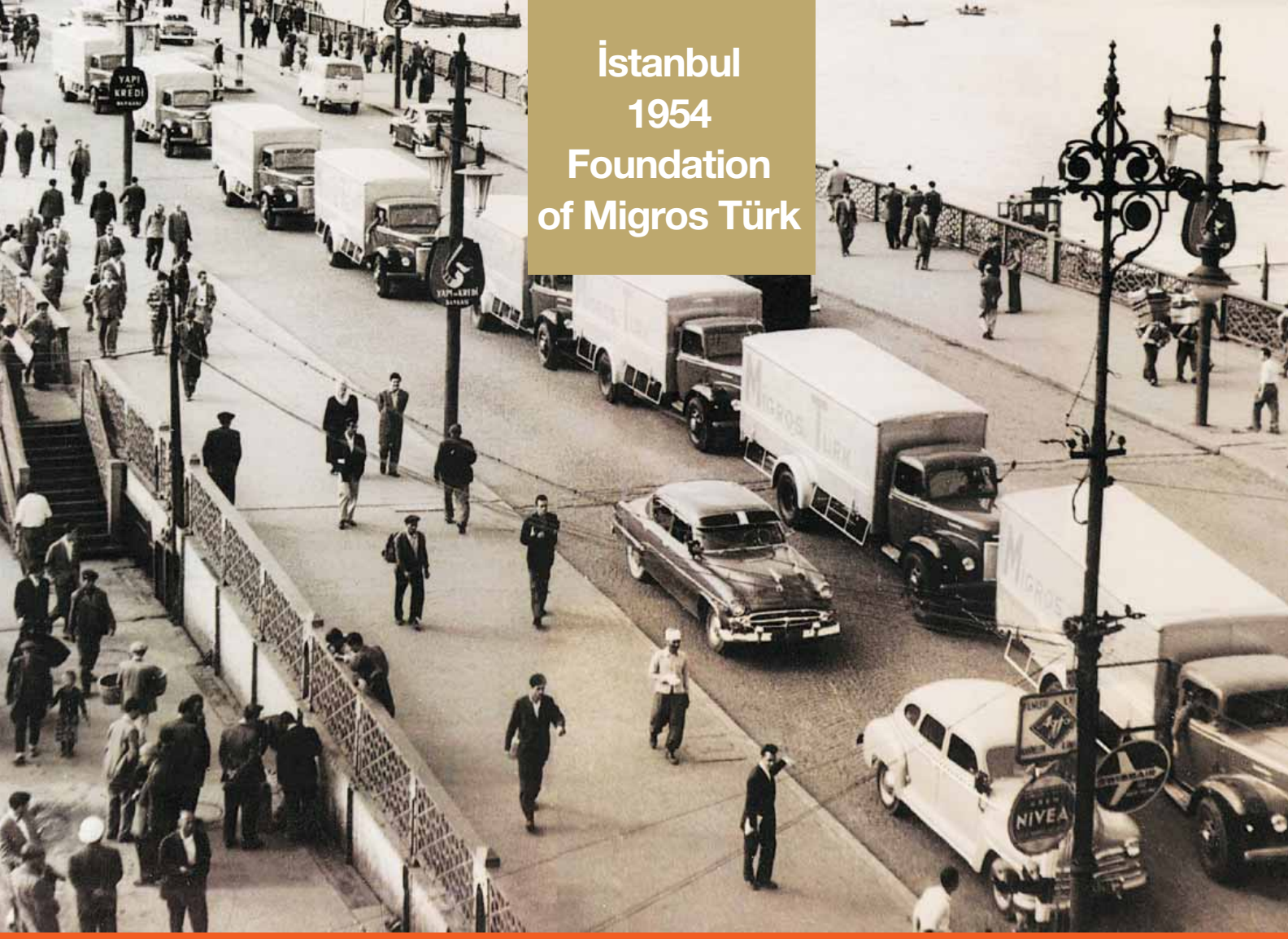
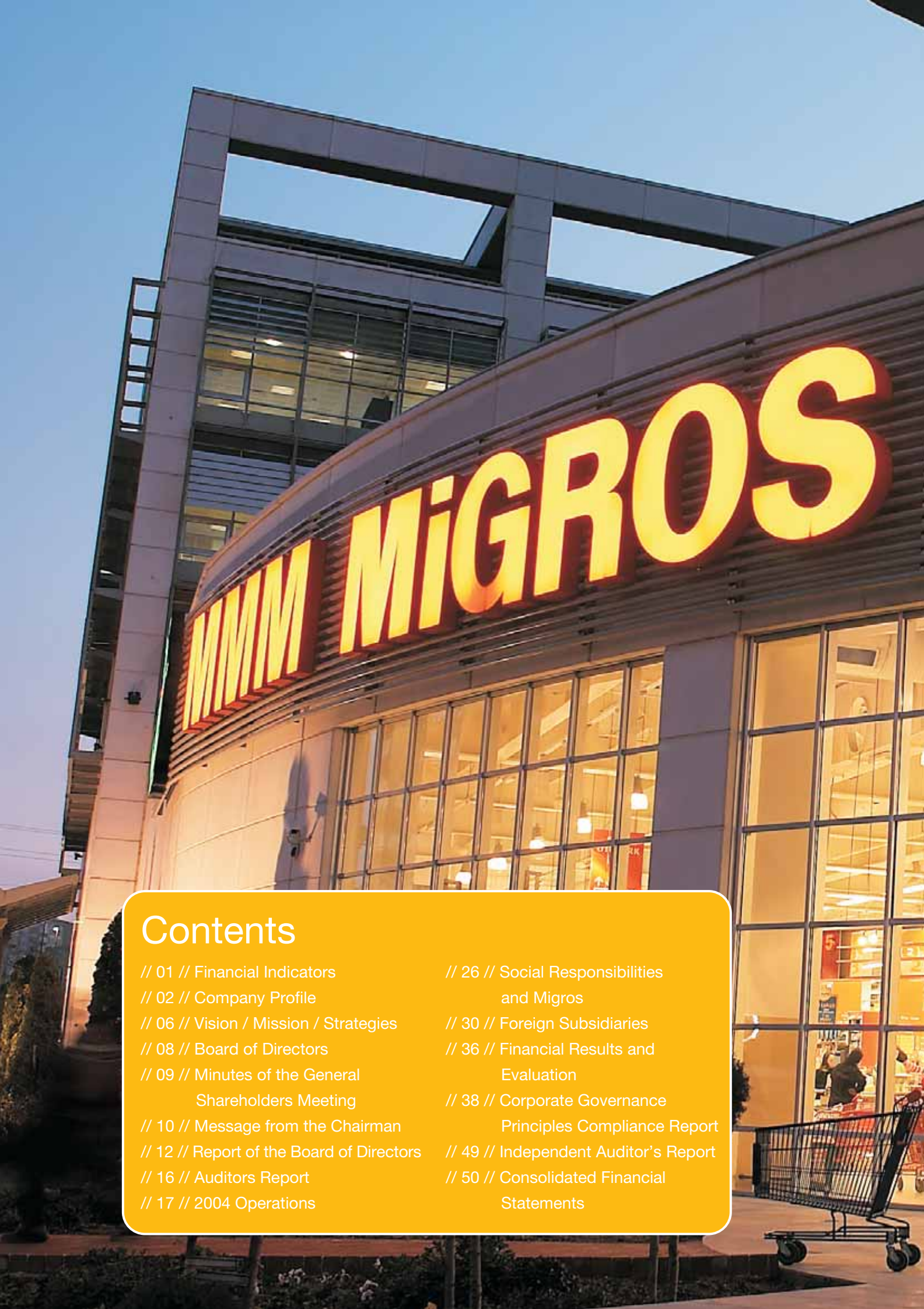


MIGROS

50 Years of Pleasant Shopping

MİGROS TÜRK T.A.Ş.
2004 Annual Report



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Financial Indicators

Consolidated Results

Sales and Margins (YTL thousand)	2003	%	2004	%
Sales	2,108,200	100.0	2,273,937	100.0
Gross Profit	462,331	21.9	511,045	22.5
Operating Profit	48,854	2.3	81,682	3.6
EBITDA	114,745	5.4	144,726	6.4
Profit Before Taxes	61,234	2.9	104,873	4.6
Net Profit	81,086	3.8	74,397	3.3

Domestic Results

Sales and Margins (YTL thousand)	2003	%	2004	%
Sales	1,730,203	100.0	1,901,310	100.0
Gross Profit	368,439	21.3	405,233	21.3
Operating Profit	23,515	1.4	49,975	2.6
EBITDA	78,441	4.5	102,351	5.4

THE ORDINARY GENERAL MEETING AT THE 50th YEAR ACTIVITIES WAS HELD AT THE DİVAN HOTEL-İSTANBUL ON 8 APRIL 2005 AT 11:30

1954-1974
In 1954, Migros was founded in İstanbul through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality. Initially, Migros operated 45 sales trucks delivering consumer goods to its customers, and later opened various stores around İstanbul. The first store was opened in 1957 in Beyoğlu at the Fish Market.

1975-1979
In 1975, the Koç Group acquired the majority shares in Migros. Henceforth, Migros initiated a new understanding of operation and rapidly increased the number of stores in İstanbul.

1980-1990
In 1981, Migros opened its main warehouse. It served many years, having undergone some modifications and improvements, and is used for the temperature-controlled and hygienic storage of foodstuffs and other perishables. Migros also invested in state of the art product storage and packaging in germ-free containers.

By the end of 1989, Migros serviced 34 stores across 2 provinces, and consumers associated the Migros brand with being an "Honest Retailer".

As it embarks upon its fiftieth year in business, Migros remains a dynamic pioneer of the retail sector with new investments and services.

1992-1993
After having completed the necessary infrastructure and established its Antalya Regional Office, Migros opened its MMM Antalya store. Migros expanded its branch network from focusing on the cities like İstanbul, İzmir, Ankara and Bursa, to opening stores in holiday resort areas such as Marmaris, Bodrum, Silivri and Yalova.

In 1992, Migros began offering the advantage of payment by credit card.

1994-1995
On its 40th anniversary, Migros established its Ankara Regional Office together with 2 stores in Ankara and completed the infrastructure for its Mersin store and Adana Regional Office. In 1994, Migros was crowned most successful company in Turkey and also singled out as one of the most successful companies in Europe by Euromoney magazine. In 1995 Migros enjoyed rapid growth, as the Company increased investment in infrastructure and store modernization. It has expanded its services to 17 provinces in 5 geographical regions, including Southeastern Anatolia and Adana, Gaziantep, Edirne, Tekirdağ and Eskişehir provinces.

Also in 1995, Migros added the Şok Discount Markets to its portfolio to broaden its customer base and increase market share.

Company Profile

Migros Türk T.A.Ş. was founded in 1954, through the joint initiatives of the Swiss Migros Cooperatives Union and the İstanbul Municipality. Initially, Migros ran 45 sales trucks, then it began to open stores, first in 1957 in Beyoğlu at the Fish Market. In 1975, the majority shares were transferred to the Koç Group and after this date the Company expanded at an exponentially rapid pace its number of stores, spreading throughout the country and then abroad.

Migros, the undisputed leader of Turkey's retail sector, fulfills the needs of all its customers not just for food and necessities but also with sections for publications, white goods, glassware and clothing categories.

With 50 years experience, Migros has prided itself on providing the best services to its customers, its investors, its employees and its suppliers. Migros' primary focus is above all customer satisfaction. And for the next 50 years, Migros plans to continue its dynamic identity and will continue investing and leading its sector through its actions.

1996
Migros completed infrastructure investments in Azerbaijan in 1996, enabling it to open its first Ramstore in Baku.

Migros set up its first MM Migros store in Eastern Anatolia and established the Erzurum Regional Head Office. By the end of the year, it was serving 75 million people over 6 geographical regions within 20 cities through 124 stores.

1997
By opening a Ramstore Shopping Center in Moscow, Russia, Migros now offered the Ramstore package in a second country.

Migros became a pioneer of internet shopping by introducing the Migros Virtual Market to its customers.

In 1997, Migros is rendering service with total 175 stores, increasing the number of stores to 169 domestically and to 6 internationally in Baku and Moscow.

1998
Operating over 6 geographical regions, Migros opened branches in new cities including Denizli, Hatay, Isparta, Elazığ and Kahramanmaraş in 1998. Migros now served 27 cities.

A second Ramstore Shopping Center larger than the first was opened in Moscow in the Maryina Roscha district, increasing the number of stores abroad to 7. This year Migros laid the foundations for a new Ramstore Shopping Center in Kazakhstan.

In 2004, the Company opened 1 M, 5 MM and 27 Şok stores domestically. Internationally it opened 11 Ramstores in three different countries. By the end of the year, the Company served seven geographic regions with 72 M, 72 MM, 33 MMM, 283 Şok and 3 hypermarkets, and internationally 3 Ramstores in Azerbaijan, 32 in Russia, 5 in Kazakhstan and 4 in Bulgaria. The grand total stands at 507.

Stores opened in 2004:

M type (1):
in Antalya - Alanya Keykubat.
MM type (5):
in Antalya - Side and Laura; in İçel - Mersin Tece, in Ordu - Ordu, in Trabzon - Trabzon.
Şok type (27):
in Adana - Adana Saydam; in Ankara - Kuleli; in Antalya - Elmalı, Finike, Korkuteli; in Balıkesir - Avşa; in Düzce - Akçakoca; in Hatay - İskenderun Arsuz; in İçel - Tarsus; in İstanbul - Avcılar Gümüşpala, Bakırköy İstasyon, Beyoğlu Galatasaray, Bebek, Bostancı Kemal Akgüder, Bostancı Turşucu Deresi, Emin Ali Paşa, Emirgan, Erenköy Kaptan Arif, Erenköy Ömer Paşa, Etiler, Kazasker Sinan Ercan, Kilyos, Kozyatağı Kaya Sultan, Küçükyalı Kadir Has, Tonozlu; in Muğla - Bodrum Konacık; and in Sakarya - Karasu.
Ramstore type (11):
in Bulgaria - Lozanets; in Kazakhstan - Atakent, Aynabulak; in Russia - Biriyuleva, Fruzenskaya, Marino-2, Novinsk, Rostov, Samara-1, St.Petersburg Guliver and Zelenograd-2.

1999
Migros continued its rapid international growth and moved into its third country, Kazakhstan, making a total of 11 stores abroad. Migros had developed the first and largest Ramstore Shopping Center in Almaty in Kazakhstan into a giant retail and trade center that had become an integral part of the daily life of the Kazakh consumers. This year Migros launched its own Migros Club Cards and by the end of the year the number of cardholders had reached 2.5 million.

2000
Migros launched Turkey's first online shopping center, "Kangurum". As a sector leader, Kangurum started with 48 stores and more than 25,000 products. By the end of the year the number of stores reached 60.

Migros opened 128 new stores domestically and internationally, extending its network to a total of 450 stores.

2001
In 2001, Kangurum Online Shopping Center, operating in 59 stores with 28 product categories totaling up to 75.000 products, introduced a Wholesale Market enabling wholesale internet transactions called B2B. Kangurum also launched its own ISP called kangurum.net, which guarantees an internet connection that is fast, economical, safe and controllable.

A total of 507 outlets: 463 in seven geographical regions in Turkey and 44 outside the country

Our Company serves customers in Turkey through 72 M, 72 MM, 33 MMM, and 283 Şok outlets and through 3 hypermarkets as well as through another 3 outlets in Azerbaijan, 32 in Russia, 5 in Kazakhstan, and 4 Ramstores in Bulgaria making a total of 507 stores in all.

2002
With a total of 41 new investments, Migros opened domestically 1 MMM, 5 MM, 4 M, 23 Şoks, and internationally 6 Ramstores in Russia, 1 in Bulgaria, and 1 in Azerbaijan.

The total number of stores reached 452 at the end of 2002 with 65 M, 58 MM, 30 MMM, 273 Şoks and 3 shopping centers and hypermarkets domestically, and 3 Ramstores in Baku, 15 in Moscow, 3 in Kazakhstan, and 2 in Sofia.

2003
Achieving its goal of "one new store per week", by the end of 2003, Migros opened a total of 55 new stores. 3 MMM, 10 MM, and 12 M stores; along with 18 Şok stores in Turkey; and the rest opened abroad, namely 10 in Russia, 1 in Bulgaria and 1 in Azerbaijan. In 2003, Migros could now boast 484 stores: domestically over seven geographic regions - 73 M, 68 MM, 33 MMM, 273 Şok stores, 3 shopping centers and hypermarkets; and internationally 3 Ramstores in Baku, 25 in Moscow, 3 in Kazakhstan and 3 in Sofia.

In conjunction with its international expansion strategy, this year Ramstores were opened outside Moscow for the first time in Russia. A Ramstore opened in Siberia's Krasnoyarsk region, and then in April another Ramstore started trading in Kazan, the capital of Tatarstan.

Vision

To be the closest to the customer with various service formats with the strategy to exceed customer expectations and having a market presence throughout Turkey and widely in neighboring countries.

Mission

To become a benchmark and a strong regional retail chain by strengthening its leadership position in the Turkish retail sector and being either the first or the second in the countries of operation.

