.560
Investing activities:		
Purchases of property, plant and equipment	11	(45.970)
Proceeds from sale of property, plant and equipment		502
Change in fair value of financial assets- net		138.598
Purchase of intangible assets	12	(952)
Proceeds from available-for-sale investments		36.688
Available-for-sale investments additional share purchase		(509)
Interest received		43.325
Net cash provided by investing activities		171.682
Financing activities:		
Decrease in bank borrowings		(126.405)
Dividends paid		(105.495)
Net cash used in financing activities		(231.900)
Cumulative translation adjustment		(901)
Net decrease in cash and cash equivalents		(11.559)
Cash and cash equivalents at the beginning of the period	4	396.952
Cash and cash equivalents at the end of the period	4	385.393

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is mainly engaged in the retail sales of food and beverages, and consumer and durable goods through its Migros, Şok, Tansaş and Macrocenter stores, shopping centres, Ramstores abroad and internet sales. The Company also rents floor space in the shopping malls to other trading companies. For the five months period ended 31 May 2008, average number of people employed by Migros and its Subsidiaries (collectively referred as the “Group”) is 14.933. As of 31 May 2008, the Group operates in 1.013 stores (31 December 2007: 953) with a net retail space of 624.233 (31 December 2007: 603.769) square meters. Retail is the main business segment of the Group and constitutes almost 97,2% of gross sales. Therefore, in accordance with the International Accounting Standard 14 (“IAS 14”), Segment Reporting, retail is the sole reportable business segment.

The address of the registered office is as follows:

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

The parent of the Company is Moonlight Perakendecilik ve Ticaret A.Ş. (“Moonlight”) (Note 17) and the shares of the Company are publicly traded on the Istanbul Stock Exchange (“ISE”).

Koç Holding A.Ş. (“Koç Holding”), the former parent of the Company, and Moonlight Capital S.A., controlled by BC Partners Ltd., have signed a Share Purchase Agreement (“SPA”) on 13 February 2008 on the sale of 50.83% shares owned by Koç Holding in the Company. The transfer of control took place on 30 May 2008 after the Competition Board permission required for the transfer was received.

Subsidiaries:

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

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>
Ramstore Mahdud Mesuliyetli Cemiyeti (“Ramstore Azerbaijan”)	Azerbaijan	Azerbaijan	Retailing
Ramstore Bulgaria E.A.D. (“Ramstore Bulgaria”) (**)	Bulgaria	Bulgaria	Dormant
Ramstore Kazakhstan LLC (“Ramstore Kazakhstan”) (***)	Kazakhstan	Kazakhstan	Retailing
Ramstore Macedonia DOO (“Ramstore Macedonia”)	Macedonia	Bulgaria	Retailing
Ramstore Bishkek LLC (“Ramstore Bishkek”)	Kyrgyzstan	Kazakhstan	Retailing
Şok Marketler Ticaret A.Ş. (“Şok Marketler”)	Turkey	(*)	Trade (Dormant)
Sanal Merkez Ticaret A.Ş. (“Sanal Merkez”)	Turkey	(*)	Trade

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

(**) By closing down its three retail stores, Ramstore Bulgaria has ceased its retail operations in the first half of 2007.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

- Ramstore Mahdud Mesuliyetli Cemiyeti
Babek Prospekti 1129.cu Mehelle 1025
Baku, Azerbaijan
- Ramstore Macedonia DOO
Skopje Mito Hadzivasilev Jasmin B.B.,
1000 Skopje, Macedonia
- Ramstore Bulgaria E.A.D.
33, Layosh Koshut Str., fl. 5, apt. 26,
region Krasno selo
Sofya, Bulgaristan
- Ramstore Kazakhstan LLC
226 Furmanov St.,
Almaty 050059, Kazakhstan
- Ramstore Bishkek LLC
Gorkiy Str. 27/1, Pervomaisky District
Bishkek, Kyrgyzstan

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Basis of presentation

A) Financial Reporting Standards

The Capital Markets Board of Turkey (“CMB”) regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, “The Financial Reporting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated interim financial statements, the consolidated interim financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB (“CMB Financial Reporting Standards”) which are based on IAS/IFRS. The consolidated interim financial statements and the related notes to them are presented in accordance with the formats required by the CMB including the compulsory disclosures. Accordingly, required reclassifications have been made in the comparative financial statements. (Note.2.C.u).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

B) Translation of Financial Statements of Foreign Subsidiaries

Financial statements of Subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Foreign Subsidiaries’ assets and liabilities are translated into YTL from the foreign exchange rate at the balance sheet date and income and expenses are translated into YTL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “cumulative translation differences” under the shareholders’ equity.

C) Basis of Consolidation

- a) The consolidated interim financial statements include the accounts of the parent company, Migros, and its Subsidiaries on the basis set out in sections (b), to (e) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated interim financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.
- b) Subsidiaries are companies over which Group has power to control the financial and operating policies for the benefit of Migros through the power to exercise more than 50% of the voting rights.

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

<u>Subsidiary</u>	<u>Direct and indirect shareholding by Migros and its Subsidiaries (%)</u>	
	<u>31 May 2008</u>	<u>31 December 2007</u>
Ramstore Azerbaijan (1)	100,00	100,00
Ramstore Bulgaria (1), (2)	100,00	99,99
Ramstore Kazakhstan (1)	100,00	100,00
Ramstore Macedonia (1)	99,00	99,00
Ramstore Bishkek (1)	100,00	100,00
Şok Marketler (3)	99,60	99,60
Sanal Merkez (3)	100,00	69,99

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

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

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

- (2) Ramstore Bulgaria closed down its three stores and ceased its retail operations as of March 2007.
- (3) Şok Marketler and Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. These Subsidiaries have been classified and accounted for as financial assets in the consolidated interim financial statements (Note 5).
- c) Investments in which the Group has an interest of below 20% or over which the Group does not exercise a significant influence are considered as available-for-sale investments and accounted for at their fair value in the financial statements. However, if the fair value cannot be measured reliably, they are accounted for at purchase cost less impairment, if applicable (Note 5).
- d) The results of foreign Subsidiaries are translated into New Turkish lira at average rates for the period. The assets and liabilities of foreign subsidiaries are translated into New Turkish lira at the closing rate for the period. Exchange differences arising on the retranslation of the opening net assets of foreign Subsidiaries and differences between the average and period-end rates are included in the translation reserve.
- e) The minority shareholders' share in the net assets and results for the period for Subsidiaries are separately classified in the consolidated balance sheet and statement of income as minority interest and income or loss attributable to minority interest, respectively.

