MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2003
TOGETHER WITH AUDITOR'S REVIEW REPORT

Başaran Nas Serbest Muhasebeci
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AUDITOR'S REVIEW REPORT

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have reviewed the accompanying consolidated interim balance sheet of Migros Türk Ticaret A.Ş. ("the Company") at 30 June 2003 and the related consolidated interim statement of income and cash flows for the six month period then ended all expressed in the equivalent purchasing power of the Turkish lira as of 30 June 2003. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

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

3. As indicated in Note 2.d, the consolidated interim statement of income, of cash flows and of changes in shareholders' equity for the six month period ended 30 June 2003 have not been presented on a comparative basis with the comparable consolidated interim periods of the preceding financial period as required by International Accounting Standard 1, Presentation of Financial Statements.

4. Based on our review, except for the matter noted in the third paragraph above, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

5. United States Dollar ("USD") and EURO amounts presented in the consolidated interim financial statements have been included solely for the convenience of the reader and are translated from Turkish lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate ("Official Exchange Rate") for purchases of USD and EURO announced by the Central Bank of the Republic of Turkey on 30 June 2003 of TL1,421,717 =1USD and TL1,623,601=1EURO respectively and therefore do not form part of these consolidated interim financial statements prepared in accordance with International Financial Reporting Standards. Such translations should not be construed as a representation that the TL amounts have been or could be converted into USD and EURO at this or any other rate.

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

Adnan Akan, SMMM

Istanbul, 4 September 2003

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEET
AT 30 JUNE 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	* 30 June 2003 USD	* 30 June 2003 EURO	30 June 2003	31 December 2002
ASSETS					
Current assets					
Cash and cash equivalents	5	69,633	60,975	98,999	105,973
Available-for-sale investments	6	60,766	53,210	86,393	104,130
Trade receivables	7	28,173	24,670	40,054	31,439
Due from related parties	8	452	395	642	963
Inventories	9	75,685	66,274	107,603	97,942
Other current assets	10	21,203	18,566	30,144	37,743
Total current assets		**255,912**	**224,090**	**363,835**	**378,190**
Non-current assets					
Available-for-sale investments	11a	1,032	904	1,467	1,467
Investments in associates	11b	4,951	4,335	7,039	3,703
Investment property	15	29,220	25,586	41,542	51,392
Property, plant and equipment	12	396,487	347,187	563,693	586,984
Intangible assets	13	1,201	1,052	1,708	2,002
Goodwill	14	(1,674)	(1,466)	(2,380)	(2,258)
Other non-current assets	16	9,652	8,452	13,723	15,785
Total non-current assets		**440,869**	**386,050**	**626,792**	**659,075**
Total assets		**696,781**	**610,140**	**990,627**	**1,037,265**

* US dollar and Euro amounts presented above are translated from Turkish Lira (“TL”) for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at 30 June 2003 and therefore do not form a part of these consolidated interim financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) (see Note 2b).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEET
AT 30 JUNE 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	* 30 June 2003 USD	* 30 June 2003 EURO	30 June 2003	31 December 2002
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank borrowings	17	14,256	12,483	20,268	44,822
Lease obligations	25	2,322	2,033	3,301	7,355
Trade payables	18	201,012	176,018	285,782	274,159
Due to related parties	8	11,448	10,024	16,276	18,649
Taxes on income	19	1,823	1,596	2,592	3,103
Other current liabilities	20	17,436	15,268	24,789	26,211
Total current liabilities		**248,297**	**217,422**	**353,008**	**374,299**
Non-current liabilities					
Bank borrowings	17	68,296	59,804	97,098	99,748
Lease obligations	25	1,142	1,000	1,623	3,077
Provision for employment termination benefits	21	3,356	2,939	4,771	3,819
Deferred tax liabilities	19	39,077	34,218	55,557	65,968
Other non-current liabilities		2,113	1,849	3,005	5,886
Total non-current liabilities		**113,984**	**99,810**	**162,054**	**178,498**
Total liabilities		**362,281**	**317,232**	**515,062**	**552,797**
Minority interest	4, 22	**3,489**	**3,056**	**4,961**	**5,393**
Shareholders' equity					
Share capital	23	38,742	33,925	55,080	55,080
Adjustment to share capital	23	(2,150)	(1,883)	(3,057)	(3,057)
Total paid-in capital		36,592	32,042	52,023	52,023
Capital surplus	24	92,398	80,909	131,364	131,364
Translation reserve	2c	(15,070)	(13,196)	(21,425)	(1,620)
Retained earnings	26	217,091	190,097	308,642	297,308
Total shareholders' equity		**331,011**	**289,852**	**470,604**	**479,075**
Total liabilities and shareholders' equity		**696,781**	**610,140**	**990,627**	**1,037,265**

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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 SIX MONTH PERIOD ENDED 30 JUNE 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	* USD	* EURO	30 June 2003
Net sales	4, 27	588,066	514,944	836,064
Cost of sales		(451,868)	(395,682)	(642,430)
Gross profit		**136,198**	**119,262**	**193,634**
Sales and marketing expenses		(13,217)	(11,574)	(18,791)
General and administrative expenses	28	(106,660)	(93,398)	(151,640)
Other operating expenses - net		(1,022)	(895)	(1,453)
Profit from operations	4	**15,299**	**13,395**	**21,750**
Financial expense - net	29	(8,192)	(7,173)	(11,646)
Share of loss of associates		(768)	(673)	(1,092)
Fair value gain of available-for-sale investments		190	166	270
Gain on net monetary position	2a	4,428	3,877	6,295
Profit before taxation on income		**10,957**	**9,592**	**15,577**
Taxes on income	19	819	718	1,165
Profit from ordinary activities after tax		**11,776**	**10,310**	**16,742**
Net income attributable to minority interest	22	(28)	(25)	(40)
Net income for the period		**11,748**	**10,285**	**16,702**
Weighted average number (000's) of shares with face value of TL1,000 value each	3			55,080,000
Basic and diluted earnings per share in full TL	3			303

* US dollar and Euro amounts presented above are translated from Turkish Lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at 30 June 2003 and therefore do not form a part of these consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2b).