Strategies

Migros Türk T.A.Ş. formulates its strategies in line with its mission to continuously raise retail standards and to increase customer satisfaction in accordance with ongoing principles of quality, respect and maintaining leadership in the sector.

Our main strategy is to provide our customers with a reliable, value for money and high quality service deriving from core Koç values.

Our basic strategy is to provide our customers with high-quality service that is modern, reliable, economical, and in keeping with our traditional Koç values.

Board of Directors

In loving memory...
M. Vehbi Koç
(1901 - 1996)

Board of Directors

Rahmi M. Koç	Chairman
H. Hasan Yılmaz	Vice Chairman
Cengiz Solakoğlu	Board Member
Dr. Nüsret Arsel	Board Member
Uğur Çatbaş	Board Member
F. Bülend Özaydınlı	Board Member
Y. Ali Koç	Board Member
Oktay Irsıdar	Board Member
K. Ömer Bozer	Board Member

Board of Auditors

F. Füsun Akkal Bozok	Auditor
Ali Yavuz	Auditor
İbrahim Yelmenoğlu	Auditor

Senior Management

Aziz Bulgu	General Manager
Ender Alkaya	Assistant General Manager (Human Resources and Industrial Relations)
A. Fuat Yanar	Assistant General Manager (Investments)
Erkin Yılmaz	Assistant General Manager (Financial Affairs)
M. İhsan Usel	Assistant General Manager (Marketing)
Demir Aytaç	Assistant General Manager (Sales)

Minutes of the General Shareholders Meeting

1. Opening and election of Council Delegation.

2. Presentation, discussion and approval of the Board of Directors' Report, the Board of Auditors' Report, the Independent Auditors' Report of Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., Balance Sheet and Income Statement for the fiscal year 2004.

3. Formal discharge of the Board of Directors and Auditors for the operations of the Company for the fiscal year 2004.

4. Approval, or approval with amendments, or refusal of the proposal of the Board of Directors with regard to appropriation of the 2004 profit and the date of the profit appropriation.

5. Determination of the number and term of office of the new Directors and their election.

6. Determination of the number and term of office of the new Auditors and their election.

7. Determination of the remuneration to be paid to the Board of Directors and Auditors.

8. Informing the General Assembly of the donations given by the Company to tax-exempt organizations in 2004.

9. Approval of the Independent Audit Company selected by the Board of Directors according to the communiqué about independent auditing announced by Capital Markets Board of Turkey.

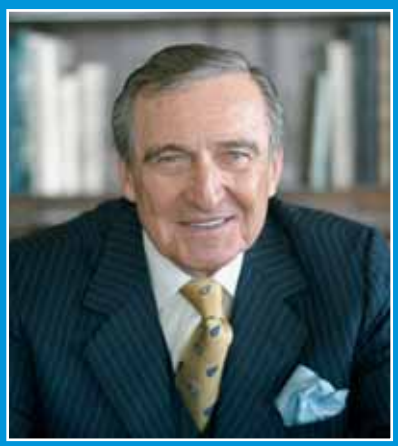
10. Approval of the Board of Directors' proposal with regard to Article 3 of Articles of Association, "Purpose and subject", Article 6 regarding profit, Article 11 regarding the change in the duties of management, Article 26, "Appropriation of Profit", and Article 29 regarding announcements according to a new standard announced by Capital Markets Board of Turkey.

11. Giving consent to the Board of Directors in accordance with the Turkish Code of Commerce, Articles 334 and 335.

12. Approval and authorization of the minutes of the General Shareholders Meeting by the Council Delegation on behalf of the shareholders.

13. Closing.

Message from the Chairman



Rahmi M. Koç
Chairman

Dear Shareholders,

Welcome to the Annual General Meeting in which we will discuss the financial and operational achievements for the 50th year of Migros Türk T.A.Ş. We are honored to share half a century of history with you.

Migros that was formed in 1954 celebrated its 50th anniversary in 2004. For commemoration of the 50th anniversary, Swiss Migros has brought the first truck built in 1930 and has donated it to the Rahmi M. Koç Museum. Once more I would like to thank them for this touching gesture.

In 2004 we started to look to the future of the Turkish economy with confidence. Our country's economy witnessed positive developments at macro levels. In parallel with tight monetary policies, the IMF supported economic reform program continued to produce results and the economic program started 3 years ago ended successfully. The Turkish lira gained value against foreign currencies; although this created a negative effect on competition, our export levels rose and inflation fell to single digits. The general economic outlook became more positive and the expectations in the market increased and interest rates fell. Domestic demand increased, led especially by the automotive and white goods sectors.

With the positive recommendation of the European Union Commission in October, Turkey was given a date for membership discussions for the European Union during the December 17, 2004 Brussels meeting. We see this as a very important opportunity for the future of Turkey.

With all these developments, the Turkish economy has become less fragile as compared to previous years. As time goes by, boosted by domestic and foreign investments, unemployment will alleviate and the Turkish economy will sustain growth.

In the retail sector, the positive outlook in the macro economy has not fed through into consumers' buying power and the per capita income has not reached desired levels. Within the retail sector in our country there is a group of natural or legal entities that does not pay their taxes and does not abide by other regulations. In this sense, sector-specific problems continued even in 2004. The law-abiding companies are faced with unfair competition from black economy retail companies. As Migros, we desire to provide high quality goods at affordable price to our customers. For this, we try to optimize all our resources. However, we expect the necessary tightening up of regulations for the sector will create a more fair competition.

As Migros, we continued to invest both domestically and internationally during 2004. We opened new stores in Turkey and increased our exposure in the Black Sea region. We completed new initiatives to cut costs. We opened new stores abroad, and our operations in Russia, Kazakhstan, Bulgaria, Azerbaijan and the construction in Skopje continue. With this investment Migros will be operational in 6 countries.

We are advancing with strong steps to become a powerful regional chain. Our 2004 financial results confirm this. We serve in 7 regions across Turkey with 463 stores and 44 international stores for a total of 507 outlets, and we have increased our revenue to YTL 2,274 million. We are expanding our operations by increasing market share. Total sales area has increased 7% to 423 thousand square meters. The total number of domestic and international customers has surpassed 166 million.

Our operational profit rose 67% compared to the previous year reaching YTL 81.7 million, while profit before taxes surged 71% to YTL 105 million.

We continue to serve our country and our customers through the values that we cherish, our corporate culture, our social responsibility and our respected Company brand identity. Beside donations to many organizations, we have developed joint activities with organizations such as TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitat) and the Children's Protection Foundation. We have had sponsored initiatives in education, culture-art, sports and environment.

Seeing the first graduates from the Silopi Koç Elementary School that was built in Şırnak's Silopi county in 1998 has filled us with a great sense of achievement.

With its experience, Migros has endeavored for the past 50 years to give the very best to its clients, investors, employees and suppliers and has made customer satisfaction its guiding principle. As we begin our next 50 years of trading we will continue to behave as if our Company were newly founded and will continue to provide leadership with many new investments.

For myself and the Board of Directors, we look to the future of Migros with confidence, and I would like to share this with our partners, clients, suppliers and employees.

I would like to thank you for your participation in our shareholders meeting and pay you my respects.

Rahmi M. Koç
Chairman of the Board

Report of the Board of Directors

Board of Directors

Board of Directors for 2004 consisted of a team of nine people: Rahmi M. Koç as Chairman, H. Hasan Yılmaz as Vice Chairman, and Cengiz Solakoğlu, Dr. Nüsret Arsel, Uğur Çatbaş, F. Bülend Özaydınlı, Y. Ali Koç, Oktay Irsıdar and K. Ömer Bozer as board members.

According to the April 14, 2004 shareholders meeting, the salary for the members of the Board was TL 1,000,000,000 (YTL 1,000) gross monthly.

The Board of Directors has the right to decide on all matters other than those defined by the Turkish Commercial Code and the General Assembly.

According to the 9th article of the articles of association, the Board members elected to their position during the shareholders meeting are elected for a 3-year term unless a shorter term was specified. Although the members can be reelected, during the shareholders meeting, the Board members can be changed.

We thereby submit for your approval the election of Board of Directors members who were appointed for 2004 and whose terms have expired.

Senior Management

Senior Management consists of six people: General Manager Aziz Bulgu, and Assistant General Managers Ender Alkaya, A. Fuat Yanar, Erkin Yılmaz, İhsan Usel and Demir Aytaç.

Senior Management is elected by the Board of Directors.

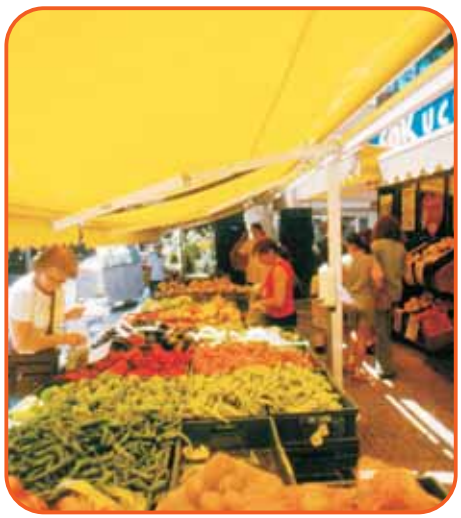
Changes by Senior Management during the year 2004:

By the Board of Directors:

• For the position of General Manager which was previously held by K. Ömer Bozer and appointed to Koç Holding as President of the Food–Retail–Tourism business unit, the Company's Assistant General Manager of Marketing, Aziz Bulgu, was appointed as from December 1, 2004,

• For the position of Assistant General Manager in charge of Marketing that was vacated by the appointment of Aziz Bulgu to General Manager, the Company's Food Marketing Group Manager İhsan Usel was appointed as from December 1, 2004.

• For the position of Assistant General Manager in charge of sales vacated by the retirement of M. Erkal Akalın on December 31, 2004, Demir Aytaç was appointed as from January 1, 2005.



Auditors

Duties, obligations and responsibilities of the Board of Auditors and other matters as to internal audit are governed by the pertinent provisions of the Turkish Commercial Code.

The provisions of Article 275 of the Turkish Commercial Code are reserved. Internal auditors are elected by the General Assembly of Shareholders for a maximum term of office of 3 years pursuant to Article 14 of the Articles of Association.

According to the April 14, 2004 General Shareholders Meeting, auditors remuneration was determined to be TL 370,000,000 (YTL 370) gross monthly.

The one-year term of F. Füsun Akkal Bozok, Ali Yavuz and İbrahim Yelmenoğlu has been completed. We submit the election and determination of the terms of the auditors.

Auditing Committee

According to the Capital Markets Board Series: X, No: 19 Regulation, H. Hasan Yılmaz and Oktay Irsıdar have been selected to the Auditing Committee by the General Assembly.

The Auditing Committee has looked over the independent audit report and the audit conducted on December 31, 2004. According to CMB Series: XI, No: 25 Regulation, the consolidated and inflation adjusted financial statements were prepared according to the IFRS and they accurately reflect the real financial position and operational results of the Company as of December 31, 2004.

Amendments to Articles of Association

The Registered Capital ceiling was raised from TL 137,700,000,000,000 (YTL 137,700,000) to TL 190,000,000,000,000 (YTL 190,000,000) with the amendments in Article 6 of the Articles of Association on the April 14, 2004 General Shareholders Meeting, was registered with Istanbul Registry of Commerce on April 27, 2004 and published in the Turkish Commercial Registration Gazette on April 30, 2004.

Capital

The registered capital of the Company is YTL 190,000,000. Names, share amounts and percentages of the shareholders' holding more than 10% of the existing paid-in capital of YTL 137,700,000 are as follows:

Migros Türk T.A.Ş.
Paid-in Capital (YTL thousand)

Shareholder	Share (%)	Amount
Koç Holding A.Ş.	51.06%	70,307
Publicly Held	48.94%	67,393
Total	100.00%	137,700

YTL 2,274 million in sales…
More than 166 million customers in Turkey and abroad…
An operating profit of YTL 81.7 million, a real year-on increase of 67%…
A pretax profit of YTL 105 million, a real year-on increase of 71%…

Migros's Position in the Sector and its 2004 Investments

Migros Türk T.A.Ş., operating in the food and necessity goods sector, is in the business of selling in retail and wholesales all kinds of food and FMCG (fast moving consumer goods). The Company is also active domestically and through its partners internationally in shopping mall management.

In Turkey, Migros serves seven geographic regions with 72 M, 72 MM, 33 MMM, 283 Şok and 3 hypermarkets, and through its Ramstores operates abroad: 3 in Azerbaijan, 32 in Russia, 5 in Kazakhstan, and 4 in Bulgaria; totaling 507 stores. With its half century of experience, Migros continues to lead this sector.

In 2004 our Company has opened new stores: in the M format, in Antalya's Alanya Keykubat; in the MM format, in Antalya's Side, Laura, in İçel's Mersin Tece and Ordu's Ordu, Trabzon's Trabzon; a total of 6 Migros stores and 27 Şok stores. Also within the same year remodeling work continued in some stores.

Internationally, Migros continued to expand by opening a total of 11 Ramstores: 2 in Kazakhstan, 8 in Russia and 1 in Bulgaria.

Financial Information

Our operational results are presented consolidated and in accordance with the Capital Markets Board Series: XI, No: 25 Regulation "Notice on Accounting Standards in Capital Markets" and International Financial Reporting Standards (IFRS).

Consolidated sales for 2004 posted an 8% real increase to YTL 2,274 million. Gross profit showed an 11% real increase to YTL 511 million, and operational profit a 67% real increase to YTL 81.7 million driven by improving domestic operations in particular. The operating income margin rose from 2.3% to 3.6%. We see this development as being very important in current economic conditions when interest rates have been falling and financial gains diminishing in the retail sector.

In the previous year, our Company delivered a YTL 4 million financial loss in its net financial income/expense items; in 2004 we have a YTL 9.4 million net financial gain. Sales boosting campaigns and cost cutting projects in Turkey led to an increase in operational income and the consolidated pre-tax profit rose 71% on a real basis to YTL 104.9 million, which is 4.6% of sales.

Our Company's financial debts are YTL 26.9 million for short term and YTL 135.4 million for long term for a total of YTL 162.3 million; in return liquid and disposable financial assets rose to YTL 357.4 million, our net cash position reached YTL 195.1 million.

Our total debts are at 50% of total liabilities and equity. 44% of total assets is tied to current assets and 56% to fixed assets. These numbers were 49%, 39% and 61% respectively in the previous year.

Proposal for Dividend Payment and Conclusion

After taxes and minority interest, the Company made a net profit of YTL 74,396,021 in 2004. In accordance with Turkish Commercial Code and Capital Markets Regulations and Articles of Association, YTL 1,555,085 is to be set aside in legal reserves and the remaining YTL 72,840,936 into extraordinary reserves.

In accordance with the Capital Markets Regulations, YTL 16,989,081.19 from corporate tax exempt gains and YTL 3,665,918.81 from the 1999 extraordinary legal reserves, a total of YTL 20,655,000 gross dividend is to be paid out of the YTL 47,576,751 distributable profit on May 16, 2005 and for YTL 1,377,000 to be put into secondary capital reserves.

We submit this for your approval.

If this suggestion is accepted, a gross 15% cash dividend of TL 150 per share of TL 1,000 nominal value (14.73% net) will be distributed.

Dear Shareholders,

We have presented for your consideration the progress in 2004 and our results. We submit the December 31, 2004 consolidated balance sheet and income statement for your approval.

Kind regards,

Board of Directors

Auditors' Report

To the Board of Directors of Migros T.A.Ş.

We present the audit, for the Company's 2004 year for your perusal:

1. The Company had a successful year in its areas of operation within the regulations of the Capital Markets Law.

2. The necessary books and records were maintained in accordance with the Turkish Commercial Code and the applicable law and all documentary evidence.

3. In our opinion, the consolidated inflation adjusted financial statements of the Company were done in accordance with the Tax Procedural Code and the Capital Markets Board Series: XI, No: 25 "Notice on Accounting Standards in Capital Markets". We believe this fairly reflects the financial position of the Company and the results of its operation as of December 31, 2004.

4. Decisions made by the management were duly kept in the records in accordance with procedures.

As a result, we recommend that the Board of Directors be cleared, and their suggestion of dividend payment based on the Company report of the Board of Directors and the balance sheets issued in accordance with International Financial Reporting Standards and Capital Markets Regulations be approved.

İstanbul
March 22, 2005

Sincerely,

F. Füsun Akkal Bozok Ali Yavuz İbrahim Yelmenoğlu

2004 Operations

With fifty years of experience providing customer, investor, employee, and supplier with nothing but the best, Migros's every effort is informed by its principle of absolute customer satisfaction.

50th Year Exuberance

Migros, founded in 1954, celebrated its 50th year with great excitement. In September, Migros organized a number of commemorative events. To symbolize a half-century of growth and its leading role for the upcoming 50 years a retail torch was lit on 20 trucks from the Galata Bridge where Migros had first started. Employees in Ankara, İzmir, Adana and Antalya Branch offices and stores also celebrated the 50th year with parties.