Changes and Errors in the Accounting Policies

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period consolidated financial statements. There are no changes in the accounting policies for the interim period of 1 January - 31 May 2008.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

Changes in the Accounting Estimates

The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. There are no changes in the accounting estimates for the interim period of 1 January - 31 May 2008.

Summary of Significant Accounting Policies

a) Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns, discounts and commission (Note 18).

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

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

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

Royalty and rental income - on an accrual basis.

Interest income - on an effective yield basis.

Dividend income - when the right to receive a dividend is established.

b) Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. Net realisable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 9).

c) Property, plant and equipment

Property, plant and equipment are carried at the beginning cost restated to the equivalent purchasing power at 31 December 2004 and the acquisition value of current period additions less accumulated depreciation and, if any, impairment value (Note 11). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

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

	Useful Lives (Years)
Buildings	25-50
Leasehold improvements	over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	4-8

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

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

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

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

d) Intangible assets

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

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. Intangible assets with indefinite useful lives are tested annually for permanent impairment (Note 12).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

e) Business combinations and goodwill

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

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

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

f) Impairment of assets

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

g) Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale, in accordance with the allowed alternative treatment in International Accounting Standard 23 (“Borrowing Costs”) was revised on 29 March 2007 by the IASB. Besides, the revised IAS 23 is effective at 1 January 2009, yet voluntary early transition to the application right is reserved. As per revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

h) Financial Instruments

Trade receivables

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

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Loans originated by the Company

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

Investment securities

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

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

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

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

i) Foreign currency transactions and translations

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

j) Earnings per share

Earnings per share disclosed in the consolidated interim statement of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned. The weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year (Note 24).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

k) Subsequent events

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

l) Provisions, contingent liabilities and contingent assets

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

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

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

m) Leases

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 11).

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

Operating leases

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

Prepayments for land leases

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

n) Related parties

For the purpose of these consolidated interim financial statements, shareholders, Koç Holding Group of companies, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 25).

o) Segment reporting

Retail is the main business segment of the Group. Other business segments, as described in IAS 14, are not material to be reported separately. Reportable segments comprise the geographical segments as stated in Note 3.

p) Government incentives and grants

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

q) Investment property

Land and buildings held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16, Property, Plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property (Note 10).

r) Taxes on income

Taxes include current period income tax liabilities and deferred tax assets and liabilities. A provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date (Note 14 and Note 23).

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to measure deferred income tax (Note 23).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

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

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

s) Employment termination benefits

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees in accordance with the Turkish Labour Law and calculated by applying actuarial valuation methods (Note 15).

t) Statement of cash flows

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

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

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

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

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

u) Offsetting

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

v) Comparatives and restatement of prior year financial statements

The Group has prepared its consolidated interim financial statements for the five month period ended 31 May 2008 for the first time. Accordingly, consolidated interim statement of income, consolidated interim statement of changes in Shareholders’ equity, consolidated interim statement of cash flows and related notes have not been presented comparatively with the previous period.

The Group has performed reclassifications in the consolidated interim balance sheet as of 31 December 2007 in order to conform to presentation of balance sheet as of 31 May 2008. Such reclassifications are explained as follows:

- i) Capital reserves amounting to YTL 71.932 classified in “extraordinary reserves” on the consolidated balance sheet of 31 December 2007 are reclassified under “retained earnings” (Note 17).
- ii) Legal reserves inflation adjustment differences, extraordinary reserves inflation adjustment differences and share premium inflation adjustment differences amounting to YTL 252.923 classified in “equity inflation restatement differences” on the consolidated balance sheet at 31 December 2007 are reclassified under “retained earnings” (Note 17).
- iii) Deposits and guarantees given amounting to YTL 2 in “trade receivables”, time deposits with a maturity of more than three months amounting to YTL 26.387 in “cash and cash equivalents”, marketable securities with a maturity of less than three months amounting to YTL 536 in “financial assets”, financial assets amounting to YTL 36.688 under “non-current assets”, deposits and guarantees amounting to YTL 733 in “long-term trade receivables”, “Property, Plant and Equipment” amounting to YTL 9.145 and order advances given amounting to YTL 227 in “inventories” on the balance sheet at 31 December 2007 are reclassified into “other receivables”, “financial assets”, “cash and cash equivalents”, “financial assets” under “current assets”, “other receivables”, “investment property” and “other current assets”, respectively.
- iv) Deposits and guarantees received amounting to YTL 3.602 in “long-term trade payables” and provision for employment termination benefits amounting to YTL 14.065 in “long-term provisions” on the balance sheet at 31 December 2007 are reclassified into “other non-current liabilities” and “provision for employment termination benefits”, respectively.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

The accounting principles described in Note 2 - “Summary of Significant Accounting Policies” from (a) to (v) to the consolidated interim financial statements (defined as CMB Accounting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated interim financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

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

Significant Accounting Estimates, Assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them.

Information and Disclosure of which is required by CMB

In accordance with the Communiqué Serial:XI No:29 of CMB and announcements clarifying this communiqué, it is mandatory for enterprises to disclose the hedging rate of their total foreign exchange liability as well as total export and import amounts in the notes to their financial statements.

NOTE 3 - SEGMENT REPORTING

In these consolidated interim financial statements for the period of 1 January - 31 May 2008, the primary reportable segments comprise the geographical segments.