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated.)

					Retained earnings			
	Share capital	Adjustment to share capital	Capital surplus	Translation reserve	General and legal reserves	Unappropriated net income	Total	Shareholders' equity
Balances at 1 January 2003	**55,080**	**(3,057)**	**131,364**	**(1,620)**	**255,932**	**41,376**	**297,308**	**479,075**
Dividend relating to 2002	-	-	-	-	-	(5,368)	(5,368)	(5,368)
Transfers	-	-	-	-	36,008	(36,008)	-	-
Currency translation difference	-	-	-	(19,805)	-	-	-	(19,805)
Net income for the period	-	-	-	-	-	16,702	16,702	16,702
Balances at 30 June 2003	**55,080**	**(3,057)**	**131,364**	**(21,425)**	**291,940**	**16,702**	**308,642**	**470,604**

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2003

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

	Notes	* USD	EURO	30 June 2003
Cash flows from operating activities before changes in operating assets and liabilities	**33**	**47,065**	**41,210**	**66,919**
Changes in operating assets and liabilities-net (excluding the effects of acquisitions and disposals):				
(Increase) in trade receivables		(5,211)	(4,565)	(7,412)
Decrease in due from related parties		225	198	321
(Increase) in inventories		(6,795)	(5,950)	(9,661)
Decrease in other current assets		5,345	4,680	7,599
Increase in trade payables		2,630	2,304	3,740
(Decrease) in due to related parties		(1,669)	(1,462)	(2,373)
(Decrease) in other current liabilities		(1,000)	(876)	(1,422)
(Decrease) in other non-current liabilities		(2,024)	(1,773)	(2,879)
Income taxes paid		(4,993)	(4,372)	(7,099)
Decrease in other non current assets		1,445	1,272	2,062
Net cash from operating activities		**35,018**	**30,666**	**49,795**
Investing activities				
Purchase of property, plant and equipment	12	(26,216)	(22,956)	(37,271)
Proceeds from sale of property, plant and equipment		70	61	99
(Increase) in investments in associates		(3,114)	(2,727)	(4,428)
Decrease in available-for-sale investments		6,609	5,787	9,396
Purchase of intangible assets	13	(142)	(124)	(202)
Interest received		21,953	19,224	31,211
Net cash used in investing activities		**(840)**	**(735)**	**(1,195)**
Financing activities				
Proceeds from borrowings		22,759	19,931	32,357
Repayment of borrowings		(27,126)	(23,751)	(38,565)
Decrease in lease obligations		(3,875)	(3,390)	(5,508)
Dividends paid		(3,776)	(3,305)	(5,368)
Interest paid		(25,264)	(22,130)	(35,923)
Net cash used in financing activities		**(37,282)**	**(32,645)**	**(53,007)**
Effects of exchange rate changes		(1,802)	(1,581)	(2,567)
Net decrease in cash and cash equivalents		(4,906)	(4,295)	(6,974)
Cash and cash equivalents at the beginning of the period	**5**	**74,539**	**65,270**	**105,973**
Cash and cash equivalents at the end of the period	**5**	**69,633**	**60,975**	**98,999**

* US dollar and Euro amounts presented above are translated from Turkish Lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at 30 June 2003 and therefore do not form a part of these consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2b).

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is mainly engaged in the retail sales of food and beverage, consumer and durable goods through its Migros and Şok stores, shopping centers, Ramstores abroad and on-line shopping. The Company also rents floor space of the shopping malls to other trading companies. The average number of people employed in Migros during first half of 2003 is 5,977 (2002: 5,812). Migros and its subsidiaries are operating in 469 (2002: 452) supermarkets with net retail space of 376,179 (2002: 355,731) square metres. Retailing is the sole business segment of Migros and its subsidiaries. Reportable segments comprise the geographical segments (Note 4).

The address of the registered office is as follows:

Migros Türk T.A.Ş.
Caferağa Mah. Damga Sok.
No:23-25 Kadıköy 81300
İstanbul

Subsidiary undertakings

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

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

(*) Not included in the scope of consolidation on the grounds of materiality (see Note 3.b).

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

- Ramstore Qapali Tipli Sehmdar Cemiyeti
  Xatai Reyonu Babek Prospekt Mehelle 1129
  Baku, Azerbaijan

- Ramstore Bulgaria A.D.
  BG – 2030, Kostenetz, 24 Jantra St.
  Sofia, Bulgaria

- TOO Rambutya
  Samal-1, Furmanova Street
  Almaty, Kazakhstan

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Interests in joint ventures

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Turkish lira financial statements

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

These consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the fiscal revaluation of property, plant and equipment as discussed in Note 12), with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

The restatement for the changes in the general purchasing power of the Turkish lira as of 30 June 2003 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the financial statements at 30 June are given below:

Dates	Index	Conversion factors
30 June 2003	**7,222.2**	**1.000**
31 December 2002	6,478.8	1.115
31 December 2001	4,951.7	1.459

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous periods are restated in the same terms.

- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant monthly conversion factors.

- Comparative financial statements are restated by applying general inflation indices to the currency purchasing power at the latest balance sheet date.

- All items in the statement of income are restated by applying the relevant (monthly) conversion factors.

- The effect of inflation on the net monetary liability position of the Company is included in the statement of income as gain on net monetary position.

b) USD and Euro convenience translation

United States Dollar ("USD") and Euro amounts presented in the consolidated interim financial statements have been included solely for the convenience of the reader and are translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate ("Official Exchange Rate") for purchases of USD and Euro announced by the Central Bank of the Republic of Turkey on 30 June 2003 of TL1,421,717=1USD and TL1,623,601=1Euro. Therefore they do not form part of these consolidated interim financial statements prepared in accordance with IFRS. Such translations should not be construed as a representation that TL amounts have been or could be converted into either USD or Euro at this or any other rate.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

c) Translation of foreign undertakings' financial statements

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

d) Preparation of consolidated interim financial statements for the first time

The Company prepared its consolidated interim financial statements for the first time and accordingly the consolidated interim statement of income, of cash flows and of changes in shareholders' equity for the six month period ended 30 June 2003 have not been presented on a comparative basis with the comparable consolidated interim periods of the preceding financial period.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Group accounting