The 50-year history of Migros was recorded in a documentary titled "50 years of Pleasant Shopping", which took an historical look at Turkish consumers' shopping habits, their lifecycles, preferential changes and the many transformations in demand. The documentary details the progress of modern Turkish retail and portrays important figures in the Turkish economy. It includes the customers who have played a crucial role in the success of Migros Türk.

With its 50 years of experience, Migros has made its guiding principle to always provide the best it can to its customers, investors, employees and suppliers. As the next half-century begins, Migros plans to build upon its dynamic brand equity and will continue investing and trailblazing as leader of its sector.

New Turkish Lira (YTL)

Migros has seen the redenomination in the New Turkish Lira as its social responsibility to assist in the smooth transition for the Turkish citizens to adapt quickly to the change. In September Migros campaigned that the new kuruş (YKr) should be rounded down, created a consensus on the matter, and repriced in all its stores giving the equivalent YTL values of the customer's shopping amount on Paro screens at the tills for informational purposes. In December, Migros began its "celebrating the arrival of the YTL" initiative. On January 1, 2005 Migros cash registers and personnel were ready for an easy, comfortable and exciting change.

Economic Evaluation and the Retail Sector

2004 was the year we could be confident about the future of the Turkish economy. Our economy witnessed the negative effects of the Iraq War in the region but enjoyed macro economic growth. Combined with a tight monetary policy, the IMF reform program was implemented and the economic program started three years previously finished on a positive note. Production as well as productivity increased in general and in industrial goods in particular. Despite the adverse impact on the manufacturers of the appreciation of Turkish Lira against foreign currencies, annual exports surpassed USD 62 billion. According to SIS data, inflation dropped to single digit numbers with 9.32% in CPI and 13.84% in WPI. As the general economic outlook became positive, market expectations increased. Internal demand commenced to have a long-lasting build up, led by automotive and household appliance.

This rapid economic upturn was attributable to a high rise in exports, expansion in import tied up to export, a fast growth in private sector final consumption expenditures (helped by bank loans) and private sector capital expenditures.

2004 can be defined as the year when consumers fulfilled their demand deferred for various known reasons. It was full of the first signs for the retailers to get rid of the post-crisis effects. Lower

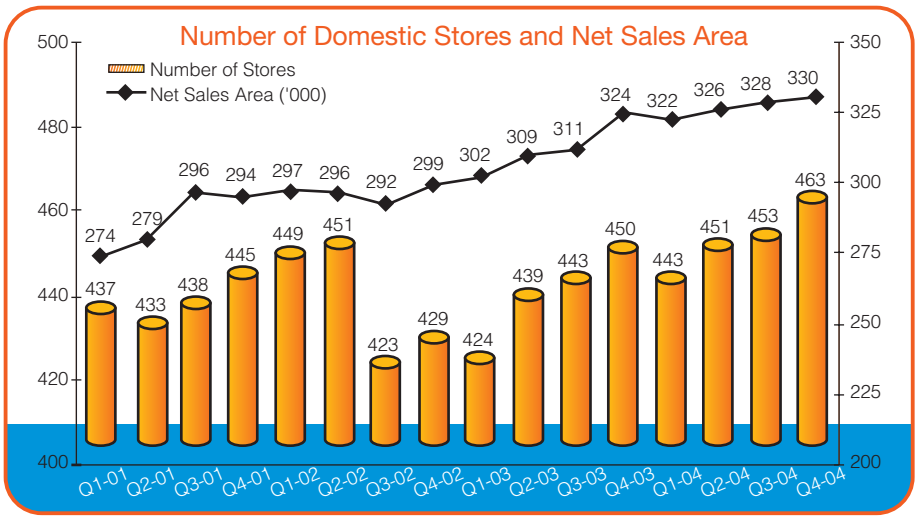
Number of Stores and Net Sales Area

	2002	2003	2004
Turkey	429	450	463
HPM	3	3	3
MMM	30	33	33
MM	58	68	72
M	65	73	72
Şok	273	273	283
Domestic Net Sales Area (m^2)	299,149	324,280	330,448
International	23	34	44
Russia	15	25	32
Kazakhstan	3	3	5
Azerbaijan	3	3	3
Bulgaria	2	3	4
International Net Sales Area (m^2)	56,795	72,020	93,024
Total Number of Stores	452	484	507
Total Sales Area (m^2)	355,944	396,300	423,472

Number of Stores and Net Sales Area as of 2004 Year-end

	Net Sales Area (thousand m^2)	Number of Stores
Turkey	330.4	463
HPM	23.1	3
MMM	103.4	33
MM	113.7	72
M	34.8	72
Şok	55.4	283
International	93.0	44
Russia	75.5	32
Kazakhstan	9.3	5
Azerbaijan	3.0	3
Bulgaria	5.2	4
Domestic and International Total	423.5	507

interest rates and widespread use of credit card meant an increase in sales turnover for all retailers. But, the sector is way behind that of 2001 in terms of profitability and sales. In the retail sector, we see that this macro economic growth has not been reflected in the buying power of the consumer and per capita consumption is not at its optimal levels. These are the reasons that the sector did not achieve anticipated growth in 2004. While small and medium sized supermarkets increased their share in 2004, large format hypermarket investments went down against the last five years.



According to AC Nielsen, total trade grew 14.6% in 2004, but after adjusting for inflation, it grew 10.9% in YTL terms. Over the past three years, as interest rates have fallen, retail companies have focused on increasing operational profit. It is expected that grey economy will diminish in size and organized retailing further up with a favorable EU outlook.

2004 Investments

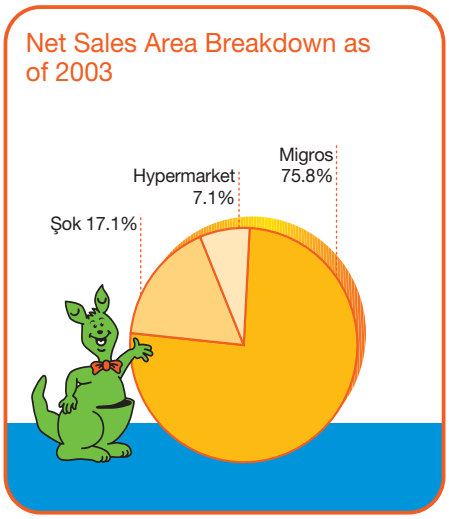
Our Company, other than through the Migros format, offers modern shopping choices under the banners of Şok, Ramstore, Shopping Center, Online Market-Kangurum and wholesale marketing. In 2004 our Company pursued its strategy of selective growth. Internationally, especially in Russia, it implemented a strategy of rapid growth.

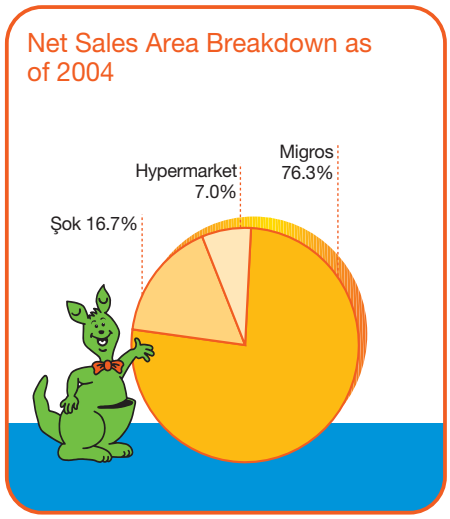
In 2004 our Company opened 1 M and 5 MM, a total of 6 Migros and 27 Şok stores. Internationally 11 Ramstores were opened in three countries. Thus, 44 new initiatives became operational in 2004. By the end of the year, the Company was serving in seven geographic regions with 72 M, 72 MM, 33 MMM, 283 Şok stores and 3 hypermarkets; and internationally 3 Ramstores in Azerbaijan, 32 in Russia, 5 in Kazakhstan and 4 in Bulgaria. The total of all stores amounted to 507.

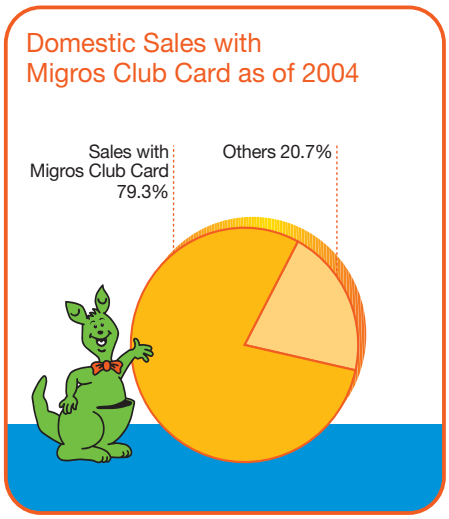
With the opening of the Ordu Shopping Mall featuring a MM Migros store, the total number of shopping malls increased to five in Turkey.

Internationally there are 8 shopping malls, 1 in Kazakhstan and 7 in Russia. The total retail space is domestically and internationally now 423,472 m^2. Beside opening more stores, Migros renovated its stores for more modern, more pleasant shopping.

Migros has opened new stores in strategically important areas in 2004. The Company opened its first shopping mall in the Black Sea region in April in Ordu and in December opened a MM Migros in Trabzon. With the opening of the shopping mall in Ordu and the Trabzon store, Migros now serves 41 provinces. Other than the Black Sea region, Migros opened stores in Antalya, Alanya, Side and Mersin, emphasizing the importance it gives to the touristic regions.







Stores opened in 2004:

M format (1): Antalya's Alanya Keykubat,
MM format (5): Antalya's Side, Laura, İçel's Mersin Tece, Ordu's Ordu, Trabzon's Trabzon.
Şok format (27): Adana's Adana Saydam; Ankara's Kuleli; Antalya's Elmalı, Finike, Korkuteli; Balıkesir's Avşa; Düzce's Akçakoca; Hatay's İskenderun Arsuz; İçel's Tarsus, İstanbul's Avcılar Gümüşpala, Bakırköy İstasyon, Beyoğlu Galatasaray, Bebek, Bostancı Kemal Akgüder, Bostancı Turşucu Deresi, Emin Ali Paşa, Emirgan, Erenköy Kaptan Arif, Erenköy Ömer Paşa, Etiler, Kazasker Sinan Ercan, Kilyos, Kozyatağı Kaya Sultan, Küçükyalı Kadir Has, Tonozlu; Muğla's Konacık Bodrum; and Sakarya's Karasu
Ramstore format (11); Bulgaria's Lozanets; Kazakhstan's Atakent, Aynabulak; Russia's Biriyuleva, Fruzenskaya, Marino-2, Novinsky, Rostov, Samara-1, St. Petersburg Guliver and Zelenograd-2.

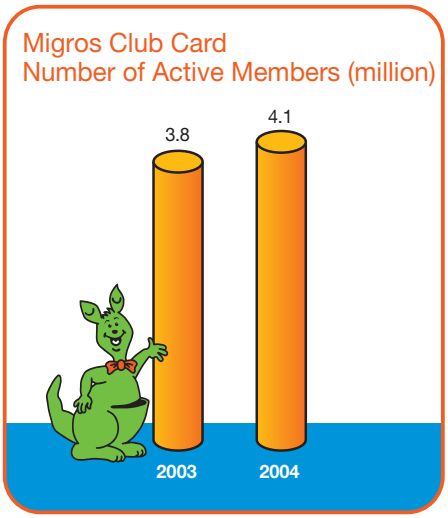
Marketing and Sales Activities

Our Company, the pioneer of initiatives like Club Card and CRM, continued to use its database and campaigns to anticipate customer expectations. In 2004, Migros Club Card increased its active members and its total revenue percentage. The previous year active members totaled 3.8 million and this number increased to 4.1 million in 2004. The sales percentage with Migros Club Card rose to 79.3% (2003: 77%). This surge is attributable to customer specific and general campaigns of Migros.

2004 was an important year whereby the Company solidified its infrastructure and analytical studies to enhance the efficiency of the tailored-made campaigns. For the purpose of better knowing our customers and meeting with their expectations, Migros identified the lifestyles, age structure as well as spending patterns. This kind of segmentation allows us to classify our customers in terms of their being gourmet, dieter, family with baby. Various customer profiles were defined by visited store for shopping, products purchase, channels of communication and visit frequency. All these were called "360 Degrees Customer View". This program made the customized marketing campaigns more effective and accelerated their use.

In 2003 there were 200,000 home deliveries, increasing to 500,000 in 2004. People who received deliveries were given money-off vouchers reflecting their shopping habits. Home deliveries from Migros remain the most widespread and numerous one in its field throughout Turkey. Statistical analysis revealed the lifestyle requirements of the individual customer and ensured that customers took advantage of the loyalty coupons offered, 43% of clients used at least one coupon. People using vouchers compared to non-users showed an increase of 20% in sales.

Migros took initiatives aimed at raising the efficiency of other communication channels along with mail delivery. It made a leap forward to identify each communication channel specific to the customer by analyzing the relationship of behaviour and value based segmentation with channels of communication. Customer specific offers were communicated to our customers through PARO, instore kiosks and SMS with the aim of increasing their level of awareness for this kind of forthcoming messages. Such campaigns as “Person Specific Value Campaigns” and “Increase Your Food Spending” beefed up sales and customer loyalty.



In September, Migros ran a very special campaign in conjunction with its 50th year anniversary. For a more than YTL 50 purchase the customer could either get 12 installments or a 12% discount if paid in full. This campaign was well received by clients and increased sales.

2004 also witnessed a higher level than ever because of cooperation with banks. Koçbank, Yapı Kredi Bank, Akbank and İş Bank credit cards now offer benefits for Migros customers. Throughout the year, each month a cross bonus and installment campaign was run with a different bank.

Also projects synergizing Migros and other Koç companies continued. These joint initiatives allow us to access new customer bases and sectors.

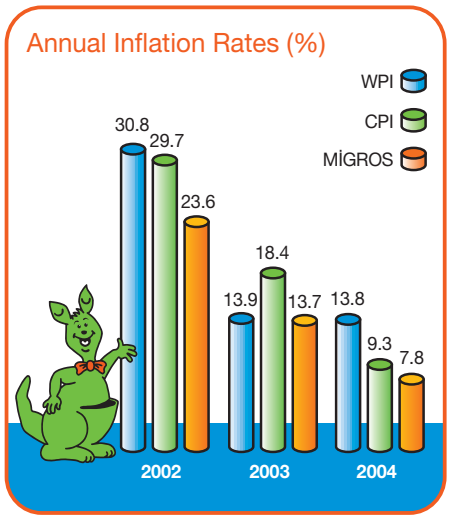
All these projects increase the reputation and the usage of the Migros Club Card. The slogan of the Migros Club Card, “Know your customer, make shopping fun, different and advantageous” is still used in our campaigns.

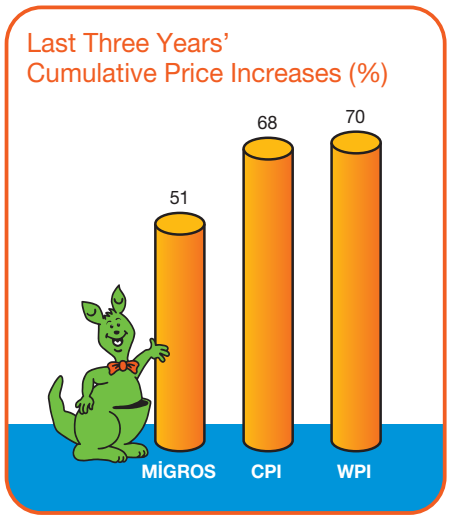
The brand name “Bütçem”, first started in 2003, has shown significant growth with 38 products in 20 categories.

Campaigns such as “10% Discount between 9-12 am”, “The 50th Year”, “The Ramadan Campaign”, “Buy one Migros item and get the second 50% off”, “Installments on credit cards”, have increased customers and sales. In 2004 customer numbers grew 7% and over 130 million customers were served.

Migros Inflation

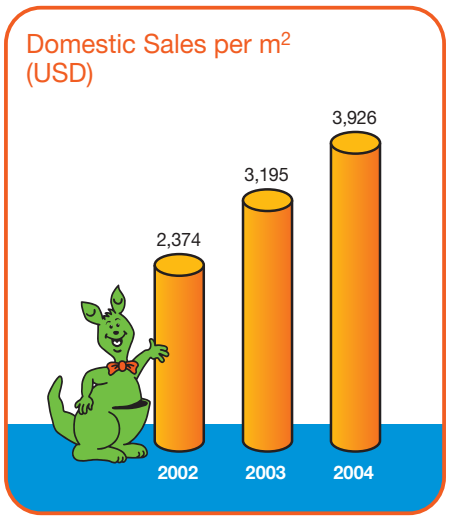
The State Institute of Statistics announced 2004 CPI as 9.3% and WPI as 13.8%. Price changes in Migros were 7.8%. This is not the first time price increases at Migros were under general headline inflation figures; the same holds true for 2002 and 2003. Except for the newly opened stores, there was a real increase in sales: our customer numbers increased and stores became more efficient.