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

Wholesale and rent income are not identified as reportable businesses on the grounds of materiality in accordance with IAS 14 and accordingly the industrial segments are not presented as secondary segment reporting (Note 18). Within this framework, retailing is presented as the sole reportable business segment in these consolidated interim financial statements.

a) Net Sales

	1 January - 31 May 2008
Turkey	1.852.822
Kazakhstan	64.952
Bulgaria	11.832
Azerbaijan	7.479
Net sales	1.937.085

b) Operating revenue

	1 January - 31 May 2008
Turkey	126.390
Kazakhstan	5.434
Bulgaria	1.688
Azerbaijan	701
Operating revenue	134.213

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Segment analysis for the interim period 1 January - 31 May 2008

	Turkey	Azerbaijan	Bulgaria	Kazakhstan	Combined Total	Inter segment elimination	Consolidated Total
External revenues	1.852.822	7.479	11.832	64.952	1.937.085	-	1.937.085
Inter segment revenues	2.124	-	-	-	2.124	(2.124)	-
Sales revenue	1.854.946	7.479	11.832	64.952	1.939.209	(2.124)	1.937.085
Cost of goods sold	(1.366.413)	(5.445)	(7.168)	(48.357)	(1.427.383)	2.124	(1.425.259)
Gross margin	488.533	2.034	4.664	16.595	511.826	-	511.826
Selling and marketing expenses	(299.378)	(516)	(1.373)	(8.049)	(309.316)	-	(309.316)
General administrative expenses	(77.730)	(826)	(1.767)	(3.475)	(83.798)	-	(83.798)
Other operating income, net	14.965	9	164	363	15.501	-	15.501
Operating revenue	126.390	701	1.688	5.434	134.213	-	134.213

d) Segment assets

Total assets

	31 May 2008	31 December 2007
Turkey	2.667.353	2.850.958
Kazakhstan	62.956	67.005
Bulgaria	39.978	35.866
Azerbaijan	10.205	8.971
Total combined	2.780.492	2.962.800
Less: Inter-segment elimination	(130.243)	(133.075)
Total assets as per consolidated financial statements	2.650.249	2.829.725

Net assets

	31 May 2008	31 December 2007
Turkey	1.475.195	1.522.493
Kazakhstan	40.649	35.729
Bulgaria	35.967	31.241
Azerbaijan	7.453	6.689
Total combined	1.559.264	1.596.152
Less: Inter-segment elimination	(126.778)	(126.819)
Total shareholders' equity per consolidated financial statements	1.432.486	1.469.333

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 3 - SEGMENT REPORTING (Continued)

e) Capital expenditures, depreciation and amortisation

31 May 2008

Capital expenditures

Turkey	44.017
Kazakhstan	2.874
Azerbaijan	17
Bulgaria	14
	46.922

31 May 2008

Depreciation and amortisation

Turkey	38.262
Kazakhstan	1.020
Bulgaria	491
Azerbaijan	148
	39.921

f) Minority interest

31 May 2008 31 December 2007

Bulgaria	307	265
	307	265

NOTE 4 - CASH AND CASH EQUIVALENTS

31 May 2008 31 December 2007

Cash	18.104	22.050
Banks		
- demand deposits	34.380	53.112
- time deposits	105.024	109.376
Available-for-sale investments	11.589	536
Cheques in collection	49	112
Other cash and cash equivalents	216.247	211.766
	385.393	396.952

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Weighted average effective interest rates on YTL denominated time deposits at 31 May 2008 are 17,57% (31 December 2007: 17,65%). As of 31 December 2007, weighted average effective interest rates of US dollar denominated time deposits which have been disclosed in Note 26 are 9,47%. Weighted average effective interest rates of Euro denominated time deposits which have been disclosed in Note 26 are 3,96% (31 December 2007: 3,58%). Available-for-sale investments are formed of government bonds and treasury bills with a maturity of less than 90 days and their weighted average effective interest rates are 16,65%. Other cash and cash equivalents mainly include receivables on credit card slips with a maturity of less than 36 days (31 December 2007: less than one month).

The maturity analysis of time deposits at 31 May 2008 and 31 December 2007 is as follows:

	31 May 2008	31 December 2007
1-30 days	103.923	97.680
31- 90 days	1.101	11.696
	105.024	109.376

NOTE 5 - FINANCIAL ASSETS

	31 May 2008	31 December 2007
Short-term available-for-sale investments	456.210	602.380
Time deposits	-	26.387
Short-term financial assets	456.210	628.767
Long-term available-for-sale investments	2.215	1.706
Long-term financial assets	2.215	1.706

Short-term available-for-sale investments:

	<u>31 May 2008</u>		<u>31 December 2007</u>	
	Weighted average effective interest rate p.a.	Amount	Weighted average effective interest rate p.a.	Amount
Treasury bills and government bonds	17,43%	456.210	17,67%	537.992
Eurobond (USD)	-	-	10,68%	26.847
Eurobond (EUR)	-	-	5,50%	853
Time deposits	-	-	5,25%	26.387
		456.210		592.079

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 5 - MARKETABLE SECURITIES (Continued)

The analysis of marketable securities by maturity at 31 May 2008 and 31 December 2007:

	31 May 2008	31 December 2007
Period remaining to maturity:		
91-180 days	19.917	26.446
181 days-1 year	74.929	104.872
Over 1 year	361.364	460.761
	456.210	592.079

Listed financial assets:

	31 May 2008		31 December 2007	
	Share	Amount	Share	Amount
Tat Konserve San. A.Ş. (“Tat Konserve”)	-	-	2,87%	11.860
		-		11.860

Unlisted financial assets:

	31 May 2008		31 December 2007	
	Share	Amount	Share	Amount
Sanal Merkez Ticaret A.Ş.	100,00%	1.695	69,99%	1.186
Şok Marketler Ticaret A.Ş.	99,60%	520	99,60%	520
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	-	-	9,24%	23.099
Tanı Pazarlama A.Ş.	-	-	32,00%	1.729
		2.215		26.534

As indicated in Note 1, within the context of the sale of Migros shares by Koç Holding, the Company has sold its shares in Tat Konserve and Koçtaş to Koç Holding or Koç Group companies on 22 May 2008 in exchange of YTL 11.860 and YTL 23.099, respectively. The sales prices of Tat Konserve and Koçtaş shares are determined as the fair value based on the closing price on the Istanbul Stock Exchange at 30 September 2007 and as the fair value determined by professional independent valuers by performing discounted cash flows method at 30 September 2007, respectively. Sales profit amounting to YTL 21.245 is accounted for as other income in the consolidated interim financial statements (Note 20).

As indicated in Note 1, within the context of the sale of Migros shares by Koç Holding, the Company has sold its shares in Tanı Pazarlama to Koç Holding or Koç Group companies on 22 May 2008 in exchange of YTL 1.729. The sales price of Tanı Pazarlama shares which is accounted for under associates by using the equity accounting method is determined at its carrying value in the consolidated financial statements at 31 December 2007.