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

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

The table below sets out all Subsidiaries and shows their shareholding structure at 30 June 2003 and 31 December 2002:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	30 June 2003	31 December 2002
Ramstore (1)	79.75	79.75
Ramstore Bulgaria (1)	99.99	99.99
Rambutya (1)	51.00	51.00
Şok Marketler (2)	99.60	99.60
Sanal Merkez (2)	69.99	69.99

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The table below sets out the Joint-venture and shows its shareholding structure at 30 June 2003 and 31 December 2002:

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Joint-venture	30 June 2003	31 December 2002
Ramenka	50.00	50.00

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The table below sets out all Associates and the proportion of ownership interest at 30 June 2003 and 31 December 2002:

	Proportion of ownership interest (%)	
Associate	30 June 2003	31 December 2002
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32.00	32.00
Temel Gıda GmbH ("Temel Gıda")*	20.00	20.00
Koç Ece Proje Yönetimi ve Tic. A.Ş. ("Koç Ece")*	-	25.00

* Investments in these associates are not accounted for by the equity method of accounting on the grounds of materiality as their net result for the year and total shareholders' equity at the balance sheet date are immaterial to the overall consolidated financial statements, instead they are stated at cost less impairment, if any.

e) Investments, in which Migros has controlling interests below 20%, or over which the Company does not exercise a significant influence, are carried at cost and restated to the equivalent purchasing power at 30 June 2003 less any impairment when their fair value cannot be reliably measured (Note 6).

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

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

Related parties

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

Investment securities

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

For investments, which are traded in an active market, fair value is determined by reference to quoted closing bid prices at balance sheet date.

Investments for which there is no quoted market price and a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable, are stated at cost less any impairment in value.

Trade receivables

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

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

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

Loans originated by the Company

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories including mainly merchandise stocks are valued at the lower of cost restated to equivalent purchasing power at 30 June 2003 or net realisable value. Cost is determined by the weighted average method (Note 9). Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Investment property

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

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 30 June 2003. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

Intangible assets

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

Borrowings

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

Leases

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

Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to income over the period of the lease (Note 25).

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepayments for land leases

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

Deferred taxes

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

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, the portion of allowance for unearned credit finance income and expense that is currently non-tax deductible /taxable, provision for employment termination benefits and carry forward tax losses.

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

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

Provision for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 21).

Foreign currency transactions and translation

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

Revenue recognition

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

Share capital and dividends

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

Financial instruments and financial risk management

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

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

Interest rate risk

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

Funding risk

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

Credit risk

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

Foreign currency risk

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

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

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

Monetary assets

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

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

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

Monetary liabilities

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

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

Trading liabilities have been estimated at their fair values.

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus (Note 26). For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	30 June 2003
Net income attributable to shareholders	16,702
Weighted average number of ordinary shares in issue	55,080,000,000
Earnings per share (expressed in full TL per share)	303

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

NOTE 4 - SEGMENT INFORMATION

In these consolidated interim financial statements at 30 June 2003 the reportable segments comprise the geographical segments, whilst retailing is the sole reportable business segment.

a) <u>External revenues</u>	30 June 2003
Turkey	672,035
Russian Federation	130,262
Kazakhstan	24,388
Bulgaria	5,719
Azerbaijan	3,660
	836,064

b) <u>Operating profit/(loss)</u>	
Russian Federation	11,339
Turkey	8,845
Kazakhstan	2,863
Azerbaijan	(340)
Bulgaria	(957)
	21,750

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

c) Segmental analysis for the six month period ended 30 June 2003

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	672,035	3,660	5,719	130,262	24,388	836,064	-	836,064
Inter segment revenues	3,544	-	-	-	-	3,544	(3,544)	-
Revenues	675,579	3,660	5,719	130,262	24,388	839,608	(3,544)	836,064
Cost of sales	(525,260)	(2,810)	(4,588)	(96,004)	(17,044)	(645,706)	3,276	(642,430)
Gross profit	150,319	850	1,131	34,258	7,344	193,902	(268)	193,634
Administrative expenses	(127,696)	(1,181)	(2,088)	(17,249)	(3,694)	(151,908)	268	(151,640)
Sales and marketing expenses	(11,880)	(25)	-	(5,670)	(1,216)	(18,791)	-	(18,791)
Other expenses-net	(1,898)	16	-	-	429	(1,453)	-	(1,453)
Operating profit	**8,845**	**(340)**	**(957)**	**11,339**	**2,863**	**21,750**	**-**	**21,750**

d) Segment assets employed

	30 June 2003	**31 December 2002**
Total assets		
Turkey	843,469	842,903
Russian Federation	203,683	235,153
Kazakhstan	32,682	41,406
Bulgaria	16,291	21,289
Azerbaijan	7,299	6,695
Total combined	1,103,424	1,147,446
Less: Inter segment elimination	(112,797)	(110,181)
Total assets as per the consolidated interim financial statements	**990,627**	**1,037,265**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

	30 June 2003	31 December 2002
Net assets		
Turkey	480,317	476,818
Russian Federation	80,707	87,755
Bulgaria	8,972	10,978
Kazakhstan	8,462	13,200
Azerbaijan	4,003	6,214
Total combined	582,461	594,965
Less: Inter segment elimination	(106,896)	(110,497)
Total net assets	**475,565**	**484,468**
Less: minority interest	**(4,961)**	**(5,393)**
Total shareholder's equity as per the consolidated interim financial statements	**470,604**	**479,075**

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

	30 June 2003
Capital expenditures	
Turkey	28,211
Russian Federation	7,267
Azerbaijan	1,912
Bulgaria	1
Kazakhstan	82
	37,473
Depreciation and amortisation	
Turkey	23,237
Russian Federation	3,710
Bulgaria	921
Kazakhstan	569
Azerbaijan	134
	28,571

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT INFORMATION (Continued)

f) Minority interest	30 June 2003	31 December 2002
Kazakhstan	4,146	4,341
Azerbaijan	811	1,046
Bulgaria	4	6
	4,961	**5,393**

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2003	31 December 2002
Cash in hand	4,280	5,634
Banks		
- demand deposits	5,777	17,951
- time deposits	22,758	16,146
Cheques in collection	119	269
Other liquid assets	66,065	65,973
	98,999	**105,973**

Weighted average effective interest rates on TL denominated time deposits and on USD denominated bank accounts vary between 38-40% p.a. (2002: 42-54% p.a.), and 4-4.5% p.a. (2002: 3-11.75% p.a.), respectively. Time deposits have an average maturity of three months (2002: two months). Other cash equivalents mainly include receivables on credit card slips with an average maturity of 13 days.