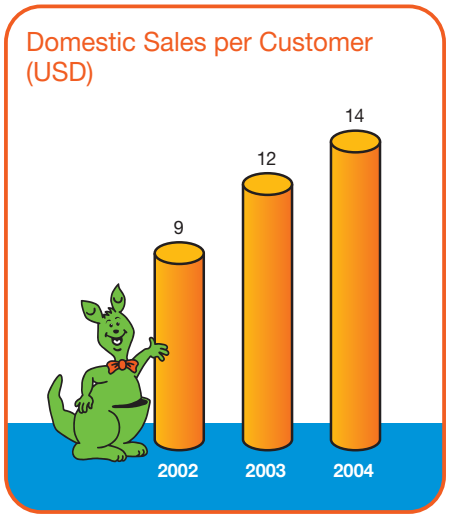




In the above graphic, you can see the cumulative price increase at the end of 2004 when we accept 2001 Migros price index 100 base points against CPI and WPI. In other words, Migros increased prices 51% in the last three years and CPI rose 68% and WPI 70%. According to this, Migros is 17 base points lower than CPI and 19 base points lower than WPI.

Committed to its marketing principle of focusing on customer satisfaction, Kangurum, the Migros Virtual Shopping Mall, maintains the highest standards of service quality at all times out of its awareness that what it is selling is not goods but service.





Store Sales Efficiency

Thanks to campaigns and growing customer satisfaction there was an increase in Migros and Şok efficiency. Per square meter sales were US$ 2,374 in 2002, US$ 3,195 in 2003 and continued to increase 23% in 2004 to US$ 3,926. Per basket sales increased from US$ 9 in 2002, to US$ 12 in 2003 and US$ 14 in 2004. The number of customers grew 7% from the previous year and 130 million customers visited our Turkish stores. In other words, Migros receives a customer every 8 seconds it is open.

Kangurum and Online Market

Our partner, Sanal Merkez T.A.Ş., operates Kangurum and Migros Online Market. Kangurum Online Market has been operational for 5 years and offers over 100,000 products. The stores in Kangurum had an average of 10,500 hits per day in 2004 (2003: 7,800), and an average of 335 orders per day (2003: 307) delivered successfully. Registered users increased from 302,000 to 400,000 in 2004, a 33% increase. The average order was US$ 66 in 2003 and increased 32% to US$ 87 in 2004.

MiGROS SANAL MARKET
www.migros.com.tr

Sanal Merkez T.A.Ş. legal results show that total revenue in 2003 was YTL 10.3 million and increased to YTL 13.6 million in 2004. In other words the revenue of the Company increased 33% in YTL and 38% in US dollar terms.

In 2004 with the cooperation of Koçbank, Akbank, İş Bank and Yapı Kredi Bank customers were given the opportunity to pay in installments.

kangurum
www.kangurum.com.tr

Kangurum focuses on customer satisfaction and achieves a high standard of service as it sells not products so much but a service. Our call centers aim to respond to every phone call and email it receives 7 days a week. All the messages of customer satisfaction attest to our success here.

Migros Online Market, which is a large part of Kangurum sales, operates in 7 provinces with 17 stores. There are 24 delivery trucks and 75 employees.

As in the previous year, before the Al Eid, the e-kurban project was activated and orders for sacrificial animals were taken in stores and online. These orders were processed at Maret meat facilities and shipped to addresses in İstanbul, İzmir and Ankara or to any charity customers requested. This project was appreciated and welcome.

The project of combining and renovating the Migros Online Market, operational since 1997, and Kangurum, started in 2000 was completed in 2004, and it was decided to change the software platform and renew the hardware equipment. Companies were also

www.kangurum.com.tr

Indicators	2003	2004	Increase
Registered Number of Customers	302,000	400,000	32%
Average Number of Hits per Day	7,800	10,500	35%
Average Orders (USD)	66	87	32%

contracted for the software and agreements were signed for the work to start in August and end in December 2004. The new Kangurum with its dynamic and user-friendly design and adapted to the new YTL system became operational on December 31, 2004. The cost of this project was YTL 155,299 for 2004.

Technological Progresses and Projects

Our Company, with its trust in its human resources, also tries to pass on technological advances to its clients. The importance given to information technology and our investments are parallel to the strategy of being one step ahead against our rivals. These projects also help cut down on costs.

B2B

Our suppliers are kept aware of how much of their product is being sold in our stores and how much stock they have left.

29,500 different products were sold in Migros and Şok stores in 2004. These products were supplied from 2,150 different vendors. The B2B system plays a crucial role in interfacing between so many suppliers and so many products. In 2004, suppliers delivering goods to the main warehouses were able to track the supplies on the B2B system. The number of suppliers on the system increased to 557 by the end of the year. These firms account for 65% of Migros' total purchases. The database used by Migros is available to suppliers so they can track their merchandise. In addition, suppliers can access store and warehouse stock information. Sales, stock, current account and delivery information can be shared on the system and suppliers are also able to send their bills to Migros using this system. Electronic billing has also increased efficiency. The B2B system, which became operational in 2000, has become an indispensable platform to manage the supply chain operations of Migros with its suppliers.

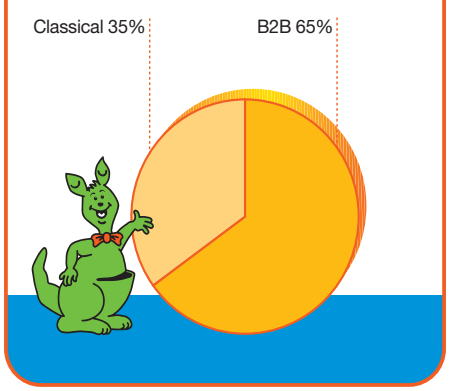
Carry Your Cash Register With You (Self-Shopping System)

To have an easier and quicker shopping, our clients can pick up a mini computer with their Migros Club Card when they enter the store. Through this we can offer information on products, promotions and ads to the customers. As clients are able to scan the products when they put them in the basket, they will not have to have them scanned again at check out. The system will be ready to use in our stores in 2005.

Cross Docking

In 2004, the cross-docking system became operational, it means that suppliers can ship their products directly to the stores that require them. Using

B2B Share in Migros 2004 Purchases



the B2B system, the "middleman" of the Migros warehouse is avoided, allowing for less warehouse space used, fresher produce and less fuel and labor cost because of double handling. In addition to this direct ordering, an automatic ordering system is being developed. The system will use parameters such as inventory, delivery dates, delivery times and sales to determine orders for each product and store. The system now works as a suggestion program but by the end of 2005 will become automatic. The automatic order system is planned to greatly decrease human error.

Efficiency is increasing with wireless technology in stores.

A wireless network has been installed in all Migros stores. With this system, ordering via mini computers, merchandise accepting, inventory, stock control and price label printing are done online.

Our human resources are an essential and strategic element of our competitive advantage whose experience and creativity have always been and will always be the strength underlying our leading position in the sector.

Campaigns are produced online through the CRM infrastructure in stores

Online discounts by customer and store are being given at all Migros and Şok stores as they are being scanned from a Migros Center. Online discounts and promotions are being generated by the Migros database and the CRM system. This system can also work with the bank payment system.

Online payment systems and EMV

As for online payment Migros has been working with three banks for the past three years. In this way these banks do not have to place their own POS machines in each store. An EMV system (chip embedded card) will be added and the system will be operational in 2005. With the EMV system, debit card campaigns will be available and credit card security will be increased.

Store Portal System

With the portal system between the main office and stores, all vendor operations, real time sales, system failures, Purchasing - Store Chat procedures can be handled. We are also working on new procedures to lower the time in internal processing. All these E-transformations that will carry our internal process to the electronic level aim to cut costs and raise operational profit.

Human Resources and Education

In Turkey, the average number of employees for the year 2004 stood at 6,384: 3,892 were full-time, 2,492 part-time.

Severance pay liability on December 31, 2004 was YTL 6,268 thousand. Employees are paid a monthly salary and bonuses 4 times a year as well as fuel, annual holiday pay, clothing, religious holiday pay, birth, education, marriage, death and military service assistance. They are also entitled to receive food, transportation, work clothes and Migros gift certificates for monthly food purchasing.

Human resources strategies, processes and systems have been structured to train the best human resources within the Company, to analyze the organizations' current and future needs so as to maintain a quick and proactive organizational structure for our Company to reach its strategic goals. Our human resources, considered as exceptional and strategic elements in the attainment of a competitive advantage, are the driving force behind our competitiveness and our innovation in new markets with their experience and creativity. The individual competitive strength and development of our employees is viewed as the most important element of our institutional competitive edge; therefore, the human resources processes are designed with a view to maintaining this competitiveness not only in our Company but also in all professional platforms.

In 2004, Strategic Human Resources Planning, integrated Human Resources Evaluation and Planning systems were initiated.

In accordance with our Company's strategic plan, we have adopted an integrated Strategic Human Resources Plan, which identifies the short-term and long-term staffing requirements of the Company, both quantitatively and qualitatively. We have implemented a development plan and career management schedules for more than 1,100 white-collar workers, including store managers. All our white-collar workers can access through their own personal computers evaluations on their current positions, the requirements for their promotion, as well as the training that is available for development utilizing our e-learning system "**AkadeMig**".

The integrated human resources systems have been structured also for blue-collar workers on similar principles and guidelines. By identifying special talents and requirements that are particular to store management, performance administration systems for blue-collar workers have been designed and a unity of purpose has been agreed with the labor union. The first application of this has been in the appointment of store managers in Şok stores.

A work model unique to Migros has been designed with its infrastructure and after an agreement with the labor union, a protocol was signed regarding work procedures pursuant to the provisions of the labor law for flexible work models. Employee efficiency of Migros and Şok stores was monitored throughout 2004. Performance targets of managers were tracked on a monthly basis and employee efficiency was optimized in accordance with economic conditions and workload.

The year 2004 was a year in which important steps were taken for the widespread application of our HR know-how in our foreign subsidiaries. Through information sharing with the upper management and human resources units of our subsidiaries, pilot projects were implemented, important steps were taken for the next years. Our strategies

regarding integrated human resources processes and our application dating back to 50 years experience enable these companies to have a head start.

In conformity with the strategic goals of the Company, the Migros Education Department aims with the help of technology to develop and apply the education needs by foreseeing the organizational structure and the required human resources.

Migros meets its educational requirements primarily from its own internal resources and its strategic partner, Koç University. Our Company as a special feature of the retail sector has a great number of educated human resources from many disciplines and therefore has offered educational courses to a well-trained employee base. To improve the work quality of our employees, training was provided at the rate of 10.8 man-hours per employee during 2004.

The educational requirements are determined on the basis of vocational aptitude fields, competence and performance evaluations. Accordingly, individual development plans are prepared for our employees, support is given to them to progress in their careers and potential employees who will meet the requirements of the organization are determined. These development plans that are unique to the individual and take into consideration the priorities and strategies of the Company comprise traditional classroom instruction, e-learning, and other educational means such as articles and books. These are augmented with on-the-job-training (taking part in a project or acting as an assistant administrator).

Our employees can also access our e-learning portal "AkadeMig" for their individual development plans. "AkadeMig" is a platform of distance learning for our Migros employees. At the same time the workers can follow their own development, take on increasing responsibilities and follow their developmental performances over an electronic medium.

Some of our strategic educational procedures:

• "Koç University – Migros Professional Management Training Center", programs for potential Koç Group Managers.

• "Strategic Marketing Management in Retail" program for high-level managers by the American Babson University faculty.

• "Store Manager Development Program" given by Georgia State University faculty to store managers to increase their knowledge and sharpen their managerial skills.

• "Worker health, on-the-job safety" educational program at the Food Technology and Sales Staff Education Center which was established in cooperation with the Ministry of Education of the Republic of Turkey.

• "Migros Venture to Excellence" education program for our employees to increase service quality.

Social Responsibilities and Migros

Migros is aware of its responsibilities and sensitive to the needs of society and aims to be a good corporate citizen.

Migros Türk is aware that the Corporate Social Responsibility Projects are crucial for the benefit of society and to raise the motivation of its employees. Our Company is aware of its responsibilities and sensitive to the needs of society and aims to be a good corporate citizen.

It is one of the most important goals of Migros Türk to contribute to society and to extend its social responsibilities. Our Company cooperates with organizations or foundations in education, art, culture, environment, sports, and also creates funds for these foundations to support projects that are for the benefit of society.

In 2004 a total of YTL 1,912,582 was donated to foundations for social assistance.

Social Assistance

Migros, aware that being sensitive to social needs is a key to corporate citizenship, works with various foundations to bring attention to social matters.

• Together with the İstanbul Municipality, to develop awareness of social responsibility and cooperation, Migros participated in the so-called "Sponsor A Child" program that aimed to bridge the communication gap between the generations by giving the elderly free shopping vouchers for one year.

• Together with Procter and Gamble, coats and shoes were donated to 2,500 children of the Children's Protection Foundation.

• In November 2004 before the Ramadan Holiday (the Festival of fast-breaking), supplies were distributed at the Emrullah Tunalı kindergarten and the holiday cheer was shared with the children.

• With the donation to the Seed Foundation, the care of one child was pledged for one year.

• Support was given to LÖSEV, an organization to assist children with leukemia and other blood diseases, by putting piggy banks in stores for customers' donations.

• Migros employees periodically give blood at Red Crescent. Mini banks were placed in stores to help the Foundation Against Cancer. Migros gives constant support to the Volunteers for Education.

• Through Migros Online, animal lovers' assistance was transported to 15 animal shelters in 6 provinces.

• Migros contributed to the costs of the Beşiktaş Municipality for the October 29 Republic Day.

• During the Al-Eid Holiday (Feast of the sacrifice), an opportunity was created for customers to donate sacrifices through Online stores to foundations such as Turkish Education Volunteers Foundation, Children Protection Foundation and Darüşşafaka Foundation. Hides of the sacrificial animals were donated to the Turkish Aviation Foundation.

Education

Migros continuously supports education, as it is one of the most important matters for social development in Turkey. Migros is always with the children who are the founding stones of our future. The Company is very aware that a good society comes from an educated base and the Company continues its efforts in this matter.

• The Silopi Koç Primary School in Şırnak's Silopi county was built by Migros in 1998. After the 300-student school was handed over to the Ministry of Education, Migros continued its support and gave necessary provisions to the school. Periodic visits to the school are conducted to evaluate and fulfill needs for general upkeep, technical support and various educational and sports material.

• In 1999, Migros founded an Educational Center (KÜMPEM) within Koç University. The aim for the center is to create links between business and the university. The monetary proceeds from the center are used as sources for research of the faculty of the university.

• Migros, with its suppliers and employees, creates resources for TEGEV.

• Cleaning supplies were donated to the İstanbul Ataşehir Primary School and during the Republic Day 1,500 gifts were distributed. Fifteen computers were donated to the Kudret Saraçoğlu Primary School in Yenibosna, İstanbul to establish a computer laboratory. Five computers were donated to the Bursa Çınar High School. Through the Balıkesir Higher Education Foundation, 50 successful students were given YTL 100 gift certificates to support educational and social needs. School clothes, bags and stationery materials were given to the Tunceli Governor to be distributed at the Hozat county Mohat Primary School. The Siirt Governor was delivered food and medical supplies for distribution.

• A model Migros shopping center was built in Park Forest-Maslak for students to learn about consumer consumption.

Culture – Art

Our Company is active in the cultural development of society by participating in events involving all areas of society from children to the elderly.

• 23 April Theater Festival: Every year since 1994,in association with State Theaters, 13,000 children are able to watch plays for free in 10-12 provinces. Many primary school students, disabled children and children from the Children Protection Foundation enjoy taking part.

• Migros, celebrating its 50th year, had a documentary prepared that portrays the development of the retail sector in our country: “50 Years of Pleasant Shopping”. The documentary was presented as a gift to many universities, media, suppliers, foundations, governors, municipalities and libraries.

Sports

Migros contributes to many fields of sports believing that sports helps personal development and creativity, and that competition nurtures the team spirit that prepares a person for life. As it had done in 2003, Migros sponsored the Istanbul Pamukspor Tennis Tournament in 2004.

Migros Sports Club

The Migros Sports Club, founded by employees, is known for the importance it gives to women’s basketball in Turkey. In collaboration with primary and high schools, the club aims to enable students by adhering to the mission statement of “educating, intelligent, quick and ethical athletes” loyal to Atatürk’s vision. Migros, as a company and with its employees gives financial and moral support by donations to the Club. The Club deserves the praise for training young athletes of the future. It has also trained and supported many basketball players in the pro, U21, the youth and little leagues who have gone on to play for the national team.

The Migros Women’s Basketball Team competes in the Premier Basketball League. They completed the 2003-2004 seasons in 4th place. In the play-offs they won in the first round to be in the final four. The team also entered the Turkish Cup, and was able to advance to the quarterfinals held in Bursa.

Success comes along with importance attached to the infrastructure of Turkish basketball and with love for sport instilled to the young players. In the Little League İstanbul Finals, the youth team took 4th place in İstanbul, 5th place in the Turkish Championship, the U21 took 6th place in İstanbul and 7th in the Turkish Championship.

Environment

Migros is well aware of the importance of the preservation of the environment and the ecological equilibrium and has projects within the Company and stores, and collaborates with other foundations.