Şok Marketler and Sanal Merkez are the subsidiaries that are not included in the scope of consolidation on the grounds of materiality due to the insignificance of their impact on the consolidated net worth, financial position and results of Migros. They are accounted for under long-term available-for-sale investments at cost restated to the purchasing power of YTL at 31 December 2004 as they do not have quoted market prices in active markets.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 6 - FINANCIAL LIABILITIES

	31 May 2008			
	Weighted average interest rate p.a.	US dollar	Euro	YTL
Current portion of long-term bank borrowings				
-with fixed interest rates	6,02%	1.646	133	2.235
-with floating interest rates	4,39%	59.207	-	71.446
Current portion of long-term bank borrowings		60.853	133	73.681
Long-term bank borrowings				
-with fixed interest rates	6,02%	240	992	2.145
-with floating interest rates	4,39%	52.941	-	63.884
Long-term bank borrowings		53.181	992	66.029
Total bank borrowings		114.034	1.125	139.710

	31 December 2007			
	Weighted average interest rate p.a.	US dollar	Euro	YTL
Current portion of long-term bank borrowings				
-with fixed interest rates	6,80%	1.753	124	2.254
-with floating interest rates	6,24%	70.827	19.344	115.574
Current portion of long-term bank borrowings		72.580	19.468	117.828
Long-term bank borrowings				
-with fixed interest rates	6,80%	1.048	992	2.916
-with floating interest rates	6,24%	64.706	37.647	139.747
Long-term bank borrowings		65.754	38.639	142.663
Total bank borrowings		138.334	58.107	260.491

The redemption schedule of long-term bank borrowings at 31 May 2008 is as follows:

	US dollar	EURO	YTL
1 June 2009 - 31 May 2010	35.414	124	42.966
1 June 2010 - 31 May 2011	17.767	124	21.671
1 June 2011 - 31 May 2012	-	124	232
1 June 2012 - 31 May 2013	-	124	232
1 June 2013 - 31 May 2014	-	124	232
1 June 2014 and over	-	372	696
	53.181	992	66.029

The fair value of long-term bank borrowings at 31 May 2008 is YTL145.690 (31 December 2007: YTL268.189).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 May 2008	31 December 2007
Receivables from tenants and wholesale activities	24.227	26.363
Doubtful receivables	6.946	6.541
Notes receivable	1.193	1.736
	32.366	34.640
Less: Provision for doubtful receivables	(6.885)	(6.332)
Less: Unearned finance income on term sales	(471)	(500)
Short-term trade receivables, net	25.010	27.808

The maturities of trade receivables are generally less than one month at 31 May 2008 (31 December 2007: less than one month) and they were discounted with the annual rate of 17.91% (31 December 2007: 16,15%).

As of 31 May 2008, YTL 464 (31 December 2007: YTL 1.602) of total trade receivables are 18 (31 December 2007: 13) days overdue where these receivables are not assessed as doubtful by management.

Provisions for doubtful receivables are accounted for in accordance with the Group’s past experiences, accordingly, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Company’s trade receivables.

Movement of provision for doubtful receivables is as follows:

	2008
1 January	6.332
Cumulative translation adjustment	12
Reversal	(130)
Current year charge (Note 20)	671
31 May	6.885

Trade payables:

	31 May 2008	31 December 2007
Supplier current accounts	963.410	885.060
Less: Unincurred finance cost on term purchases	(15.397)	(13.571)
Short-term trade payables, net	948.013	871.489

The maturity of trade payables is generally less than three months (31 December 2007: less than three months) and they are discounted with annual rate of 17,91% as of 31 May 2008 (31 December 2007: 15,96%).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other receivables:

	31 May 2008	31 December 2007
Receivables from personnel	619	591
Deposits and guarantees given	2	2
Short-term other receivables	621	593

	31 May 2008	31 December 2007
Deposits and guarantees given	781	733
Long-term other receivables	781	733

Other Payables:

	31 May 2008	31 December 2007
T. Garanti Bankası A.Ş. (“Garanti Bankası”) Credit card collection account	17.820	20.702
Current portion of other payables	17.820	20.702

	31 May 2008	31 December 2007
Deposits and guarantees received	3.729	3.602
Long-term other payables	3.729	3.602

As of 31 May 2008, payable to Garanti Bankası consists of credit card collections on behalf of Garanti Bankası through Tansaş stores with a maturity of less than one month.

NOTE 9 - INVENTORIES

	31 May 2008	31 December 2007
Raw materials	1.486	1.541
Work in progress	1.830	1.197
Merchandise stocks	431.127	396.671
Other	812	1.108
	435.255	400.517

Cost of the inventory included in the cost of sales for the five month period ended 31 May 2008 amounts to YTL1.408.764.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 10 - INVESTMENT PROPERTY

	Opening 1 January 2008	Additions	Cumulative translation differences	Closing 31 May 2008
<u>Cost</u>				
Land and buildings	11.001	-	370	11.371
<u>Accumulated depreciation</u>				
Land and buildings	(1.856)	(37)	(122)	(2.015)
Net book value	9.145			9.356

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

Investment properties of the Group consist of space rented to other retailers in Samal shopping mall and Tastak store in Kazakhstan. At 31 May 2008, total investment property of the Group is 7.775 square meters (31 December 2007: 7.620 square meters).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2008	Additions	Disposals	Impairment loss	Transfers	Cumulative translation differences	Closing 31 May 2008
Cost							
Land and buildings	261.414	586	(36)	-	33	3.180	265.177
Leasehold improvements	517.999	9.754	-	(72)	1.514	132	529.327
Machinery and equipment	452.665	9.512	(3.738)	-	3.880	528	462.847
Furniture and fixtures	160.934	3.933	(1.302)	-	999	253	164.817
Motor vehicles	1.344	13	(68)	-	-	18	1.307
Construction in progress and advances given	3.521	22.172	(3.687) (*)	-	(6.426)	-	15.580
	1.397.877	45.970	(8.831)	(72)	-	4.111	1.439.055
Accumulated depreciation							
Buildings	(41.247)	(1.709)	-	-	1	(398)	(43.353)
Leasehold improvements	(241.529)	(19.143)	-	9	-	(9)	(260.672)
Machinery and equipment	(300.995)	(13.769)	3.463	-	1	(56)	(311.356)
Furniture and fixtures	(76.034)	(4.264)	1.209	-	(1)	(250)	(79.340)
Motor vehicles	(843)	(109)	59	-	(1)	3	(891)
	(660.648)	(38.994)	4.731	9	-	(710)	(695.612)
Net book value	737.229						743.443