NOTE 6 - CURRENT AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2003	31 December 2002
Debt securities	78,776	98,565
Equity securities	7,617	5,565
	86,393	**104,130**

The details of debt securities at 30 June 2003 and 31 December 2002 are as follows:

	30 June 2003		31 December 2002	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Treasury bills and government bonds	49%-63.4%	37,128	37.5%-57.85%	44,072
Eurobond (USD)	10.2%-14.44%	32,952	9.875%-12.4%	41,191
Foreign currency bonds (USD)	8.05%-8.69%	8,696	4%-8.79%	13,302
		78,776		**98,565**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Analysis of debt securities by maturity at 30 June 2003 and 31 December 2002 is as follows:

	30 June 2003	31 December 2002
Period remaining to maturity		
1-30 days	17,690	11,350
30-90 days	1,588	23,667
90-180 days	1,193	10,178
180 days-one year	16,921	12,177
Over one year	41,384	41,193
	78,776	**98,565**

Details of equity securities at 30 June 2003 and 31 December 2002 are as follows:

	30 June 2003		31 December 2002	
	Shareholding	Amount	Shareholding	Amount
Listed				
Maret Marmara Bes. Et. San. Tic. A.Ş. (“Maret”)	5%	956	5%	927
Not listed				
Koç Finansal Hizmetler A.Ş. (“KFS”)	0.37%	4,880	0.37%	4,638
Koçtaş Yapı Marketleri Tic.A.Ş.	9.24%	1,657	-	-
Koç Ece	2.00%	124	-	-
		7,617		**5,565**

NOTE 7 - TRADE RECEIVABLES

	30 June 2003	31 December 2002
Customers	43,042	33,953
Less: provision for impairment	(2,988)	(2,514)
	40,054	**31,439**

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances:	**30 June 2003**	**31 December 2002**
Koçbank		
- demand deposits	-	5,367
- time deposits	20,950	12,594
- other cash equivalents (credit card slip accounts)	36,696	38,484
Koçbank Azerbaijan		
- demand deposits	93	129
- time deposits	142	659
	57,881	**57,233**

Due from related parties:	**30 June 2003**	**31 December 2002**
Tanı Pazarlama ve İletişim A.Ş.	153	283
Setur Divan Otel	130	50
Koç Tüketici Finansmanı ve Kart Hizm. A.Ş.	77	22
Ram Dış Ticaret A.Ş.	46	198
Sanal Merkez T.A.Ş.	30	78
Garanti Balfour Beatty Cons. Ind., Bulgaria	14	14
Arçelik A.Ş.	9	43
İzocam Tic. ve San. A.Ş.	5	57
Other	178	218
Total	**642**	**963**

Due to related parties:	**30 June 2003**	**31 December 2002**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	7,698	4,837
Maret Marmara Besicilik ve Et San.ve Tic. A.Ş	2,886	4,310
Ark İnşaat San.ve Tic. A.Ş.	831	-
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	736	-
TNT Lojistik ve Dağıtım Hizm. A.Ş.	673	664
Sek Süt Endüstrisi Kurumu San.ve Tic	664	4,057
Ram Dış Ticaret A.Ş.	365	725
Ram Sigorta Aracılık Hizmetleri A.Ş.	15	1,877
Other	2,408	2,179
Total	**16,276**	**18,649**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Sales of goods:	**30 June 2003**
Sanal Merkez Tic. A.Ş.	3,963
Setur Divan Otel	358
Aygaz A.Ş.	147
Setur Divan Kuruçeşme	141
Arçelik A.Ş.	106
Türk Traktör ve Ziraat Makinaları A.Ş.	99
Marmaris Altınyunus Turistik Tesisleri A.Ş.	76
Garanti Balfour Beatty İnş. San. Ve Tic. A.Ş.	60
İzocam Tic. ve San. A.Ş.	50
Other	416
Total	**5,416**

Fixed asset purchases:	**30 June 2003**
Ark İnşaat San ve Tic. A.Ş.	3,919
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş	360
Birleşik Motor Sanayi ve Tic. A.Ş.	208
Otokoç Otomotiv Tic. Ve San. A.Ş.	191
Other	14
	4,692

Inventory purchases:	**30 June 2003**
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş.	16,352
Maret Marmara Besicilik ve Et San. Ve Tic.A.Ş.	12,855
Sek Süt Endüstrisi Kurumu San.ve Tic. A.Ş.	5,983
Ram Kofisa Pacific Ltd.	1,782
Koç Ata Besi ve Tarım Ürünleri A.Ş.	574
Pastavilla Kartal Makarnacılık San. Ve Tic.A.Ş.	440
Sanal Merkez Tic. A.Ş.	455
Setur Divan Sütlüce	570
Other	292
Total	**39,303**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Service purchases:	**30 June 2003**
TNT Lojistik Dağıtım Hizmetleri A.Ş.	4,675
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	2,518
Koç Ece	2,279
Koç Holding A.Ş.	1,025
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	854
Bursa Gaz ve Tic A.Ş.	303
Ram Sigorta Aracilik Hizmetleri A.Ş	297
Other	765
Total	**12,716**

Borrowings:	**30 June 2003**	**31 December 2002**
Koçbank A.Ş.		
Short-term debt	-	5,503
Koçbank Nederland N.V.		
Short-term debt	-	2,013
	-	**7,516**

Rent Income:	**30 June 2003**
Koçbank A.Ş.	150
Setur Servis Turistik A.Ş.	63
Arçelik A.Ş.	45
Other	38
	296