• Migros is a member of Çevko (Environment Protection Foundation), for recycling. Migros plans seminars in schools regarding the environment. Migros gathers its waste for recycling and acts on environmental awareness. Also the Company uses computer-backed systems in their stores so as to use energy resources more efficiently. Within the year these systems produced 20% energy saving. The Company follows technological advances and implements them immediately.

Believing that sports make a very important contribution to the life of society, Migros sponsors many different sports activities.

• TEMA and Migros personnel created the Migros Forest. Every year Migros works together with the Turmepa Clean Sea Foundation that works on clean seas nationally and internationally.

• Migros, supporting organic agriculture, sells organic produce at designated counters. With special promotions, trees were planted in their names through TEMA when customers bought selected items.

Working for the Handicapped

Migros offers services that will make life easier for the handicapped in stores and also has promotions with various foundations.

• There is disabled parking facility at Migros stores. There are motorized shopping carts that will make it easier for disabled people to shop in certain Migros stores.

• In 22 provinces 2,306 people received wheelchairs from Migros.

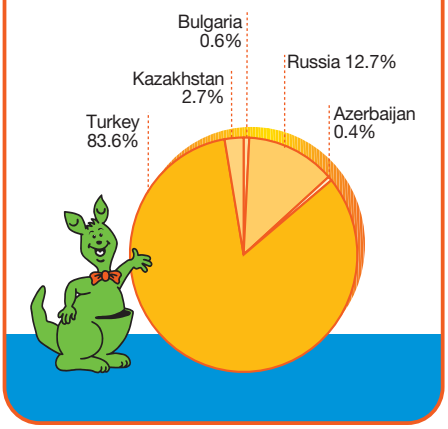
• Migros supported the Special Olympics in Turkey as it is aware of its responsibilities to integrate the mentally handicapped with society. In collaboration with P&G, 500 children with mental disabilities receive athletic education and 1 year of their tuition expenses were paid for.

Foreign Subsidiaries

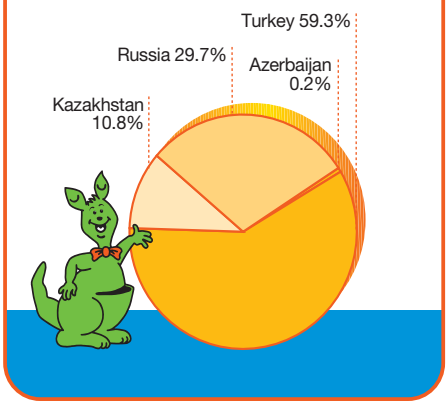
The Company not only covers Turkey with its stores but also is operational in Russia, Kazakhstan, Bulgaria and Azerbaijan through its various participations. The sales from foreign subsidiaries make up 16% of total sales. The operational profit of foreign subsidiaries contributes to 39% of total operational profit.

Migros continued its fast growth in Turkey's peripheral regions. With the new stores opening, it increased its shopping malls to 8 in Azerbaijan, Russia, Kazakhstan and Bulgaria and the total number of stores to 44. Total retail space rose 29.2% over the previous year to 93,024 m^2.

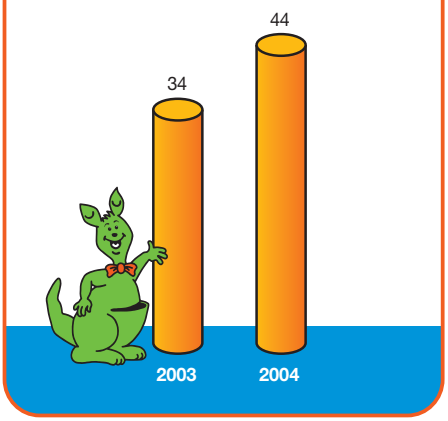
Breakdown of Sales in 2004



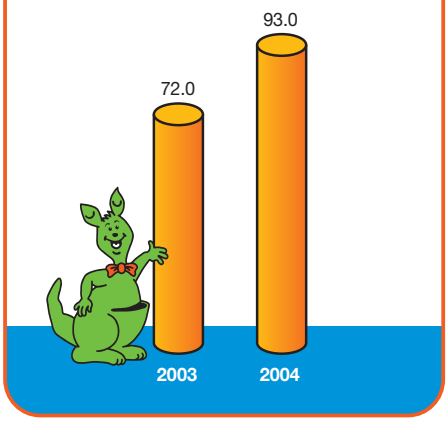
Breakdown of Operating Profit in 2004



Foreign Subsidiaries' Total Number of Stores



Foreign Subsidiaries' Total Net Sales Area (thousand m^2)



Ramenka (Russia)

Russian Federation "Ramenka Ltd."	
First Store	1997
Shareholder Structure	
Migros Türk T.A.Ş.	50%
Enka Group	50%
Number of Stores	32
Shopping Mall and Hypermarket	7
Supermarket	25
Average Number of Employees	3,023

The Economy, Retail Market Structure and Development

Due to oil price hikes and increases in Russian oil export, the buying power in the country has risen. It is assumed that the Russian economy has grown 7% in 2004 and the GNP is over US$ 550 billion and per capita income has risen to $3,900. It is expected that the growth will slow down in 2005 but still be above 5%.

According to a research conducted in thirty emerging markets by A. T. Kearney Consultancy and Research Company, Russia is on the list of countries attractive for investment in retailing. According to the list, Russia ranked the first with respect to investment criteria other than political risk. The credit rating of Russia was raised in 2004 to investment grade showing confidence in the Russian economy. Inflation continued to fall and the rouble gained value against the dollar.

Positive developments in the Russian economy have repercussions on the retail sector. It is estimated the retail sector is around US$ 190 billion in 2004.

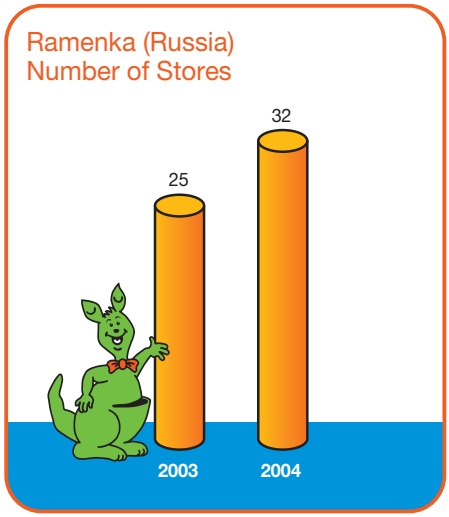
Food retail in 2004 was around US$ 88 billion and the share of Ramenka type organized retailing companies was 9%. The top 4 retailers have a 4% share in the total trade in Russia. After Germany, France, England and Italy, Russia has the largest food retail market.

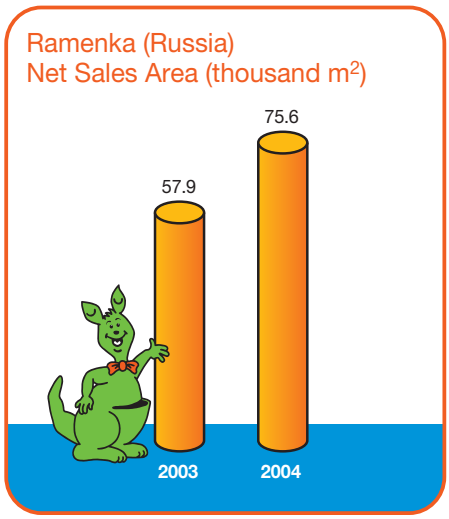
The capital Moscow and St. Petersburg are the favorite retail cities. The share of organized retail in the sector is increasing each year. A striking development is the regional expansion of the sector. The players in the sector have given importance to regional expansion and are opening stores in major cities.

Ramenka Investments

Ramenka has started to focus on opening smaller scale stores along with the major shopping malls that contribute the most to operational profitability. The regional expansion that is crucial for Ramenka continued in 2004. After opening stores in Kazan, N. Novgorod and Krasnoyarsk, the Company opened new stores in St. Petersburg, Rostov and Samara.

With a total of 8 new stores in 2004 the total number of stores rose to 32. By the end of the year there were 7 hypermarkets and shopping centers and 25 supermarkets in operation. The net retail space rose 31% to 75,000 m^2.





Operations

Ramenka continues its fast growth and also has projects in hand to increase sales and operational profit. With the Category Management Project, it was able to categorize a wide variety of goods under optimally manageable business units and to conduct efficient shelf space management studies. The "Ramstore Product Catalogue" was well received by customers. To compete with the increasing competition in Moscow, stores were formed in 6 categories on the basis of sales area, client profile and surrounding competition. According to this categorization, pricing and products are determined for that store. In 2004 stores have become operational in 6 provinces outside of Moscow. The Ramenka stores were recognized quickly, their market share and reputation increased rapidly through a customized marketing plan for each area.

As Ramenka stores grew and operations started in more remote cities, the set-up of a strong distribution network became necessary. A main warehouse idea was brought forward in 2004 and feasibility studies were completed.

Just like the Migros stores, "touch screen kiosks" were placed in Ramenka stores to communicate with the customers. Many coupons and gifts were offered to customers in 2004 through these kiosks. Promotions were launched to increase customer loyalty. By the end of 2004 we reached 1.1 million Club members. 65% of total sales were made to Club customers. In 2004 segmentation of customers was started; and infrastructure for reaching customers through e-mail and mailshot was completed.

To increase communications and saving between Ramenka and its suppliers, a B2B platform was initiated, and the project was started with 5 suppliers. In 2004 Ramenka took steps to increase employee productivity. A SAP Human Resources module was implemented to achieve this.

Migros continues to grow rapidly in different formats in Turkey's neighboring countries and has increased the number of its stores outside the country to 44.

Expectations and Objectives

Ramenka will carry regional expansion it started in 2003 forward into 2005. Its goal is to increase the total number of stores to 45 and combined sales revenue to US$ 500 million and to become more competitive.

The projects to increase operational profit will continue in 2005. New technology and projects will ensure that fast growth will also be a sustainable growth.

Rambutya (Kazakhstan)

Republic of Kazakhstan "Rambutya LLP"	
First Store	1999
Shareholder Structure	
Migros Türk T.A.Ş.	51%
Butya Group (Local Partner)	40%
Other	9%
Number of Stores	5
Shopping Mall and Hypermarket	1
Supermarket	4
Average Number of Employees	275

General Structure of the Market

The economy grew 9.3% in 2004; it has grown by more than 9% a year for the last 5 years in a row. The increasing oil exports and the Tenge gaining value against the dollar have affected the economy positively.

According to the Kazakhstan Statistics Institute the retail market for the first 11 months was around US$ 7 billion. The market grew about 6% in local currency terms. 25% of all food products in Almaty are handled by the organized retail sector. Monthly consumption per capita is around US$ 40, a 19% rise from the previous year.

Shopping mall and supermarket construction are under way in the country. We expect competition to grow in the following years.

Investments

Ramstore increased the total number of stores from three in 2003 to five by opening stores in Aynabulak and Atakent districts within Almaty. The net retail space increased 37%.

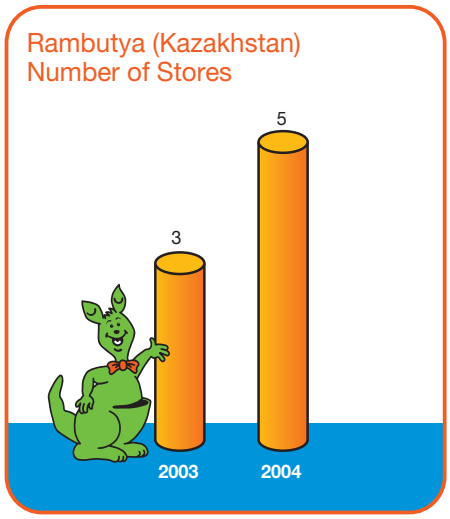
Operations

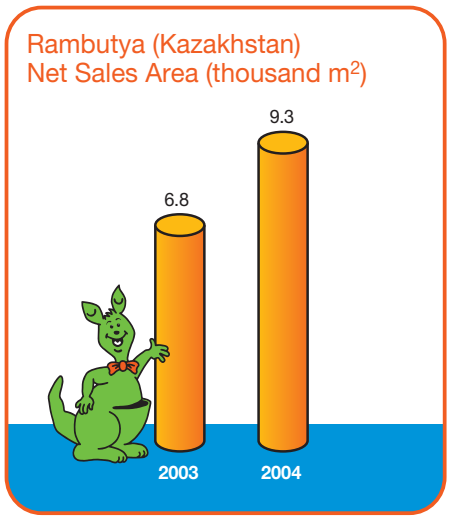
Year-round advertising campaigns and promotions increased sales. Other than special promotions, customers were communicated through ads in the Rampost magazine and the Rampost Caravan newspaper. Technological investments were also made to increase access to Club Card holders. Kiosks were placed in stores. All this work is aimed to get an infrastructure ready for the CRM process in the future.

In 2004 as in 2003, Ramstore was awarded the "best supermarket and shopping mall" award. Ramstore was also given "the most credit card usage" award by Kazkommertsbank. Given that credit card usage in Kazakhstan is around 4%, it is easy to understand the importance of this award.

Expectation and Objectives

The goal is to open two new stores in 2005 and to become more active in the retail market in Kazakhstan. CRM and similar projects will feature the state-of-the-art applications.





Ramstore (Bulgaria)

Republic of Bulgaria "Ramstore Bulgaria AD"	
First Store	2001
Shareholder Structure	
Migros Türk T.A.Ş.	100%
Number of Stores	4
Shopping Mall and Hypermarket	-
Supermarket	4
Average Number of Employees	107

The country grew by 4.9% in 2003 and with the outlook for EU membership it is expected to grow 4.3% in 2005.

Consumer inflation in 2004 was 3.9%. Imports were fuelled by increasing consumer loans creating a foreign trade deficit and in 2004 US$ 1.5 billion was invested directly. S&P and Moody's increased their credit rating in 2004 to investment grade.

Open-air markets are still strong and play an important role. 2004 was a year when stores with over 1000 square meter retail space increased their market share. Hyper and supermarket numbers rose by 11%, as smaller stores started to lose their market share. The improving economic outlook and per capita buying power have helped increase retail potential. Strong domestic and international chains are active in the sector.

Ramstore Bulgaria opened its fourth store in November 2004, near the capital, Sofia, in Lozanets. With the new store the net retail area rose by 19%. Customer numbers increased by 10%. 1.2 million customers were served in 2004.

Ramstore Bulgaria, through its participation Ramstore Macedonia, is investing in Skopje. The new hypermarket and shopping center that will be opened there will give the people of Skopje the opportunity to shop in a twenty-first century environment and offer a new market for Turkish goods. The store, the largest Turkish investment in Macedonia with an area of 25,000 m^2, will be opened in 2005.

Ramstore (Azerbaijan)

Republic of Azerbaijan "Ramstore QTSC"	
First Store	1996
Shareholder Structure	
Migros Türk T.A.Ş.	79.75%
Other	20.25%
Number of Stores	3
Shopping Mall and Hypermarket	-
Supermarket	3
Average Number of Employees	82

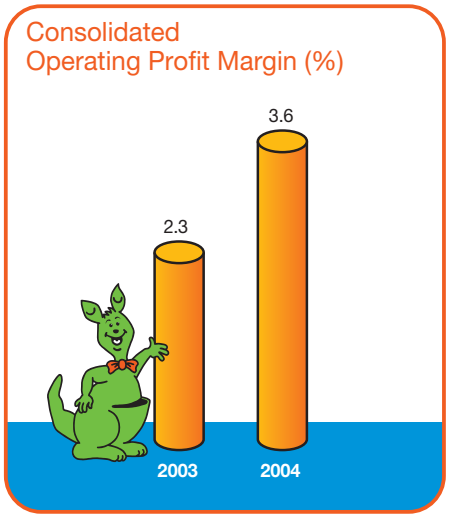
Azerbaijan, the first country Migros invested in internationally in 1996, now has 3 stores.

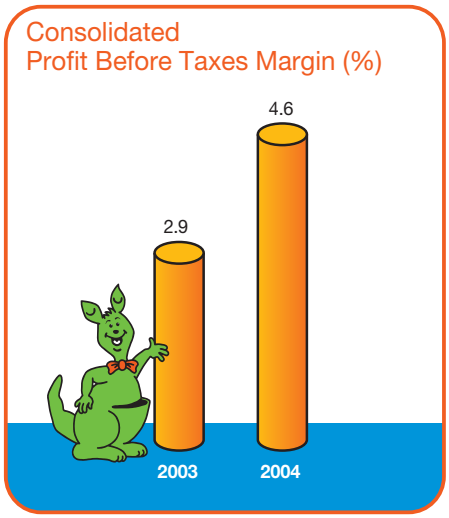
In addition to a thriving free market economy and political stability, new reforms are being implemented all the time. The Baku-Tbilisi-Ceyhan oil pipeline is expected to become operational in the year 2005 and this will considerably improve living standards. In the retail sector measures should be taken to prevent unfair competition through the application of the simplified tax system. Ramstore Azerbaijan continued to be the leader in its sector in 2004.