(*) Disposals from construction in progress are mainly comprised of amounts regarding construction works in malls which have been sold before they are capitalised.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	31 May 2008	31 December 2007
Net book value	12.098	15.725

Migros sold a piece of land to City Plaza DOO - Skopje (“City Plaza”), the main shareholder of which is EvroAsia Tehnika DOO - Skopje (“EvroAsia”), for an amount of USD30 in accordance with the agreement dated 27 February 2008. Additionally, in 2008 Migros accounted for consulting charges amounting to YTL845 (equivalent of USD700) with regard to consulting and marketing obtained by Ramstore Macedonia from EvroAsia which is the 1% shareholder of Ramstore Macedonia.

NOTE 12 - INTANGIBLE ASSETS

	Opening 1 January 2008	Additions	Cumulative translation adjustment	Closing 31 May 2008
Trademark (*)	174.158	-	-	174.158
Rights	17.059	952	(7)	18.004
Other intangible assets	88	-	-	88
Accumulated amortisation	(11.679)	(890)	38	(12.531)
Net book value	179.626			179.719

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

NOTE 13 - GOODWILL/NEGATIVE GOODWILL

Goodwill amounting to YTL234.466 is attributable to the acquisition of 64.25% of Tansaş shares and represents the excess of the cost of the acquisition over the carrying values of the acquiree’s assets, liabilities and contingent liabilities.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 May 2008	31 December 2007
Provision for current income taxes	17.824	45.846
Less: Prepaid current income taxes	(14.321)	(9.483)
Provision for current income taxes, net	3.503	36.363
Provision for litigation (Note 14.e)	13.668	6.795
Provision for income taxes (Note 14.g)	1.037	-
Other provisions	14.705	6.795
Total short-term provisions	18.208	43.158

Commitments, contingent assets and liabilities

a) Guarantees given at 31 May 2008 and 31 December 2007 are as follows:

	31 May 2008	31 December 2007
Letters of guarantee given	29.831	71.860

Migros signed a guarantee agreement with IFC regarding the loan obtained by Ramstore Kazakhstan amounting to USD 11 million and USD 1,9 million, respectively on 30 July 1999 and 22 November 2001, respectively. In the case of termination of this guarantee agreement by Migros, Samal shopping mall and stores (25.050 square meters), Astana and Tastak stores (3.194 and 2.020 square meters, respectively) of Ramstore Kazakhstan will be pledged by IFC.

b) Guarantees received at 31 May 2008 and 31 December 2007 are as follows:

	31 May 2008	31 December 2007
Guarantees obtained with respect to joint venture sales	153.730	148.379
Guarantees obtained from customers	50.165	49.569
Mortgages	1.408	192
	205.303	198.140

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

	31 May 2008	31 December 2007
Payable within 1 year	2.199	2.074
Payable in 1 to 2 years	2.873	2.074
Payable in 2 to 5 years	3.124	6.222
Payable in 5 to 10 years	-	7.161
	8.196	17.531

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

- d) Tax legislations in Kazakhstan and Kyrgyzstan are subject to different manners of interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of Ramstore Kazakhstan by the tax authorities may differ from the interpretation of the management. Consequently, Ramstore Kazakhstan may encounter significant additional taxes, penalties and interests. Tax authorities in Kazakhstan maintain the right to inspect the accounts for five fiscal years.
- e) There are various lawsuits filed against or in favour of Migros. Receivables, rent or labour issues constitute the majority of these lawsuits. Migros management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The provision at 31 May 2008 amount to YTL 13.668 (31 December 2007: YTL 6.795).
- f) As of 31 May 2008, unused vacation pay amounted to YTL19.787. According to the Company policy, the Company encourages its employees to take their vacation; hence no provision has been accounted for in the special purpose consolidated interim balance sheet at 31 May 2008. According to management estimate the discounted amount of unused vacation pay liability at 31 May 2008 amounted to YTL3.450.
- g) In December 2007 the tax authorities imposed and notified Migros of fines amounting to YTL36.399 resulting from a tax inspection of the 2002, 2003 and 2004 fiscal accounts. The fine related to falsified invoices issued by Özpa Pazarlama A.Ş. in respect to electronic products purchased by Migros. Migros subsequently took legal action for the cancellation of these fines.

On 24 June 2008 Migros paid YTL1.037 as a result of the reconciliation in relation to the YTL4.784 of these fines. As of the date of preparation of the special purpose consolidated interim balance sheet, the legal action for the cancellation of the remaining fines amounting to YTL31.615 are still outstanding. Based on consultations with their tax advisors, Migros management estimate that the Court will find in favour of Migros and consequently no provision has been accounted for with respect to the remaining amount in the special purpose consolidated interim balance sheet at 31 May 2008.

NOTE 15 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 May 2008	31 December 2007
Provision for employee termination benefits	15.636	14.065

Under the Turkish Labour Law, the Company and its Turkish Subsidiaries and Joint Ventures are 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 reaches the retirement age (58 for women and 60 for men). The amount payable consists of one month’s salary limited to a maximum of YTL2.087, 92 (31 December 2007: YTL2.030,19) for each year of service at 31 May 2008.

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 15 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

The following actuarial assumptions were used in the calculation of the total liability:

	31 May 2008	31 December 2007
Discount rate (%)	5,71%	5,71%
Turnover rate to estimate the probability of retirement (%)	84,80%	86,60%

The principal assumption is that the maximum liability 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 YTL2.087,92 effective from 1 January 2008 (1 January 2007: YTL1.960,69) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2008
1 January	14.065
Increase during the period	4.949
Payments during the period	(3.378)
31 May	15.636

NOTE 16 - OTHER CURRENT/NON CURRENT ASSETS AND SHORT-/LONG-TERM LIABILITIES

Other current assets:	31 May 2008	31 December 2007
Receivables from joint venture sales	153.730	148.379
Prepaid expenses	14.925	13.812
Migros Club discount cheques	3.108	1.577
Deductible taxes and funds	549	162
Value added tax (“VAT”) receivable	217	102
Order advances given	103	227
Interest receivable from Enka Holding B.V.	-	2.139
Other	302	1.085
	172.934	167.483

Prepaid expenses mainly consist of insurance premium and store rentals.