Rent Expense:	**30 June 2003**
Temel Ticaret ve Yatırım A.Ş	524
Vehbi Koç Vakfı	463
Koç Allianz Sigorta A.Ş.	221
Koç Holding Emekli Yardım Sandığı Vakfı	221
Other	53
	1,482

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

Interest income:	**30 June 2003**
Koçbank A.Ş.	1,722
Koçbank Azerbaijan	2
	1,724

Interest expense:	**30 June 2003**
Koç Finansal Kiralama A.Ş.	229
Koçbank A.Ş.	136
	365

Dividend paid:	**30 June 2003**
Temel Ticaret ve Yatırım A.Ş.	2,729
Koç Holding A.Ş.	13
	2,742

Management fee received:	**30 June 2003**
Tanı Pazarlama ve İletişim Hiz. A.Ş.	146

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 9 - INVENTORIES

	30 June 2003	31 December 2002
Merchandise stock	106,542	97,229
Other	1,960	1,742
	108,502	**98,971**
Less: Provision for obsolescence	(899)	(1,029)
	107,603	**97,942**

Inventories of TL1,586 billion are carried at net realisable value (2002: TL1,572 billion).

NOTE 10 - OTHER CURRENT ASSETS

	30 June 2003	31 December 2002
Prepaid expenses	14,748	13,490
Value Added Tax (“VAT”) receivable	14,021	19,432
Prepayments for land leases (Note 16)	376	453
Due from employees	194	165
Advances given	40	2,945
Taxes and funds deductible	17	181
Rent receivable	-	241
Prepayments and accrued income	-	201
Other	748	635
	30,144	**37,743**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

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

	30 June 2003		31 December 2002	
	TL billion	Shareholding %	TL billion	Shareholding %
a) Non-current available-for-sale investments				
Sanal Merkez (*)	1,020	69.99	1,020	69.99
Şok Marketler (*)	447	99.60	447	99.60
	1,467		**1,467**	

(*) Şok Marketler and Sanal Merkez are subsidiaries excluded from scope of consolidation on the grounds of materiality due to the insignificance of their impact on the consolidated net worth, financial position and results of the Company. They have been accounted for as if they were available-for-sale investments and are stated at cost as they do not have quoted market prices in active markets and their fair values cannot be reliably measured.

	30 June 2003		31 December 2002	
	TL billion	Shareholding %	TL billion	Shareholding %
b) Investments in associates				
Tanı Pazarlama	7,038	32	2,140	32
Temel Gıda *	1	20	1	20
Koç Ece *	-	-	1,562	25
	7,039		**3,703**	

* Investments in which Migros has attributable interests of 20% or more, which are immaterial to the overall consolidated financial statements, are carried at cost and restated to equivalent purchasing power at 30 June 2003. These companies have not been either accounted for using the equity method or carried at their fair value at the balance sheet date due to the insignificance of their combined impact on the consolidated net worth, financial position and results of the Company and lack of a reliably measured fair value at the balance sheet date.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT-NET

	1 January 2003	**Additions**	**Disposals**	**Impairment loss**	**Transfers**	**Effect of changes in foreign exchange rates**	**30 June 2003**
Cost							
Land and buildings	294,754	235	-	-	1836	(27,974)	268,851
Leasehold improvements	250,135	1,312	-	(3,137)	817	(1)	249,126
Machinery and equipment	284,272	7,188	(85)	-	7,736	(4,819)	294,292
Furniture and fixtures	64,674	2,206	(71)	-	1,959	(865)	67,903
Motor vehicles	4,013	170	(223)	-	-	(243)	3,717
Construction in progress	6,001	17,141	-	-	(12,348)	(1,009)	9,785
Advances given	8,995	9,019	-	-	-	-	18,014
	912,844	**37,271**	**(379)**	**(3,137)**	**-**	**(34,911)**	**911,688**
Accumulated depreciation							
Buildings	(24,830)	(3,463)	-	-	-	1,529	(26,764)
Leasehold improvements	(93,994)	(8,790)	-	1,671	-	1	(101,112)
Machinery and equipment	(166,635)	(12,261)	68	-	-	1,626	(177,202)
Furniture and fixtures	(38,712)	(2,914)	66	-	-	379	(41,181)
Motor vehicles	(1,689)	(344)	211	-	-	86	(1,736)
	(325,860)	**(27,772)**	**345**	**1,671**	**- -**	**3,621**	**(347,995)**
Net book value	**586,984**	**9,499**	**(34)**	**(1,466)**	**-**	**(31,290)**	**563,693**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT-NET (Continued)

Since 1984, using an option granted under Turkish tax legislation, the Company has revalued in its statutory books of account its property, plant and equipment that has been in use for more than one year (excluding land, which can not be revalued), and the related accumulated depreciation at each year-end, by using the rates and procedures prescribed by the legislation. The resulting increases in the net book values of the assets are included under shareholders' equity as revaluation surplus in the statutory records. The Company may use the revaluation surplus for issuance of free capital shares to existing shareholders. However, if the revaluation increment is included in an account other than the revaluation surplus account, the amount is subject to corporation tax.

Historical amounts of revaluation surplus included in equity of the Company are as follows:

	Historical amount of revaluation surplus TL billion
30 June 2003	117,680
31 December 2002	86,830

In the statutory books of account, depreciation is provided on revalued amounts, except for the net revaluation increment applicable to buildings, and such depreciation is deductible in the computation of income subject to corporation tax.

All entries related to such revaluation which were recorded in the statutory books of account of the Company have been eliminated in the consolidated interim financial statements as part of the restatement process referred to in Note 2.