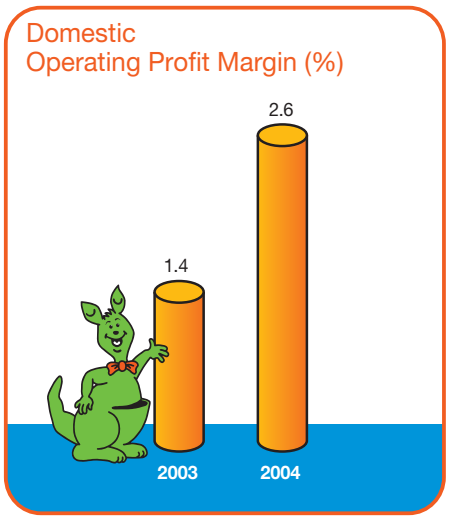
Throughout the year emphasis was placed on Ramstore, Şok and My Budget private label product sales and promotions. Migros-imported products were put on the shelves with their price advantage reflected to the consumer and a sales policy of discounting ensued. The two major radio stations in Azerbaijan ran Ramstore commercials. Customers were also reached via the monthly Ramstorepost money-off voucher leaflets. For continuous customer outreach, the Ramstore Club card subscription was made more attractive.

Throughout the year more investments were made in technology, and with computer-backed management systems work processes were improved. There was an increase in the numbers of customers, product variety and sales. While the previous year there had been an operational loss, the Company restored back to profit.

Financial Results and Evaluation







Migros continued its investments domestically and internationally to reach 507 stores with a net retail space of 423,472 m², showing a physical growth of 6.9%. Consolidated sales for year 2004 reached YTL 2,274 million.

Gross profit rose on a real basis 11% to YTL 511 million, and in domestic operations, operational profit rose 67% in real terms to YTL 81.7 million. In parallel, profit before taxes grew 71% to YTL 104.9 million on a real basis boosted by an improvement in domestic operations.

Consolidated Results

(YTL thousand)

Sales and Margins	2003	%	2004	%
Sales	2,108,200	100.0	2,273,937	100.0
Gross Profit	462,331	21.9	511,045	22.5
Operating Profit	48,854	2.3	81,682	3.6
EBITDA	114,745	5.4	144,726	6.4
Profit Before Taxes	61,234	2.9	104,873	4.6
Net Profit	81,086	3.8	74,397	3.3

The December 31, 2003 statutory balance sheet was subject to inflation accounting for the first time at the end of 2003 by virtue of the amended Tax Procedural Code. As there are interpretation differences between statutory accounting principles and IFRS, and because of timing difference accounted for, a significant deferred tax provision was credited in 2003, while it was charged in 2004. That is why it is better to evaluate the 2004 performance by looking at pre-tax figures.

Domestically in 2004, sales were YTL 1,901 million; a 10% inflation adjusted growth can be seen from 2003. Gross profit domestically is over YTL 405 million. With the cost saving and sales increasing measures in domestic operations, operational income was twice as much as the previous year. We find this achievement very important as interest rates have dropped and financial gains have lessened. From its core activities, Migros generated an operational profit equal to 2.6% of Migros sales. The rise in operational profit has also affected EBITDA positively and has increased from 4.5% to 5.4%. We expect our operational profit to rise in the following years with new projects and initiatives.

Domestic Results

(YTL thousand)

Sales and Margins	2003	%	2004	%
Sales	1,730,203	100.0	1,901,310	100.0
Gross Profit	368,439	21.3	405,233	21.3
Operating Profit	23,515	1.4	49,975	2.6
EBITDA	78,441	4.5	102,351	5.4

In Russian operations, although there is a fall in real TL terms, sales have increased in roubles and dollars. The sales of Ramenka, which is included in the consolidated sales of Migros, is 15% of domestic sales, with the operational profit of Ramenka accounting for 50% of domestic operational profit. In this country the rental revenue from shopping malls creates better margins and increases competitiveness. When comparing gross profit and operational profit with those in Europe where organized retail is stronger, the profit in Russia is higher. For this reason, Russian operations are found to be very good investments.

Ramenka-Russia
(YTL thousand)

Sales and Margins	2003	%	2004	%
Sales	297,429	100.0	288,719	100.0
Gross Profit	72,343	24.3	82,765	28.7
Operating Profit	20,112	6.8	24,982	8.7
EBITDA	27,995	9.4	32,785	11.4

Sales of Rambutya operating with 5 stores in Kazakhstan have reached YTL 60.5 million. The sales of Rambutya are 2.7% of Migros consolidated sales, and the operational profit is 11.2% of consolidated operational profit.

Rambutya-Kazakhstan
(YTL thousand)

Sales and Margins	2003	%	2004	%
Sales	57,870	100.0	60,527	100.0
Gross Profit	16,910	29.2	18,066	29.8
Operating Profit	7,089	12.2	9,129	15.1
EBITDA	8,386	14.5	10,286	17.0

Rambutya operations, with its highest margins, are as satisfactory as Russian operations.

Ramstore Bulgaria, consisting of 0.6% of consolidated sales and Ramstore Azerbaijan 0.5% of consolidated sales, can be described as small within our consolidated sales. Last year Ramstore Azerbaijan had an operational loss of 2.1% of sales, while it had a 1.3% operational profit in 2004 through the productivity raising projects. Although Ramstore Bulgaria had an operational loss in 2004, it is still seen as our gateway to Europe. It is expected that the Ramstore Bulgaria operations will gain momentum as the country is preparing to join the EU and Macedonian operations will be consolidated.

Expectations and growth targets for 2005

Migros in 2005 will continue to focus on selective growth strategy and increasing operational efficiency in Turkey. 8% domestic real growth is planned for 2005. Domestic sales is targeted to be YTL 2.2 billion with an aim to open a total of 37 new stores, 25 of them being Şok stores. Internationally a 30% growth in dollar terms is targeted and physical growth will continue with the opening of new Ramstores and shopping malls. The performance of stores opened outside of Moscow will encourage us to open more stores in other cities. A shopping mall in Macedonia, two Ramstores in Kazakhstan and one in Bulgaria are planned. Our Company continues its work for making foray into the Ukrainian and Syrian markets.

Corporate Governance Principles Compliance Report

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2004

Statement of Compliance with Corporate Governance Principles

Migros Türk T.A.Ş. adheres, as a matter of principle, to the “Corporate Governance Principles” that were adopted by Capital Market Board (CMB) resolution 35/385 dated 4 July 2003 and publicly announced in July 2003. Migros is aware of the benefits that the implementation of these principles will have for our Company, its stakeholders, and ultimately our country. Aspects in which such implementation is deficient are being reviewed, these shortcomings will in time be eliminated, and rapid progress will be made towards making our Company an exemplary one on such issues.

PART I: SHAREHOLDERS

Shareholder Relations Unit-Investor Relations

As a matter of policy, our Company attaches great importance to shareholder relations. A unit that responds to shareholders' requests for information about the Company has been set up and is under the responsibility of the assistant general manager for financial affairs. This unit manages processes related to company general meetings, share capital increases, and dividend payments. It also answers all shareholder questions about capital increases and dividend payments and handles all procedures related to such matters.

A structure has been set up that makes it possible for Migros shareholders who have not used the new share coupons or dividend coupons related to the shares of stock they own and thus have not yet exercised their bonus stock options or claimed their dividend entitlements to perform these transactions quickly and securely.

This unit also responds to requests for information about the Company. Migros shareholders and brokerage analysts preparing reports about the Company are kept informed using as many channels of communication as possible such as direct contacts, conferences, meetings, the internet, telephone, information bulletins, etc. In addition to preparing the Company annual report, the unit also coordinates company activities and operations related to corporate governance. It identifies points that need improvement and supports the Company's senior management in keeping up with the philosophy of continuous development so that Migros can be a model company in such matters.

All shareholders requesting information about our Company can submit it by sending e-mail to the unit's investor_relations@migros.com.tr account.

Assistant General Manager for Financial Affairs: Erkin Yılmaz
Address: Turgut Özal Bulvarı Ata 6 Ataşehir 34758 Kadıköy/İstanbul-Turkey
Telephone: (+90 216) 579 3000 (ext 3214)
E-mail: erkiny@migros.com.tr

Unit Manager: Dr Affan Nomak
Telephone: (+90 216) 579 3000 (ext 3142)
E-mail: affann@migros.com.tr

A total of 130 Migros shareholders who had not yet exercised their bonus stock options or claimed their dividend entitlements did so subsequently at the Company's headquarters. Numerous individuals requesting information about current-year transactions were responded to and they were directed to call at Koçbank branches to exercise their rights.

Shareholders who hold printed stock certificates and have not already received the bonus shares of stock issued by the Company in previous years and/or exercised their dividend rights should apply directly to company headquarters if the new share coupons on their certificates are numbered 11 or below. Dividends from 1999 are also being paid by company headquarters.

If the 11th coupon on their certificates has been used but the 12th and 13th have not, shareholders may exchange these certificates and receive their bonus shares of stock at Koç Yatırım's İstanbul-Harbiye branch or at any branch of Koçbank. Dividends from 2000 and later years may also be collected by presenting dividend coupons to Koç Yatırım's İstanbul-Harbiye branch or any branch of Koçbank.

Shareholders' Exercise of Their Right to Obtain Information

Disseminating Information

The Shareholder Relations Unit responds to all requests for information about the Company. During the reporting period, shareholders requested information about the current year's dividends such as their amount and how they would be paid, about taking part in the general meeting, and how to exercise their rights arising from the Company's capital increase. Announcements about such matters are made in newspapers and also via the Migros corporate website. During the year shareholders also requested information about the number of stores the Company owned at the end of balance sheet periods, the amount of net selling space, the number of stores planned for opening during the year, year-end sales targets, etc. The Shareholder Relations Unit keeps Migros shareholders and brokerage analysts preparing reports about the Company informed using as many channels of communication as possible such as direct contacts, conferences, meetings, the internet, telephone, information bulletins, etc. In addition to its annual report, the Company also endeavors to provide all investors with an equal opportunity to be informed about the Company through its quarterly investor bulletin in which the most recent financial results have started to be interpreted and published. General information about the Company is also provided in these bulletins which, like the Company's annual report are accessible to shareholders on the Company's corporate website.

Auditing

According to the Company's articles of association, three statutory auditors are to be elected “from among shareholders and/or from outside the Company” for up to three-year terms. In practice, Migros's statutory auditors are elected by the general meeting for each year.

In addition and as required by Capital Market External Independent Audit Regulations published by CMB every year, a firm is also chosen to be the Company's independent auditor. For 2004 the general meeting approved the firm of Başaran Nas Serbest Muhasebeci Mali Müşavirlik AŞ as the Company's independent auditor. This firm had been selected by the Board of Directors, which recommended it to the general meeting.

In addition, the Migros Board of Directors has formed a two-person committee to be responsible for audit-related matters. H. Hasan Yılmaz and Oktay Irsıdar were chosen to be the members of this committee until the general meeting at which the Company's 2004 results were to be discussed.

Information About General Meetings

The ordinary general meeting where the activities and accounts of Migros Türk T.A.Ş. were examined was held at Divan Hotel at the address of Cumhuriyet Caddesi No. 2, Elmadağ, Şişli-İstanbul at 10:00 on 14 April 2004 under the supervision of Şerife Güner, a trade ministry commissioner appointed for that duty by letter 17841 dated 13 April 2004.

Invitations concerning the general meeting, which also included the agenda, were made as provided for by law and the Company's articles of association and published in issue 6018 dated 30 March 2004 of Turkish Trade Registry Gazette and in the 29 March 2004 national edition of the daily Dünya. The date and location of the general meeting were also announced to shareholders via the Company's corporate website.

To prevent traffic congestion in shareholders' registrations, the announcement also said that shareholders who intended to take part in the meeting or send a proxy to represent them at the meeting where the agenda would be deliberated and decided upon should obtain their meeting passes at least a week before the meeting date. In practice all requests for passes were honored even on the eve of the meeting. Shareholders who made their request on the meeting date were admitted to the meeting as observers. Passes continued to be handed out until the time at which the meeting was scheduled to start. Shareholders who wished to have themselves represented at the meeting by a proxy were instructed to have their power of attorney prepared according to the form provided by the Company and to have them duly notarized as specified in CMB communique IV:8 published in the 9 March 1996 issue of Official Gazette.

Our Company's 2003 balance sheet, income statement, Board of Directors' annual report, statutory auditors' report, independent auditor's report, and dividend payment proposal were made available to shareholders for their examination at the Company's headquarters on 30 March 2004.

According to the general meeting's attendance roster, a total of 89,254,408,085 shares corresponding to TL 70,308,913,500,000 out of 137,700,000,000 shares for the Company's total capital of TL 137,700,000,000,000 were represented at the meeting of which 18,945,494,585 shares corresponding to TL 18,945,494,585,000 were present in person and 18,945,494,585 shares corresponding to TL 18,945,494,585,000 were present in proxy. A number of media representatives also attended the meeting. During the meeting the presiding officer gave the floor to shareholders wishing to address the meeting and express their views and opinions about the Company and its activities. Migros general meetings are open to all of the Company's stakeholders.

The general meeting's minutes and attendance roster were reported to the İstanbul Stock Exchange the same day immediately after the meeting. In addition, they were published in issue 6040 of Turkish Trade Registry Gazette dated 30 April 2004 and also faxed to shareholders who requested it. Copies of the minutes and attendance rosters for the most recent four years' general meetings are available for shareholders to examine on the Company's corporate website.

Voting Rights and Minority Rights

As stipulated in our articles of association, none of our Company's shares incorporate privileged voting rights. Every shareholder exercises one vote for each share of stock he holds at general meetings and all votes are equal. There are no shareholders with which there are cross shareholding interests.

Dividend Payment Policy and Timing

There are no privileged rights concerning anyone's participation in the Company's profits. Dividends are paid within the legally prescribed periods of time.

Migros has successfully reported a net profit every year since it was first quoted on the stock market in 1991. Similarly our Company has uninterruptedly paid a dividend over the last fourteen years in different percentages of its capital depending on the net profit. Paying a dividend is a matter that Migros has always regarded as important from the standpoint of its shareholders' interests and in this direction is our dividend payment policy. The crucial balance between our Company's growth strategies and its dividend payment policy is managed with the utmost care.

The amount that is to be paid to our Company's shareholders in dividend is determined on the basis of the attributable profit shown in its consolidated financial statements, which is to say the amount remaining after statutory reserves; taxes, duties, and charges; and prior-year losses if any, have been subtracted from gross profit. The dividend to be paid out in any year is also determined in accordance with the rules and regulations of the Capital Market Board.

According to CMB communiques XI:25 and IV:27, when calculating attributable profit of the parent company; a subsidiary, or a joint venture or an affiliate's profit is not to be taken into account in the parent company's consolidated financial statements where they might be included unless these participations did not take such a resolution for profit attribution in their individual general meetings.

Transferring Shares

The company's articles of association contain no provisions restricting the transfer of shareholding interests. The Board of Directors is authorized to issue shares of stock that are worth more than their nominal value and to impose limitations on existing shareholders' rights to acquire new shares.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

Company Disclosure Policy

The Company's public disclosures are made in an accurate and timely manner with respect to the issues governed by CMB communique VIII:39 concerning principles of public disclosure about special circumstances. In addition, public disclosures are also made on important issues that might affect the interests of shareholders as well as stakeholders.

Whenever questions are directed to the Company by shareholders, the Shareholder Relations Unit makes every effort to respond to them accurately, completely, and mindful of the principle of equality in line with the Company's public disclosure policy.

Migros's public disclosure policy requires it to share any and all manner of information upon demand unless such information is in the nature of a business secret or would engender a competitive advantage for third-party individuals or entities to Migros's disfavor were it to be divulged.

Special Circumstance Announcements

During 2004 our Company made a total of 48 special circumstance announcements (not including announcements about Migros made by Takasbank (Clearing House) and other publicly held companies) within the framework of CMB communique VIII:39 concerning principles of public disclosure about special circumstances. In two cases, ISE requested additional explanation concerning the announcements. Both requests were concerned with news featuring in the media about the American retailing chain, Wal-Mart.

The Internet Site and Its Content

Customers' needs are always in the forefront of Migros's attention. While distinguishing itself in the sector through the investments in technology, Migros also offers the advantages arising from that technology to work for its customers. The Company opened its website at www.migros.com.tr to its shareholders and customers in 1997. Since then our website has grown and expanded to include “About Migros”, “Investor Relations”, “Our stores”, “Campaigns”, “Migros Club”, “Migros Brands”, “Customer Relations”, and “Human Resources” sections and sub-sections as well as many more issues including those stipulated in article 1.11.5 of section II of CMB's Corporate Governance Principles.

Disclosure of Non-Corporate Ultimate Controlling Shareholders
The shareholding structure of Migros Türk T.A.Ş. is presented below.

Migros Türk T.A.Ş.
Paid-in Capital (YTL thousand)

Shareholder	Share (%)	Amount
Koç Holding A.Ş.	51.06%	70,307
Publicly Held	48.94%	67,393
Total	100.00%	137,700

There are no shares with any privileged rights.

Public Disclosure of Those Who May Have Access to Insider Information
The names of the members of our Company's Board of Directors and of those in senior management as well as any changes that took place in senior management during the year are presented in our annual report.