Other non-current assets:	31 May 2008	31 December 2007
Prepaid expenses	1.396	3.407
	1.396	3.407

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 16 - OTHER CURRENT/NON CURRENT ASSETS AND SHORT-/LONG-TERM LIABILITIES (Continued)

Other current liabilities:	31 May 2008	31 December 2007
Payables to personnel	19.543	22.774
Taxes and funds payable	11.680	20.561
Expense accruals	10.186	7.332
VAT payable	5.584	12.726
Merchandise coupons	3.939	6.872
Deferred income	742	1.223
Other	1.135	719
	52.809	72.207

Expense accruals include accruals for costs such as electricity, water, communication and provision for Migros Club discount cheques. Deferred income mainly includes advances obtained from tenants in stores and malls.

NOTE 17 - EQUITY

Share Capital

The shareholders of the Company and their shareholdings stated at historical amounts at 31 May 2008 and 31 December 2007 are stated below:

Shareholders	31 May 2008		31 December 2007	
	Share %	Amount	Share %	Amount
Moonlight Perakendecilik ve Ticaret A.Ş.	50,83	90.497	-	-
Publicly Held	49,17	87.533	49,17	87.533
Koç Holding A.Ş. (Note 1)	-	-	50,83	90.497
Total capital	100,00	178.030	100,00	178.030
Adjustment to share capital (*)		(77.165)		(77.165)
Total paid-in capital		100.865		100.865

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 17 - EQUITY (Continued)

Restricted Reserves

Sales profit of joint venture and available-for-sale investment amounting to YTL398.409 recognized as part of profit for the year in the consolidated financial statements at 31 December 2007 prepared in accordance with CMB accounting and financial reporting standards; YTL 420.195 is followed under a separate fund account in the Company’s legal books in order to benefit from the investment sales income exemption. To benefit from the exemption, the related profit has to be kept under this fund account for 5 years and should not be withdrawn during that period. The said amount has been accounted for under “restricted reserves” account in accordance with the CMB accounting and financial reporting standards and total restricted reserves at 31 May 2008 amount to YTL 462.896 (31 December 2007: YTL 18.487).

The details of restricted reserves mentioned above at 31 May 2008 and 31 December 2007 are as follows:

	31 May 2008	31 December 2007
Joint venture sales gain	406.477	-
Legal reserves	42.701	18.487
Available-for-sale investment sales gain	13.718	-
	462.896	18.487

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 Group’s 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.

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under “accumulated losses” could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under “accumulated losses” could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, “Capital, Emission Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under “equity inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could be utilised at bonus capital increases and offsetting accumulated losses, carrying amount of extraordinary reserves could be utilised in bonus capital increases, cash dividend distribution and offsetting accumulated losses.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 17 - EQUITY (Continued)

In accordance with the Communiqué Serial: XI, No: 29 which became effective as of 1 January 2008 and according to the CMB's announcements clarifying the said Communiqué, “Share Capital”, “Restricted Reserves Allocated from Profit” and “Share Premiums” need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising from the valuation of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment To Share Capital”;
- if the difference is arising from valuation of “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase, it shall be classified under “Retained Earnings”.

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

In accordance with the decision of Capital Markets Board on 8 February 2008 number 4/138 the minimum profit distribution ratio shall be applied as 20% (31 December 2007: 20%) in relation to publicly-listed joint stock partnerships as of 1 January 2008. Accordingly, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the partners free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further enabled that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount. Nevertheless, with regard to the joint stock partnerships, which have increased its capital without performing a dividend distribution as to the previous period and which separates its shares as "new" and "old", it has been made obligatory for those partnerships, which will distribute dividend out of its 2007 profits, to distribute the initial dividend amount in cash.

Additionally, pursuant to CMB decision with no 7/242 and dated 25 February 2005, the whole amount of the profit distribution amount, which is calculated over the net distributable profit, determined according to the CMB regulations, in accordance with the CMB regulations regarding minimum profit distribution liability, shall be distributed, if all of this amount can be covered by the distributable profit included in the legal records; on the other hand, if the whole of this amount cannot be met, the whole of the net distributable profit included in the legal records shall be distributed. In case period losses exist in the financial statements, prepared according to the CMB regulations, and in any one of the legal records, profit distribution shall not be performed.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 17 - SHAREHOLDERS' EQUITY (Continued)

The restated amounts of the capital and legal reserves stated as their historical amounts in the consolidated interim financial statements and the inflation adjustment differences are as follows:

	31 May 2008			31 December 2007		
	Historical amounts	Restated amounts	Equity inflation restatement differences	Historical amounts	Restated amounts	Equity inflation restatement differences
Share capital	178.030	100.865	(77.165)	178.030	100.865	(77.165)
Share premium	18.854	152.855	134.001	18.854	152.855	134.001
Legal reserves	42.701	67.955	25.254	18.487	43.741	25.254
Extraordinary reserves	71.932	165.600	93.668	71.932	165.600	93.668
	311.517	487.275	175.758	287.303	463.061	175.758

The composition of the Company's shareholders' equity as of 31 May 2008 and 31 December 2007 is as follows:

	31 May 2008	31 December 2007
Paid-in capital	178.030	178.030
Equity inflation restatement differences	(77.165)	(77.165)
Share premium	18.854	18.854
Financial assets fair value reserve	(15.696)	24.543
Cumulative translation differences	(2.191)	(6.457)
Restricted reserves	462.896	18.487
Additional contribution to shareholders' equity related to merger	119.422	119.422
Prior years' income	643.450	640.479
Net income for the period	104.579	552.875
Minority Interest	307	265
	1.432.486	1.469.333

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 18 - REVENUE AND COST OF SALES

	1 January - 31 May 2008
Domestic sales	1.880.620
Foreign sales	82.926
	<hr/> 1.963.546
Other sales	1.879
	<hr/> 1.965.425
Less: Discounts and returns	(28.340)
	<hr/> Sales revenue - net
	1.937.085
Cost of sales	(1.425.259)
	<hr/> Gross profit
	511.826