Leased assets included in property, plant and equipment where the Company is under a finance lease, comprise following machinery and equipment:

	30 June 2003	**31 December 2002**
Net book value	**25,783**	**28,428**

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2003	**Additions**	**Disposals**	**Effect of changes in foreign exchange rates**	**Closing 30 June 2003**
Rights	5,121	202	-	(216)	5,107
Other intangible assets	3,008	-	-	-	3,008
Accumulated amortisation	(6,127)	(352)	-	72	(6,407)
Net book value	**2,002**				**1,708**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 14 - GOODWILL

	Opening 1 January 2003	Additions	Disposals	Closing 30 June 2003
Goodwill	4,735	-	-	4,735
Negative goodwill	(6,252)	-	-	(6,252)
Accumulated amortisation	(741)	(122)	-	(863)
Net book value	**(2,258)**			**(2,380)**

In 2001 Migros purchased 9.21% of the issued share capital of Rambutya for a cash consideration of TL6,848 billions and 10% of the issued share capital of Ramenka for a cash consideration of TL15,750 billions and 7% of the issued share capital of Ramstore for a cash consideration of TL7,447 billions from Ram Dış Tic. A.Ş..

Details of total net assets acquired and related negative goodwill are as follows:

Total cash consideration (net of cash acquired)	30,045
Less: net assets acquired at fair value	(36,297)
Negative Goodwill	**(6,252)**

NOTE 15 - INVESTMENT PROPERTY

	Opening 1 January 2003	Additions	Effect of changes in foreign exchange rates	Closing 30 June 2003
Cost				
Land and buildings	53,679	-	(9,820)	43,859
Total	**53,679**			**43,859**
Accumulated depreciation				
Land and buildings	(2,287)	(447)	417	(2,317)
Net book value	**51,392**			**41,542**

Investment property owned by the Company is leased stores area under rent agreements. Fair value of investment property was estimated using the discounted cash flow projections at the period end as comparable sale of property transactions are infrequent. The Company has estimated that fair value of its investment property at 30 June 2003 amounted to TL77,293 billion (2002: TL100,356 billion).

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 16 - OTHER NON- CURRENT ASSETS

	30 June 2003	31 December 2002
Prepayments for land leases	11,405	14,196
Prepaid expenses	2,213	1,117
Other	105	472
	13,723	**15,785**

Prepayments for land leases:	**2003**	**2002**
Balance at 1 January	14,196	6,901
Current portion at 1 January	453	260
Total at 1 January 2003	**14,649**	**7,161**
Additions during the period	-	8,172
Less: current period lease expense	(188)	(301)
Exchange differences	(2,680)	(383)
Total at period end	**11,781**	**14,649**
Less: current portion (Note 10)	(376)	(453)
Balance at period end	**11,405**	**14,196**

NOTE 17 - BANK BORROWINGS

	30 June 2003		
	Interest rate p.a.	**U.S. Dollars**	**TL billion**
Short-term bank borrowings	Libor+1.9% to Libor +3%	2,120	3,014
Current portion of long-term bank borrowings:			
With fixed interest rates	6.50%-9.85%	6,514	9,261
With floating interest rates	Libor+2.35% to Libor+7.00%	5,622	7,993
Short-term bank borrowings		**14,256**	**20,268**
Long term bank borrowings			
With fixed interest rates	6.50%-9.85%	23,304	33,132
With floating interest rates	Libor+2.35% to Libor+7.00%	44,992	63,966
Long term bank borrowings		**68,296**	**97,098**
Total bank borrowings		**82,552**	**117,366**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 17 - BANK BORROWINGS (Continued)

	31 December 2002		
	Interest rate p.a.	**U.S. Dollars**	**TL billion**
Short-term bank borrowings	7.50%-12.25%, Libor+1.8% to Libor +3%	10,876	19,817
Current portion of long-term bank borrowings:			
With fixed interest rates	6.50%-10.85%	6,412	11,723
With floating interest rates	Libor+2.35 to Libor+8.00	7,285	13,282
Short-term bank borrowings		**24,573**	**44,822**
Long term bank borrowings			
With fixed interest rates	6.50%-10.85%	26,345	48,154
With floating interest rates	Libor+2.35% to Libor+8.00%	28,315	51,594
Long-term bank borrowings		**54,660**	**99,748**
Total bank borrowings		**79,233**	**144,570**

The redemption schedule of long term bank borrowings for the period ended June 30 is as follows:

	U.S. Dollars	**TL billion**
2005	15,287	21,734
2006	16,383	23,292
2007	14,912	21,200
2008 and over	21,714	30,872
	68,296	**97,098**

Short-term bank loan obligations of Ramenka amounting to USD9,771,000 which were all classified as short-term borrowings were repaid upon receipt of the new tranche of the IFC loan in the amount of USD15,000,000 in January 2003.

NOTE 18 - TRADE PAYABLES

	30 June 2003	**31 December 2002**
Supplier current accounts	285,389	263,448
Payables with regard to construction-in-progress	382	10,665
Other	11	46
	285,782	**274,159**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME

	30 June 2003	31 December 2002
Corporation and income taxes currently payable	6,588	9,905
Less: prepaid taxes	(3,996)	(6,802)
Taxes on income	**2,592**	**3,103**

Turkey

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

Corporation tax is payable at a rate of 30% (2002: 33%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to a withholding tax. Otherwise, dividends paid are subject to a withholding tax at the rate of 11% (10% effective from 1 January 2004). An increase in capital using distributable profit or by issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% (2002:25%) on their corporate income. Advance tax is payable by the 15th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Interest income on Turkish government bonds and treasury bills is subject to corporation tax.

Capital gains derived from the sale of equity investments and immovable assets held for not less than two years are tax exempt until 31 December 2003, if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures, with some exceptions, over TL 5 billion are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilised within the scope of investment incentive certificates granted to applications filed prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

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

Russia

The applicable income tax rate in Russia is 24%.

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

Kazakhstan

Rambutya is exempt from income tax for five years beginning 1999 on income received from the Ramstore cinema, skating rink, skate rental shop, gymnasium and parking place and a 50% exemption for the same income for one year thereafter. Rambutya also has exemptions over property tax and land tax for 5 years starting from 1999.