Rahmi M. Koç	Chairman
H. Hasan Yılmaz	Vice Chairman
Cengiz Solakoğlu	Board Member
Nüsret Arsel	Board Member
Uğur Çatbaş	Board Member
F. Bülend Özaydınlı	Board Member
Y. Ali Koç	Board Member
Oktay Irsıdar	Board Member
K. Ömer Bozer	Board Member
F. Füsun Akkal Bozok	Statutory Auditor
Ali Yavuz	Statutory Auditor
İbrahim Yelmenoğlu	Statutory Auditor
Aziz Bulgu	General Manager
Ender Alkaya	Assistant General Manager
A. Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
İhsan Usel	Assistant General Manager
Demir Aytaç	Assistant General Manager

PART III: STAKEHOLDERS

Keeping Stakeholders Informed
Migros's corporate governance practices guarantee the rights to which stakeholders are entitled by laws and regulations and under contractual obligations.

The Company's employees, shareholders, and subsidiaries and the third-party individuals and entities with which the Company has business relationships may submit suggestions or report violations on such issues directly to the Company's management. Such direct submissions and reports are evaluated and an appropriate response is made to those concerned.

Migros publishes the names of the Company's department heads and their contact information on its corporate website thus making it possible for stakeholders to directly contact the manager who is in charge of a particular issue and direct their questions etc on any issue to the appropriate person first-hand. The objective of this structure and model is to permit communication between the Company and its stakeholders to be more transparent and more effective.

Stakeholders are kept informed on matters related to the Company that are of concern to them. Potential investors who are considering buying our Company's stock may request information by directly contacting our Investor Relations Unit. The Migros Investor Relations Unit responds to their questions about the Company by e-mail or telephone or in face-to-face meetings.

The aspects of Migros's business ethics principles concerning employees are presented under the heading “Rules of ethics”. Other principles are presented below.

Migros's Responsibilities Towards Other Companies
1. Migros complies with the requirements of law in all its activities.
2. No unjustified gain may be secured from any individual or organization for any reason whatsoever. Migros makes all its goods and services procurement decisions in line with established and publicly disclosed criteria.
3. It is important for Migros that its business partners refrain from tarnishing the image and reputation of Migros in their own business activities and that they give importance to Migros's proven business values.
4. Migros checks to ensure that the services it obtains on a continuous basis from other organizations are provided in compliance with the requirements of law and it takes necessary action accordingly.
5. Migros does not divulge confidential information it receives from a company that serves it to third parties without that company's permission.

Migros's Responsibilities Towards the Community
1. Migros makes every effort to uphold the standards that its customers expect of it.
2. Migros seeks to fulfill all of its tax and other obligations in full and on time and to be an example to the community on such matters.
3. Migros does not make humiliating, derisory, or offensive statements concerning other companies, organizations, products, or individuals.
4. Migros takes care in all its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores, and traditions and it complies with all the requirements of law on such matters.
5. Migros defends its business ethics in its sector and strives for calcification, furtherance, and acceptance of these principles.

The Responsibilities of Employees Towards the Company
1. Migros employees strictly reject any offers of material or moral benefits from third parties made to influence their conduct of activities falling within the areas of their individual responsibility.
2. Migros employees inform their immediate superior whenever entering into a one-on-one business relationship with any company in which a close relative works, has a partnership interest, or is the owner and they take action with his knowledge.
3. Migros employees exhibit maximum attention and care when fulfilling the duties given to them and they make every effort so that the work they do can be of higher quality, faster, and more economical.
4. Migros employees refrain from any act or behavior that would damage the Company's image and reputation. During working hours they remain within the modes of dress and behavior that have already been established by company management or are generally accepted.
5. Migros employees are neither indifferent nor unresponsive when confronted by any situation that is contrary to the Company's interests and they notify the appropriate company units instead.
6. Migros employees avoid waste and use all of the Company's fixtures, tools, and equipment for the purposes for which they are intended. They do not make use of anything the Company provides them to do their jobs for their own private benefit.
7. Migros employees do not divulge outside the Company any confidential or private information that they become aware of as a consequence of their position or the work that they do. Without the written approval of the Company's management they do not give interviews or make statements of any kind to any media organization.

The Responsibilities of Employees Towards Employees
Migros employees do not divulge private information concerning other company employees that they come into as a consequence of their jobs except where it is a requirement of their jobs.

In General
The Migros Committee on Business Ethics set up within the Company is responsible for dealing with and clarifying any issues that are not dealt with by the principles set forth above.

Stakeholder Participation in Management

Article 7 of “The Company's responsibilities towards its employees” section of Migros Principles of Business Ethics says: Migros takes, insofar as it is possible, the ideas of employees into account when making decisions concerning the Company's future.

In line with this, Migros's management exhibits all due sensitivity on this matter. Migros employees for their part have the means with which to forward their suggestions and demands to the Company's senior management and board members.

Human Resources Policy
The Migros Human Resources Department seeks to utilize systems that will ensure the ongoing development, motivation, and management of human resources that will create competitive advantages in the realization of the Company's strategies and to implement them in line with the Company's corporate principles.

As our founder, the late Vehbi Koç, once so beautifully said “Our most important capital is our people. The quality of our products and services begins with the quality of our employees. Attracting the best and most competent people and employing them in our Company, taking maximum advantage of our people's abilities, strengths, and creativity, increasing their individual productivity, giving them opportunities to progress, and creating a working environment in which cooperation and solidarity flourish is the way we have chosen to ensure that our Company will survive generation after generation.”

Our Principles

• The strategic importance of human resources

Human resources management at Migros focuses on the importance given to people by recognizing their strategic value and creates an awareness that human resources must be treated as a unique element. Human resources strategies are structured so as to create a reliable, go-getter, and proactive organizational structure so that Migros is able to maintain its sectoral leadership in a competitive environment. Employees are treated as a strategic resource out of the belief that their experience and creativity will be the driving force in adapting to changing competitive conditions and to rapidly accommodating ourselves to newly-penetrated markets and establishing our leadership in them.

• Superior business ethics and honesty

In all our dealings with our employees, it is a fundamental principle of ours to act with fairness, good intentions, and understanding and to abide by the law and the rules of ethics.

• Workplace safety

Migros is committed to fulfilling all of its obligations towards its employees within the framework of laws and regulations.

To enable employees to perform their jobs safely at Migros Türk T.A.Ş., the Company complies not only with all of the requirements of the labor law and associated laws, regulations, and administrative provisions but also with sector standards concerning ergonomics and the improvement of the working environment. In the case of civil defense activities, which are of such great importance in our country, theoretical and practical training is also provided in cooperation with the public authorities concerned.

• Equality of opportunity

In its Turkish and foreign subsidiaries, Migros provides service through employees that have tremendous diversity in terms of language, religion, race, and nationality. All human resource related decisions from recruitment and placement to compensation are governed by job position profiles that are defined in detail. The human resource evaluation systems that Migros has set up enable it to monitor and assess the competencies, skills, and performances of its employees objectively within a framework of common principles to which all are subject. On the basis of evaluation results, the Migros Integrated Human Resources System makes it possible to achieve equality of opportunity in the training, progression, career development, and compensation of its employees.

• Human resources and industrial relations

The management of human resources processes and of relations with employees at our Company in line with established human resources policies and principles is under the responsibility the Assistant General Manager for Human Resources and Industrial Relations and is clearly defined and committed to in company regulations and in the Company's business ethics principles.

• Participation and transparency

Managers and employees are inseparable elements of human resources practices at Migros. Employees are kept informed about their roles and responsibilities in human resources practices and provided with guidance as to how those responsibilities are to be fulfilled.

Human resources policies and processes are continuously shared with employees by means of all of the Company's communication resources (corporate intranet, e-mail, e-learning, and meetings). Employees have access to all evaluations that have been made concerning themselves, can obtain information and training on practices, and can view their individual results.

• Competitiveness

Migros plans and manages the professional development of its employees not only to keep them competitive on all professional platforms within the Company but also so as to enable them to create positive value for the economy, environment, and society of which they are part.

• Commitment to common values

Values shared in common make up the foundation of our corporate culture. These values are:

• Giving priority to customer satisfaction
• Being progressive and dynamic
• Honesty and trustworthiness
• Respect for the law and for individual rights
• Sensitivity towards society and the environment
• A liking for teamwork

Actions on the part of employees that are contrary to the Company's common values are dealt with appropriately and impartially through warning systems and a Discipline Committee procedure.

Conducting relations with employees at Migros is the primary function of the Company's Industrial Relations Department. Consisting of a team of ten people, the objectives of this department are to ensure that all laws and regulations are fully complied with by the Company, to oversee the rights acquired by employees under laws and contracts, and to manage employee rights in such a way as to maintain labor peace and fulfill all legal obligations.

Relations with Customers and Suppliers

Underlying Migros's half-a century leadership of its sector is a dynamic corporate culture informed by experience and the ability to act intrepidly under changing conditions. A thorough familiarity with both customer and market, an ability to keep abreast of developments and act proactively, and serving as a vanguard of change are important elements of Migros's innovative style and the reasons why many firsts in the sector, such as consumer rights as early as the 1960s and 1970s, began to take hold in the sector only after being introduced at Migros. In 1998 Migros introduced another first in the Turkish retail business in the form of its Migros Club system, which is designed to enable the Company to become better acquainted with its customers and provide them with better and more differentiated service. Analysis of customer data makes it possible to approach customers not as an anonymous crowd but rather as individuals. In addition to its modern supermarkets, Migros also enhances the ability of customers to reach it through alternative platforms tailored according to their needs such as the discount outlets introduced in 1995 and the Migros virtual market introduced in 1997.

The well-entrenched element of innovativeness in Migros's corporate culture and technological investments designed to support are what enable us to achieve differentiation in our customer relations.

In the 1990s Migros was the first to introduce the barcode system and electronic cash registers that have reduced customer waiting times and Company operating costs so dramatically in the sector. The same pioneering spirit led the Company to set up its B2B system for its suppliers. By reducing operating and logistical costs while providing savings and gains for all sides, this system creates benefits for all our stakeholders, and especially for our customers.

For the purpose of identifying customer expectations in advance and acting proactively in order to improve itself, Migros has been conducting a customer satisfaction survey since 1994 in which 6,000 people are polled. Data from these surveys are analyzed to determine existing levels of customer satisfaction and to develop models to spot future trends in customers' expectations. In addition, occasional surveys conducted from stands inside stores on specific issues give customers a chance to make themselves heard and express their expectations. The feedback from these activities helps us understand their expectations not just about the present but about the future as well and to review and revise our own objectives.

Migros Club data are analyzed and the results are used to assess customer relations management practices. Our mystery customer program is designed to develop employees' customer relations skills while also providing information that can be used to develop new customer relations management practices. Mystery customer surveys are a unique Migros quality-based performance tool that employs scientific methods to measure and benchmark the quality of service provided at points of sale within the framework of our corporate culture and company rules, from the standpoint of physical standards and customer relations, and in line with customers' views and evaluations.

Some of the more important of the other activities that are carried out to achieve customer satisfaction are summarized below.

• Migros is thoroughgoing in its selection of every supplier from which it procures goods. The Company's suppliers are audited at regular intervals by the Food Science and Technology Research Institute of the Scientific and Technical Research Council of Turkey, which also periodically carries out quality control analyses. Migros own-brand products are also subjected to the same quality control process as well.
• Every new product that is put up for sale on store shelves by Migros is put through a preliminary quality control process.
• Before products obtained from suppliers enter Migros warehouses, food engineers subject them to sensory, chemical, physical, and microbiological quality control tests. Goods that do not satisfy quality control conditions are rejected.
• Products are regularly checked by veterinarians in Migros stores, warehouses and on the shelves to ensure food safety.
• Personnel employed in all Migros stores are put through training programs to make them aware of hygiene and food safety-related issues.
• Under our discount program, products are offered for sale at discount prices for two-week periods, during which time Migros guarantees that the goods will not run out of stock.
• All suggestions made by customers are given consideration and customers' queries and complaints are addressed and responded to as quickly as possible by the store itself or by headquarters as appropriate. Customers can forward their complaints quickly and easily to the Company through store managers, via a toll-free customer line, and by means of e-mail directed to management at every level.

Social Responsibility

Migros's responsibilities towards the community are spelled out in Migros Rules of Ethics as follows:

1. Migros makes every effort to uphold the standards that its customers expect of it.
2. Migros seeks to fulfill all of its tax and other obligations in full and on time and to be an example to the community on such matters.
3. Migros does not make deprecating, derisive, or offensive statements concerning other companies, organizations, products, or individuals.
4. Migros takes care in all its activities to avoid causing harm to the natural and historical legacy and to behave in accordance with customs, mores, and traditions and its complies with all the requirements of law on such matters.
5. Migros defends its business ethics in its sector and strives on behalf of the inculcation, spread, and acceptance of these principles.

Migros is aware that companies have as much a responsibility as do the state, non-governmental organizations, and national and international

standards for the sustainable development of a contemporary way of life both in Turkey and globally in the other countries in which it operates, for improving standards of living, and for using limited resources productively.

The corporate culture that our Company has developed over more than half a century, the importance given to public health and hygiene, the sensitivity shown towards identifying and satisfying the needs of society, the organization of and participation in exemplary educational, cultural, sports, and social activities that are essential for social development, and a strong environmental awareness are what make up Migros's identity as “an honest vendor”.

As a requirement of its social awareness, Migros acts in compliance with laws, moral standards, and human rights in all the services that it offers to consumers; fulfills the responsibilities incumbent upon it to combat the unregistered economy; and contributes to employment by defending employees' rights. The Company also shares its sense of social responsibility with all its stakeholders-employees, suppliers, subsidiaries, investors, and customers-as well as with the public at large and gives importance to supporting and encouraging pioneering value-creating practices on behalf of economic and social growth and development.

Migros's actions are guided by the awareness that a good reputation can be lost in a single moment. It gives importance to ethics and honesty in everything it does. It knows that trust cannot be bought; that it is a bond that grows and develops slowly and over a long period of time between a company and its customers and not through quick-fix concepts or by mouthing slogans. Since 1954, Migros has been safeguarding the health and rights of its customers. Many innovative practices introduced by Migros to encourage good shopping habits and foster consumer awareness subsequently became standards in the sector and some have even been embodied in the law.

As its point of departure, taking the philosophy that quality is a search for perfection, Migros seeks to achieve the highest possible level of customer satisfaction by means of control mechanisms that it has set up to monitor quality at every stage from procuring the goods that are sold on the shelves to their consumption by customers.

Specific details of the Company's activities under the heading of social responsibility are presented in the relevant sections of the annual report.

PART IV: THE BOARD OF DIRECTORS

Structure and Formation of the Board of Directors; Non-Executive Board Members

The Migros board of directors consists of nine members who are elected by the general assembly of shareholders. Its members are:

Rahmi M. Koç
H. Hasan Yılmaz
Cengiz Solakoğlu
Nüsret Arsel
Uğur Çatbaş
F. Bülend Özaydınlı
Y. Ali Koç
Oktay Irsıdar
K. Ömer Bozer

In the allocation of duties that the members of the board have made among themselves, Rahmi M. Koç serves as the chairman and H. Hasan Yılmaz serves as the deputy chairman. Currently the only executive board member is K. Ömer Bozer.

Qualifications of Board Members

All of the members of the Company's Board of Directors are in full compliance with the qualifications stipulated in articles 3.1.1, 3.1.2, and 3.1.5 of section IV of CMB's Corporate Governance Principles. At the same time, they are also professionals whose knowledge, experience, and educational backgrounds are exemplary both in our sector and in the world of business.

Mission, Vision, and Strategic Goals of the Company

Our Company's vision is to be the closest to the consumer with various service formats with the strategy to exceed customer expectations and having a market presence throughout Turkey and widely in neighboring countries.

Our Company's mission is to become a benchmark and a strong regional retail chain by strengthening its leadership position in the Turkish retail sector and being either the first or the second in the countries of operation.

In line with its mission, Migros Türk T.A.Ş. structures its strategies so as to achieve sustainable quality and earn respect as a sectoral leader by means of an approach to customer satisfaction that raises the standards of retailing in the countries in which it is active.

The Company's senior management develops strategies to achieve this mission in light of the vision as defined by the Board of Directors. To this end, our basic strategy is to provide our customers with high-quality service that is modern, dependable, economical, and in keeping with our traditional Koç values. Targets are set in order to measure the degree to which these strategies are realized and these targets are made known to all organizational units and supported by business plans. A Corporate Performance Management System that has been set up makes it possible to monitor and evaluate these targets and business results so that both targets and strategies can be reviewed and revised whenever circumstances make that necessary.

Yearly, quarterly, and monthly reporting structures have been created to enable the Board of Directors to carry out such basic administrative functions as planning, organizing, and oversight.

Company board members are kept informed of the progression and direction of the Company's business by means of annual meetings at which the updated current long-term five-year plan is presented and reviewed, annual budget and review meetings, and quarterly meetings at which the most recent quarter's results are presented and the board's feedback is obtained. In addition, detailed monthly progress reports are prepared and submitted to the board. In these ways, the Company's board members are able to monitor the Company's efforts to achieve its objectives and immediately intervene and provide guidance when necessary.