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

	1 January - 31 May 2008
Retail sales revenue	1.908.157
Rent income	31.777
Wholesale revenue	23.612
	<hr/> 1.963.546

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 19 - OPERATING EXPENSES

	1 January - 31 May 2008		Total
	General Administrative Expenses	Selling and Marketing Expenses	
Staff costs	29.937	115.945	145.882
Rent	24	65.752	65.776
Depreciation and amortisation	39.921	-	39.921
Transportation, portorage and cleaning	-	39.820	39.820
Energy	431	25.077	25.508
Advertising	-	16.654	16.654
Repair, maintenance and security	458	15.772	16.230
Warehouse expenses	-	6.684	6.684
Taxes and other fees	2.190	4.359	6.549
Communication	486	4.094	4.580
Mechanisation	596	2.714	3.310
Travelling	2.494	731	3.225
Insurance premiums	79	2.108	2.187
Employment termination benefits, net	307	1.264	1.571
Parent company service charges	834	-	834
Advisory	834	-	834
Stationary	122	702	824
Donations	286	-	286
Other	4.799	7.640	12.439
	83.798	309.316	393.114

NOTE 20 - OTHER OPERATING INCOME AND EXPENSE

	1 January - 31 May 2008
Other operating income:	
Gain on sales of subsidiaries	21.245
Early payment discount	2.416
Gain on sales of scrap goods	971
Provision reversals	130
Other	2.450
	27.212
Other operating expenses:	
Litigation provisions expense	(6.873)
Losses from sales of tangible assets	(3.690)
Bad debt expense	(671)
Credit card commission expense	(69)
Other	(408)
	(11.711)

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 21 - FINANCIAL INCOME

	1 January - 31 May 2008
Interest income on marketable securities	37.762
Due date charges on term sales	23.473
Foreign exchange gains	11.724
Interest income	4.262
	77.221

NOTE 22 - FINANCIAL EXPENSES

	1 January - 31 May 2008
Due date difference on term purchases	(76.456)
Foreign exchange losses	(7.669)
Interest expense on bank borrowings	(4.850)
Other	(656)
	(89.631)

NOTE 23 - TAXES ON INCOME

	31 May 2008	31 December 2007
Taxes and funds payable	17.824	45.846
Less: Prepaid current income taxes	(14.321)	(9.483)
Tax provision, net	3.503	36.363

	31 May 2008	31 December 2007
Deferred income tax assets	10.315	7.501
Deferred income tax liabilities	(27.752)	(27.516)
Deferred income tax liabilities, net	(17.437)	(20.015)

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 23 - TAXES ON INCOME (Continued)

Turkey

Corporation tax rate for the year 2008 is 20% (2007: 20%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends are not subject to withholding tax. Dividends paid to other organizations or individuals are subject to withholding tax at the rate of 15% .Transfer of profit to capital is not accepted as a dividend distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (2007: 20%). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

There are numerous exemptions in the Corporation Tax Law concerning the corporations. Those related to the Company are as follows:

Domestic participation exemption:

Dividend income earned from investments in another company’s shares is excepted in the calculation of the corporate tax (dividend income gained related to the participation in investment funds and investment trust shares is excluded).

Preferential right certificate sales and issued premiums exemption:

New share issue premiums, which represent the difference between the nominal and sale values of shares issued by joint-stock companies, are exempt from corporation tax.

Foreign company participation exemption:

The participation income of corporations participating for at least one continuous year of 10% that does not have their legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) up until the date the income is generated and transferred to Turkey and until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike in their country of legal or business centre at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 23 - TAXES ON INCOME (Continued)

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

A 75% portion of corporations’ profits from the sale of participation shares, founding shares, preemptive rights and property, which have been in their assets for at least for two years is exempt from corporate tax provided that these profits are added to share capital and are not withdrawn within five years. Income from the sale is generated until the end of the second calendar year following the year in which sale was realized.

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

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

Implied corporation tax rates in Kazakhstan, Bulgaria, Macedonia, Azerbaijan ve Kyrgyzstan are 30%, 10%, 12%, 22% and 10%, respectively (31 December 2007: 30%, 10%, 12%, 22% and 10%, respectively).

The details of taxation on income for the five month period ended 31 May 2008 are as follows:

	1 January - 31 May 2008
Current period tax expense (-)	(19.422)
Deferred tax income	2.215
Income tax expense	(17.207)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB Communiqué purposes and its statutory tax financial statements. Temporary differences generally arise due to the recording of incomes and expenses in different reporting periods according to Tax Laws and CMB Accounting Standards. Deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income in the coming years under the liability method using a principal tax rate of 20%, 30%,10%,22% and 12% for Turkey, Kazakhstan, Bulgaria, Azerbaijan and Macedonia, respectively.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 23 - TAXES ON INCOME (Continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 May 2008 and 31 December 2007 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 May 2008	31 December 2007	31 May 2008	31 December 2007
Inventories	17.427	7.071	3.490	1.419
Provision for employment termination benefits	15.636	14.065	3.127	2.813
Provision for litigations	13.668	6.795	2.734	1.359
Finance cost deferred for tax purposes	4.329	7.422	866	1.484
Unincurred interest income	471	500	94	100
Property, plant and equipment and intangible assets	(122.127)	(118.836)	(24.451)	(24.091)
Adjustment to fair value of financial assets	-	(18.702)	-	(449)
Provision for unincurred interest expense	(15.397)	(13.571)	(3.079)	(2.714)
Deferred advance payment expense	(1.112)	(1.311)	(222)	(262)
Other	19	1.314	4	326
Deferred tax assets			10.315	7.501
Deferred tax liabilities			(27.752)	(27.516)
Deferred tax liabilities, net			(17.437)	(20.015)

Movement of deferred tax assets and liabilities are as follows:

	Deferred tax liability
	2008
1 January	(20.015)
Charged to income statement	2.215
Cumulative translation difference	(86)
Charged to the shareholders' equity	449
31 May	(17.437)

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 24 - EARNINGS PER SHARE

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

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

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

	1 January - 31 May 2008
Net income attributable to the shareholders	104.579
Weighted average number of shares with YKr 1 face value each	17.803.000.000
Earnings per share (YKr)	0,59