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

	30 June 2003
Deferred tax credit	7,767
Current tax expense	(6,602)
Taxation on income	**1,165**

Deferred taxes

The Company recognises deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2003 and 31 December 2002 using the enacted tax rates, are as follows:

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	30 June 2003	**31 December 2002**	**30 June 2003**	**31 December 2002**
Lease obligations	4,924	10,104	1,477	3,334
Tax losses carried forward	-	9,521	-	2,704
Provision for employment termination benefits	4,771	3,819	1,431	1,260
Trade receivables	1,267	-	314	-
Temporary difference on inventory	930	1,749	242	518
Allowance for unearned interest income	-	518	-	172
Accounts payable	(681)	-	(164)	-
Effects of restatement of property, plant and equipment	(193,553)	(219,996)	(55,261)	(67,441)
Allowance for unincurred interest expense	(8,099)	(13,811)	(2,430)	(4,557)
Fair value adjustment on investments	(1,801)	(2,705)	(540)	(893)
Prepayments for land lease	(417)	(242)	(100)	(58)
Other	(2,107)	(3,896)	(526)	(1,007)
	(194,767)	**(214,938)**	**(55,557)**	**(65,968)**

Movements in deferred taxes can be analysed as follows:

	Deferred tax assets/(liabilities)
1 January 2003	(65,968)
Credit to statement of income	7,767
Exchange differences	2,644
30 June 2003	**(55,557)**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 20 - OTHER CURRENT LIABILITIES

	30 June 2003	31 December 2002
Taxes and funds payable	8,458	11,196
Miscellaneous accrued expenses	4,654	2,043
Payable to personnel	3,049	5,091
Security deposits	2,147	2,512
Payable due to land leases	1,895	2,277
Deferred income	1,832	649
Other	2,754	2,443
	24,789	**26,211**

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 2000 there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL1,323,950,000 (2002: TL1,260,150,000) for each year of service at 30 June 2003.

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

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

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

	30 June 2003	31 December 2002
Discount rate	%6	%6
Turnover rate to estimate the probability of retirement	%83.34	%81.33

The principal assumption is that the maximum liability of TL1,323,950,000 for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL1,323,950,000 (2002: TL1,260,150,000-historic amount) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	30 June 2003
1 January 2003	3,819
Increase for the period	1,369
Less: monetary gain	(417)
30 June 2003	**4,771**

The average number of people employed by the Company, its Subsidiaries and Joint-Venture during the period was 8,847 (2002: 8,545) in aggregate.

NOTE 22 - MINORITY INTEREST

Changes in minority interest during the period ended 30 June 2003 were as follows:

1 January 2003	Increase in share capital	Increase in minority interest due to subsidiaries added to scope of consolidation	Decrease in minority interest due to share acquisitions	Net (loss)/ income attributable to minority interest	Translation Reserve	30 June 2003
5,393	**64**	**-**	**-**	**40**	**(536)**	**4,961**

NOTE 23 - SHARE CAPITAL

Migros adopted the registered share capital system available to companies registered with the Capital Market Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of TL1,000. The Company's historical authorised and paid-in share capital at 30 June 2003 and 31 December 2002 were as follows:

	30 June 2003	**31 December 2002**
Limit on registered share capital (historical)	100,000	100,000
Historical authorised and paid-in share capital	55,080	55,080

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 23 - SHARE CAPITAL(Continued)

The shareholders of the Company and their shareholdings to capital with historical figures as at 30 June 2003 and 31 December 2002 are stated below (see also Note 34):

	30 June 2003		31 December 2002	
Shareholders		**Share %**		**Share %**
Temel Ticaret ve Yatırım A.Ş.	27,985	50.81	27,985	50.81
Public quotation	26,957	48.94	26,957	48.94
Koç Holding A.Ş.	138	0.25	138	0.25
	55,080	**100**	**55,080**	**100**

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

There are 55,080,000,000 (2002: 55,080,000,000) unit of shares with face value of TL1,000 (2002: TL1,000) each. There are no privileged shares.

NOTE 24 - CAPITAL SURPLUS

Capital surplus represents the net proceeds from the offering of the Company's shares remaining unutilised pre-emptive rights at the share capital increase in 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that in accordance with the Board of Directors Resolution dated August 5, 1998, the Company sold 75,000,000 shares in foreign stock exchange markets and obtained funds at a net amount of TL131,364 billion expressed in terms of the purchasing power of the TL at 30 June 2003. This surplus was also recorded in shareholders' equity and is not available for distribution.

NOTE 25 - LEASE OBLIGATIONS

	30 June 2003			31 December 2002		
	EUR	**USD**	**TL equivalent**	**EUR**	**USD**	**TL equivalent**
Short-term lease obligations	520	1,728	3,301	497	3,519	7,355
Long-term lease obligations	830	193	1,623	1,096	546	3,077
	1,350	**1,921**	**4,924**	**1,593**	**4,065**	**10,432**

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

	EUR	**USD**	**TL equivalent**
1 July 2004 – 30 June 2005	552	115	1,060
1 July 2005 – 30 June 2006	278	78	563
	830	**193**	**1,623**

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

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

Dividend distribution is made by the Company in Turkish lira in accordance with its Articles after deducting taxes and setting aside the legal reserves as discussed above.

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

According to CMB regulations quoted companies have the following two options; they may either distribute dividends in cash or in Company's shares or they may elect not to distribute any dividends at all. However, the CMB may require the company to distribute dividends in cash. If the company makes a decision to distribute any dividends, distribution should be made in the five months following the year-end.

Composition of prior periods' earnings and dividends (per Statutory Financial Statements) at 30 June 2003 and 31 December 2002 (not adjusted for inflation) are as follows:

	30 June 2003	**31 December 2002**
Legal reserves	4,447	3,562
Undistributed general reserve	50,235	44,444
Unappropriated net income	6,306	12,186
	60,988	**60,192**
Historical amounts of dividends distributed during the period/year from previous periods' net income per statutory financial statements	5,508	4,590

As disclosed in Note 2, the Company prepares its statutory financial statements in accordance with TCC, CMB and tax legislation. Effective from 1 January 2003, it is mandatory for all listed companies to adopt two new standards, which are approved and issued by the CMB, namely, Financial Reporting in Hyperinflationary Economies and Consolidated Financial Statements and Accounting for Investments in Subsidiaries, Associates and Joint Ventures for the first time for the year ended 31 December 2003. Following the adoption of the new standards, listed companies, after deducting taxes and setting aside the legal reserves, will only be allowed to distribute the lower of net income in financial statements prepared in accordance with TCC or net income in financial statements prepared in accordance with CMB as dividends to their shareholders.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 27 - NET SALES

	30 June 2003
Retail	793,800
Rent	40,378
Wholesale	19,146
Other	2,273
Gross sales	**855,597**
Less: discounts and returns from sales	(19,533)
Net sales	**836,064**

NOTE 28 - GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2003
Staff costs	57,199
Depreciation and amortisation	28,693
Rent	27,061
Energy	11,880
Repair, maintenance, and cleaning	8,918
Taxes and other fees	2,810
Mechanisation	2,107
Telecommunication	2,081
Employment termination benefits	1,369
Parent company service charges	1,025
Stationary	1,019
Insurance	861
Travel	660
Food	757
Other	5,200
	151,640

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 29 - FINANCIAL (EXPENSE)/INCOME - NET

	30 June 2003
Financial income:	
Interest on debt securities	10,096
Foreign exchange gain	9,629
Due date difference on credit sales	9,439
Interest income from time deposits	3,042
Other interest income	23
Total financial income	**32,229**
Financial expense:	
Due date difference on credit purchases	(31,097)
Foreign exchange loss	(7,679)
Interest expense on bank borrowings	(4,408)
Interest expense on lease obligations	(361)
Other	(330)
Total financial expense	**(43,875)**
Net financial (expense)/income	**(11,646)**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 30 - INTEREST IN JOINT VENTURE

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

	30 June 2003	31 December 2002
Property, plant and equipment	144,279	171,493
Other non-current assets	12,616	14,569
Current assets	46,788	49,092
	203,683	**235,154**
Long-term bank borrowings	(59,729)	(44,854)
Provisions	(11,278)	(15,392)
Current liabilities	(51,969)	(87,153)
	(122,976)	**(147,399)**
Net assets	**80,707**	**87,755**
Sales	**130,262**	
Profit before tax	13,442	
Income taxes	(3,413)	
Profit after tax	**10,029**	

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given:

	30 June 2003	31 December 2002
Pledges (*)	236,316	276,559
Letters of guarantee and commitments	14,958	20,308
Letters of guarantee given to banks	20,186	20,817
	271,460	**317,684**

* All assets of Rambutya amounting to TL32,633 billion (Cash and due from banks TL1,941 billion, trade receivables TL220 billion, inventories TL2,659 billion, property, plant and equipment TL27,813 billion) are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD11 million dollar.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

All assets of Ramenka amounting to TL203,683 billion (Cash and due from banks TL2,080 billion, trade receivables TL6,290 billion, due from related parties TL679 billion, inventories TL17,942 billion, other current assets TL19,797 billion, property, plant and equipment TL102,737 billion, investment property TL41,542 billion and other non-current assets TL12,616 billion) are also pledged as security for the IFC loan amounting to USD30 million dollar.

Ramenka signed two new agreements with IFC, C Loan Agreement and Third Loan Agreement providing USD10 million dollar and USD60 million dollar respectively. The two of the participants, Migros and Enka İnşaat, act as guarantors for this loan.

b) Guarantees taken:

	30 June 2003	31 December 2002
Long-term commitments obtained from customers	56,032	52,676
Commitments obtained from banks	2,001	-
	58,033	**52,676**

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

	30 June 2003	31 December 2002
Payable within 1 year	992	809
Payable in 1 to 2 years	908	809
Payable in 2 to 5 years	2,723	2,429
Payable in 5 to 10 years	3,453	3,616
Payable after 10 years	4,259	5,500
Total payable	**12,335**	**13,163**

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

The potential exposure that may arise due to the above matter regarding the tax legislation can not be reliably measured and therefore no provision has been provided in these consolidated financial statements. Besides, management believes that the companies concerned will be able to defend their position in court regarding the matter.

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 32 - FOREIGN CURRENCY POSITION

Historical amounts of assets and liabilities denominated in foreign currency held by the Parent Company at 30 June 2003 and 31 December 2002 are as follows:

	30 June 2003	31 December 2002
Assets	59,503	77,918
Liabilities	(36,295)	(56,718)
Net foreign currency position	**23,208**	**21,200**

TL equivalents of foreign currency amounts

		30 June 2003	31 December 2002
Cash and cash equivalents	USD	283	4,315
	EURO	121	91
Investment securities			
- Eurobonds	USD	32,952	41,191
- Foreign currency bonds	USD	8,696	13,301
Trade receivables, due from related parties and other receivables	USD	17,374	19,020
	EURO	77	-
Bank borrowings	USD	27,938	42,408
Trade payables, due to related parties, lease obligations and other liabilities	USD	5,826	11,218
	EURO	2,531	3,054
	GBP	-	38

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2003 unless otherwise indicated. Currencies other than TL are expressed in thousands unless otherwise indicated.)

NOTE 33 - CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

	Notes	USD *	EURO *	30 June 2003
Net income		11,748	10,285	16,702
Adjustments to reconcile net income to net cash provided by operating activities:				
Minority interest - net	22	(304)	(266)	(432)
Depreciation and amortisation	12,13,14,15	20,182	17,672	28,693
Employment termination benefits-net	21	670	586	952
Taxation expense	19	(819)	(718)	(1,165)
Interest income		(11,199)	(9,806)	(15,920)
Interest expense	29	25,224	22,088	35,866
Gain on sales of property, plant and equipment		(46)	(40)	(65)
Impairment loss provided for property plant and equipment	12	1,031	903	1,466
Share of loss of associate		768	672	1,092
Fair value gain of AFS investments		(190)	(166)	(270)
Cash flows from operating activities before changes in operating assets and liabilities		**47,065**	**41,210**	**66,919**

* US dollar and Euro amounts presented above are translated from Turkish Lira ("TL") for convenience purpose only, at the official TL exchange rate announced by the Central Bank of Turkey at 30 June 2003 and therefore do not form a part of these consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2b).

NOTE 34 - SUBSEQUENT EVENT

On 30 July 2003, the Board of Directors of Koç Holding A.Ş. decided to purchase 50.81% of the shares of the Company from Temel Ticaret ve Yatırım A.Ş..

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