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

NOTE 25 - DUE FROM AND DUE TO RELATED PARTIES

(i) Balances with related parties

<u>Due from related parties:</u>	31 May 2008	31 December 2007
Sanal Merkez T.A.Ş.	3.441	3.669
Palmira Turizm Tic. A.Ş.	-	932
Tam Pazarlama ve İletişim Hizmetleri A.Ş.	-	710
Ford Otosan San. A.Ş.	-	2.492
Koç Holding A.Ş.	-	31.899
Other	9	1.591
	3.450	41.293

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 25 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

Due to related parties:

Due to shareholders:	31 May 2008	31 December 2007
Dividend liabilities to other shareholders	91	42
	91	42
Due to group companies:		
Unmaş Unlu Mamüller San.ve Tic.A.Ş.	4.310	-
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	-	15.141
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	20.924
Tat Konserve Sanayi A.Ş.	-	8.825
Palmira Turizm Tic. A.Ş.	-	1.305
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	4.918
Other	-	3.508
	4.310	54.621
Total due to related parties	4.401	54.663

(ii) Transactions with related parties:

<u>Sales of goods:</u>	1 January - 31 May 2008
Tat Konserve Sanayi A.Ş.	7.604
Sanal Merkez T.A.Ş.	7.216
Palmira Turizm Tic. A.Ş.	4.547
Other	2.413
	21.780
Purchases of property, plant and equipment:	
	1 January - 31 May 2008
Ark İnşaat San. ve Tic. A.Ş.	3.410
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	1.107
Other	610
	5.127

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 25 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

Inventory purchases:

**1 January -
31 May 2008**

Tat Konserve Sanayi A.Ş.	46.177
Düzyer Tüketim Mal. San. Paz.ve Tic. A.Ş.	34.001
Palmira Turizm Tic. A.Ş.	4.597
Other	3.537
	88.312

Services rendered:

**1 January -
31 May 2008**

Zer Merkezi Hizmetleri ve Ticaret A.Ş.	83.236
Koçnet Haberleşme Tekn. Ve İlet. Hizm. A.Ş.	3.582
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.303
Tanı Pazarlama ve İletişim Hizmetleri	910
Koç Holding A.Ş.	845
Other	3.901
	93.777

Interest income:

**1 January -
31 May 2008**

Yapı ve Kredi Bankası A.Ş.	7.930
Yapı Kredi Azerbaycan	21
	7.951

Interest expense:

**1 January -
31 May 2008**

Yapı Kredi Azerbaycan	10
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Dividends paid:

**1 January -
31 May 2008**

Koç Holding A.Ş.	53.626
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Dividends calculated on 2007 net income are paid in May 2008.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 25 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

Other transactions with related parties are as follows:

	1 January - 31 May 2008
Rent income	564
Rent expense	2.007
Management fee received	175

	1 January - 31 May 2008
Salaries and other benefits provided to the Board of Directors and key management personnel of Migros	1.883

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

Interest rate risk

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

Liquidity and Funding risk

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

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. As of 31 May 2008, the Group’s financial debt with a maturity longer than 1 year is YTL 66.029 (31 December 2007: 142.663) (Note 6).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

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

Foreign currency risk

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

At 31 May 2008, if US dollar had appreciated against YTL by 10% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in US dollar would have been higher in the amount of YTL1.634.

At 31 May 2008, if Euro had appreciated against YTL by 10% and all other variables had remained constant, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been higher in the amount of YTL 497.

	31 May 2008	31 December 2007
Assets	186.219	321.421
Liabilities	(163.413)	(288.743)
Net balance sheet position	22.806	32.678

YTL equivalent of foreign currency denominated amounts

	31 May 2008				Total YTL
	US dollar	EURO	Kazakhstan Tenge	Other Currencies	
Cash and cash equivalents	426	7.310	9.442	7.792	24.970
Trade receivables	208	-	1.581	1.591	3.380
Other receivables and current assets	156.739	-	815	308	157.862
Other non-current assets	-	-	7	-	7
Total assets in foreign currency	157.373	7.310	11.845	9.691	186.219

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 May 2008				Total YTL
	US dollar	EURO	Kazakhstan Tenge	Other Currencies	
Short-term borrowings	73.432	249	-	-	73.681
Long-term borrowings	64.174	1.855	-	-	66.029
Trade payables	109	233	12.901	4.320	17.563
Other liabilities	3.320	3	1.321	1.496	6.140
Total liabilities in foreign currency	141.035	2.340	14.222	5.816	163.413

	31 December 2007				Total YTL
	US dollar	EURO	Kazakhstan Tenge	Other Currencies	
Cash and cash equivalents	79.991	6.151	12.806	4.610	103.558
Trade receivables	426	-	2.193	1.318	3.937
Marketable securities	53.770	853	-	-	54.623
Other receivables and current assets	153.558	-	529	194	154.281
Other assets	-	-	5.022	-	5.022
Total assets in foreign currency	287.745	7.004	20.550	6.122	321.421

	31 December 2007				Total YTL
	US dollar	EURO	Kazakhstan Tenge	Other Currencies	
Short-term borrowings	84.534	33.294	-	-	117.828
Long-term borrowings	76.584	66.079	-	-	142.663
Trade payables	3.582	-	12.889	5.404	21.875
Other liabilities	3.551	3	1.530	1.293	6.377
Total liabilities in foreign currency	168.251	99.376	14.419	6.697	288.743

31 May 2008

Total imports 7.669

Total hedging ratio of foreign currency position:

	31 May 2008	31 December 2007
US dollar	112%	171%
Euro	312%	7%
Kazakhstan Tenge	83%	143%
Other currencies	167%	91%

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

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

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

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

The ratio of net debt/ (equity capital+net debt) at 31 May 2008 and 31 December 2007 is as follows:

	31 May 2008	31 December 2007
Total liabilities	1.217.763	1.360.392
Cash and cash equivalents	(385.393)	(396.952)
Marketable securities	(456.210)	(628.767)
Deferred tax liability	(17.437)	(20.015)
Net debt	358.723	314.658
Shareholders’ equity	1.432.486	1.469.333
Shareholders’ equity +net debt	1.791.209	1.783.991
Net debt/ (Shareholders’ equity +net debt) ratio	20%	18%

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIVE-MONTH PERIOD ENDED 31 MAY 2008

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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