Risk Management and Internal Control Mechanisms
Migros's internal control system consists of two separate internal control modules: financial control and operational control. Also incorporated into the system are all of the Company's risk management control mechanisms. The main features of the Migros internal control system are summarized below.

The Migros financial control module is designed to make it possible for decision-makers to effectively manage and control the programs, activities, functions, and units for which they are responsible by providing reliable information about the system of which they are a part in ways that are independent, systematic, and quantifiable.

By means of this system, decision makers are able to:
• Perform financial controls
• Observe customer-focused processes
• Assess whether or not resources are being used effectively and economically
• Spot transactions that are not effective or economical
• Identify practices and activities that are inconsistent with the Company's aims and objectives.

In addition to revealing the existence of problems, the system also allows users to determine a range of possible solutions.

The Migros operational control module is designed to oversee the effectiveness of operational processes and practices as they are taking place within the Company. The most important step in this oversight process is taken at the level of individual store operations and indeed this module might also be called a “store performance monitoring system” inasmuch as it seeks to achieve the following special aims apart from those of the financial control module.
• Ensure that the customer shopping experience is central to all business strategies.
• Reveal both the relationship between the Company's vision, mission, and philosophy on the one hand and the service being delivered on the other as well as any discrepancies between them.
• Achieve continuous improvements in service quality and customer satisfaction.
• Analyze employee behavior within the framework of the customer service cycle.
• Determine the added value that is created by improvements in service quality at every stage of business processes.

The Migros internal control system also incorporates the systematic reviews that the internal control unit of its principal shareholder, Koç Holding AŞ, makes at regular intervals during the year. These reviews also provide an opportunity for Migros to review its own internal control processes and make improvements in them.

Work has begun on setting up a new department in the Company that will be responsible for continuously developing Migros's risk management and internal control mechanisms in parallel with the Company's changing needs and for organizing all activities so that reporting can be made to the Audit Committee and the Board of Directors.

Authorities and Responsibilities of Company Board Members and Executives
The duties and authorities of board members are clearly spelled out in the Company's articles of association, which can be accessed on the Migros corporate website at www.migros.com.tr.

The Migros Board of Directors is authorized to decide on all matters affecting the Company with the exception of those for which responsibility cannot be delegated by the general assembly of shareholders as per the Turkish Commercial Law and the Company's articles of association.

Operating Principles of the Board of Directors
During 2004, the Board of Directors passed 28 resolutions on a variety of matters. At least six board members attended all of the meetings that were held. Pre and post-meeting activities are organized by a secretariat responsible for such matters. At board meetings, views are freely expressed and if there are dissenting votes against any decision, the reasons for dissent are entered into the meeting's minutes. There were no dissenting opinions entered into the minutes of any board meetings held in 2004. Questions that are raised by board members at meetings are also entered into the record along with any responses made to them.

Each member of the Migros Board of Directors controls one vote. No members have preferential voting rights or the right to veto board decisions.

Prohibition on Doing Business or Competing With the Company
Migros has a leasehold relationship in two stores with its chairman Rahmi Koç and with board member Ali Koç. During the reporting period, board members were involved in no other business transactions with the Company and none were involved in any competition with the Company.

Rules of Ethics
Migros's principles of business ethics are grouped under the following five headings:
• Responsibilities of the Company towards its employees
• Responsibilities of employees towards the Company
• Responsibilities of the Company towards other companies
• Responsibilities of the Company towards society
• General responsibilities.

Our Company's responsibilities towards its employees are summarized in main outline below. Information about the other categories of our business ethics principles is presented in other sections of this corporate governance compliance report.

Our Company regards its employees as one of the greatest assets it possesses in today's difficult market conditions. Our two greatest competitive advantages are our business experience and the qualities that our employees have and are continuously improving upon.

Migros's Responsibilities Towards its Employees
1. Migros completely fulfills all of its legal obligations towards all of its employees. In situations where the requirements of law are not sufficiently clear, Migros consults those who have specialized knowledge on the matter.
2. Migros is mindful of the rights of its employees within the framework of its rules of business ethics in situations where the rule of law provides for less.
3. In all hirings, promotions, and appointments, the only criteria to be taken into account are the qualifications for the position: Migros creates equality of opportunity among its employees.
4. Migros does not involve itself in the personal affairs or private lives of its employees and holds all of the information it has about its employees in strict confidence.
5. Migros provides training opportunities for its employees to improve themselves professionally and personally.
6. In all of its dealings with its employees, Migros does not discriminate in any way on the basis of sex, age, ethnic origin, or creed.
7. In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are concerned with the Company's future.
8. Migros provides healthy and safe working conditions as dictated by the requirements of law and of the Company's business and it seeks to improve them to the best of its ability.
9. Migros holds in strict confidentiality and does not divulge any private information (such as medical records, shopping habits, economic circumstances etc) about its employees that it may come into possession of in any way whatsoever.

Numbers, Structures, and Independence of Committees Within the Board Of Directors
A two-person Audit Committee has been formed within the Migros Board of Directors. The board members chosen to be members of this committee during the reporting period are Hasan Yılmaz and Oktay Irsıdar and they will hold these positions until the general meeting at which the Company's 2004 results are discussed. The Audit Committee convenes four times a year.

Financial Rights Provided to the Board of Directors
At the general assembly convened on 14 April 2004 to discuss Migros Türk T.A.Ş.'s results in 2003, shareholders voted to pay the chairman and members of the Board of Directors a gross salary of TL 1,000,000,000 (YTL 1,000) a month each.

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004 AND 2003

TOGETHER WITH AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Migros Türk Ticaret Anonim Şirketi

1. We have audited the accompanying consolidated balance sheet of Migros Türk Ticaret Anonim Şirketi (the "Company") at 31 December 2004 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in New Turkish Lira, in the equivalent purchasing power of the Turkish Lira at 31 December 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Migros Türk Ticaret Anonim Şirketi at 31 December 2004 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Adnan Akan, SMMM
Partner

Istanbul, 22 March 2005

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira ("YTL") in terms of the purchasing power of the TL at 31 December 2004 unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

		2004*			
	Notes	USD	EURO	2004	2003
ASSETS					
Current Assets					
Cash and cash equivalents	5	162,277	119,220	217,792	151,898
Available-for-sale investments	6	104,046	76,440	139,640	120,674
Trade receivables	7	21,833	16,040	29,302	34,698
Due from related parties	8	3,677	2,701	4,935	1,540
Inventories	9	110,174	80,942	147,865	136,012
Other current assets	10	26,094	19,171	35,021	28,480
Total current assets		428,101	314,514	574,555	473,302
Non-current assets					
Available-for-sale investments	11	1,272	934	1,707	1,707
Investments in associates	11	2,275	1,671	3,053	4,488
Investment property	15	35,448	26,043	47,575	53,622
Property, plant and equipment	12	497,110	365,213	667,171	665,884
Intangible assets	13	2,817	2,070	3,781	2,804
Goodwill	14	(1,065)	(783)	(1,430)	(2,861)
Other non-current assets	16	13,830	10,160	18,561	14,657
Total non-current assets		551,687	405,308	740,418	740,301
Total assets		979,788	719,822	1,314,973	1,213,603

The consolidated financial statements were approved by the Company's Board of Directors on 22 March 2005.

* 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 31 December 2004 and therefore do not form a part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2c).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira ("YTL") in terms of the purchasing power of the TL at 31 December 2004 unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

		2004*			
	Notes	USD	EURO	2004	2003
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank borrowings	17	19,288	14,170	25,886	27,420
Lease obligations	22	752	552	1,009	1,494
Trade payables	18	286,154	210,229	384,047	354,916
Due to related parties	8	21,566	15,844	28,944	30,779
Taxes on income	19	671	493	901	3,791
Other current liabilities	20	24,972	18,346	33,515	25,447
Total current liabilities		353,403	259,634	474,302	443,847
Non-current liabilities					
Bank borrowings	17	100,878	74,113	135,389	109,524
Lease obligations	22			-	1,097
Provision for employment termination benefits	21	4,670	3,431	6,268	5,445
Deferred tax liabilities	19	26,431	19,418	35,472	34,200
Other non-current liabilities		2,278	1,673	3,057	3,370
Total non-current liabilities		134,257	98,635	180,186	153,636
Total liabilities		487,660	358,269	654,488	597,483
Minority interest	4, 23	7,300	5,363	9,797	7,048
Shareholders' equity					
Share capital	24	102,600	75,378	137,700	137,700
Adjustment to share capital	24	(57,496)	(42,241)	(77,165)	(77,165)
Total paid in capital		45,104	33,137	60,535	60,535
Capital surplus	25	113,892	83,674	152,855	152,855
Translation reserve	2.b	(29,146)	(21,413)	(39,117)	(24,977)
Retained earnings	26	354,978	260,792	476,415	420,659
Total shareholders' equity		484,828	356,190	650,688	609,072
Total liabilities, minority interest and shareholders' equity		979,788	719,822	1,314,973	1,213,603

Commitments, contingent assets and liabilities 32

* 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 31 December 2004 and therefore do not form a part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2c).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira ("YTL") in terms of the purchasing power of the TL at 31 December 2004 unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

		2004*			
	Notes	USD	EURO	2004	2003
Net sales	4.a, 27	1,694,313	1,244,765	2,273,937	2,108,200
Cost of sales	4.c	(1,313,533)	(965,016)	(1,762,892)	(1,645,869)
Gross profit		**380,780**	**279,749**	**511,045**	**462,331**
Selling and marketing expenses		(32,919)	(24,184)	(44,180)	(39,137)
General and administrative expenses	28	(290,468)	(213,399)	(389,837)	(372,301)
Other operating income/(expense) - net	29	3,468	2,548	4,654	(2,039)
Operating profit	**4.b**	**60,861**	**44,714**	**81,682**	**48,854**
Financial income/(expense) - net	30	6,998	5,141	9,392	(3,964)
Share of loss of associates	11	(1,069)	(786)	(1,435)	(4,971)
Fair value gain of available-for-sale investments	6	2,924	2,148	3,924	10,954
Gain on net monetary position	2.a	8,427	6,191	11,310	10,361
Profit before taxes on income and minority interest		**78,141**	**57,408**	**104,873**	**61,234**
Taxes on income	19	(20,531)	(15,084)	(27,555)	21,120
Income before minority interest		**57,610**	**42,324**	**77,318**	**82,354**
Net income attributable to minority interest	23	(2,176)	(1,599)	(2,921)	(1,338)
Net income		**55,434**	**40,725**	**74,397**	**81,016**
Weighted average number (000's) of shares with face value of TL1,000 each	3			137,700,000	137,700,000
Basic and diluted earnings per share (full TL)	3			540	588

* 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 31 December 2004 and therefore do not from a part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2c).

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira ("YTL") in terms of the purchasing power of the TL at 31 December 2004 unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

	Share capital	Adjustment to share capital	Total paid in capital	Capital surplus	Translation reserve	Retained earnings	Total shareholders' equity
Balances at 1 January 2003	55,080	5,455	60,535	152,855	(1,886)	345,949	557,453
Dividends relating to 2002	-	-	-	-	-	(6,306)	(6,306)
Increase in share capital	82,620	(82,620)	-	-	-	-	-
Currency translation difference	-	-	-	-	(23,091)	-	(23,091)
Net income for the year	-	-	-	-	-	81,016	81,016
Balances at 31 December 2003	137,700	(77,165)	60,535	152,855	(24,977)	420,659	609,072
Dividends relating to 2003	-	-	-	-	-	(18,641)	(18,641)
Currency translation difference	-	-	-	-	(14,140)	-	(14,140)
Net income for the year	-	-	-	-	-	74,397	74,397
Balances at 31 December 2004	137,700	(77,165)	60,535	152,855	(39,117)	476,415	650,688

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

MİGROS TÜRK TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira ("YTL") in terms of the purchasing power of the TL at 31 December 2004 unless otherwise indicated. Currencies other than YTL are expressed in thousands unless otherwise indicated.)

		2004*			
	Notes	USD	EURO	2004	2003
Operating activities:					
Net income		55,434	40,725	74,397	81,016
Adjustments to reconcile net income to net cash provided by operating activities:					
Minority interest		2,176	1,599	2,921	1,338
Depreciation and amortisation	12, 13, 14, 15	44,701	32,840	59,993	64,521
Employment termination benefits-net		613	451	823	1,001
Taxation expense/(income)	19	20,531	15,084	27,555	(21,120)
Interest income		(31,407)	(23,074)	(42,152)	(48,417)
Interest expense		30,764	22,602	41,289	56,228
Property, plant and equipment sales loss - net		42	31	57	921
Impairment loss provided for property plant and equipment	12	429	315	576	1,885
Share of loss of associates	11	1,069	786	1,435	4,971
Fair value gain of available-for-sale investments	6	(2,924)	(2,148)	(3,924)	(10,954)
Cash flows from operating activities before changes in operating assets and liabilities		121,428	89,211	162,970	131,390
Changes in operating assets and liabilities - net					
Decrease in trade receivables		4,021	2,954	5,396	1,884
Increase in due from related parties		(2,530)	(1,858)	(3,395)	(420)
Increase in inventories		(8,832)	(6,488)	(11,853)	(22,045)
(Increase)/decrease in other current assets		(4,874)	(3,581)	(6,541)	15,438
Increase in trade payables		21,706	15,946	29,131	35,903
(Decrease)/Increase in due to related parties		(1,367)	(1,004)	(1,835)	9,080
Increase/(decrease) in current liabilities		6,011	4,416	8,068	(5,052)
Decrease in other non-current liabilities		(233)	(171)	(313)	(3,478)
Interest paid		(30,639)	(22,510)	(41,121)	(56,331)
Income taxes paid		(21,737)	(15,969)	(29,173)	(12,007)
(Increase)/decrease in other non-current assets		(2,909)	(2,137)	(3,904)	3,711
Net cash provided by operating activities		80,045	58,809	107,430	98,073
Investing activities:					
Purchase of property, plant and equipment	12	(61,407)	(45,114)	(82,415)	(92,387)
Proceeds from sale of property, plant and equipment		2,312	1,699	3,103	486
Increase in associates	11	-	-	-	(5,295)
(Increase)/decrease in available-for-sale investments		(11,516)	(8,461)	(15,456)	9,374
Purchase of other intangible assets- net	13	(1,521)	(1,118)	(2,042)	(1,471)
Interest received		31,716	23,301	42,566	50,632
Net cash used in investing activities		(40,416)	(29,693)	(54,244)	(38,661)
Financing activities:					
Increase/(decrease) in short-term and long-term bank borrowings		27,472	20,183	36,870	(1,089)
Decrease in lease obligations		(1,179)	(866)	(1,582)	(9,547)
Dividends paid		(13,889)	(10,204)	(18,641)	(6,306)
Net cash provided by/(used in) financing activities		12,404	9,113	16,647	(16,942)
Effects of exchange rate differences		(2,935)	(2,156)	(3,939)	(13,883)
Net increase in cash and cash equivalents		49,098	36,073	65,894	28,587
Cash and cash equivalents at the beginning of the year	5	113,179	83,150	151,898	123,311
Cash and cash equivalents at the end of the year	5	162,277	119,223	217,792	151,898

* 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 31 December 2004 and therefore do not form a part of these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") (see Note 2c).

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is mainly engaged in the retail sales of food and beverage, consumer and durable goods through its Migros and Şok stores, shopping centres, Ramstores abroad and on-line sales. The Company also rents floor space in the shopping malls to other trading companies. The average number of people employed in Migros throughout the year 2004 is 9,871 (2003: 9,098). Migros and its subsidiaries are operating in 507 (2003: 484) supermarkets with net retail space of 423,472 (2003: 396,300) square meters. Retail is the main business segment of Migros and its subsidiaries. Other business segments are not material to be separately reported. Reportable segments comprise the geographical segments as stated in Note 4.

The address of the registered office is as follows:

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

The main shareholder of the Company is Koç Holding A.Ş. (Note 24) and the shares of the Company are publicly traded in Istanbul Stock Exchange.

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

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

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

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

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

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

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

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

- Ramstore Macedonia DOO Skopje
  Vodnjanska Str. No.15/5
  1000 Skopje
  Macedonia

Interests in joint-ventures

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

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

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

19/1 Yartsevskaya Street, 121351
Moscow, Russian Federation

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Turkish Lira financial statements

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

The consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation in accordance with IFRS. Consequently, the consolidated financial statements are prepared under the historical cost convention, other than financial assets and liabilities which are presented by their fair values, by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira.

As stated in the announcement of Capital Markets Board dated 30 November 2004, consolidated financial statements for the year ending 31 December 2004, including the prior period financial data used for comparison purposes, are demonstrated in New Turkish Lira ("YTL"), and prior period financial statements are conveyed in YTL for only comparative purposes (Note 34).

The restatement for the changes in the general purchasing power of the Turkish Lira at 31 December 2004 is based on International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies", which 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 years be restated in the same terms. The main reasons required for implementation of IAS 29 are those that the general population prefers to keep its wealth in non-monetary assets and regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency and prices may be quoted in that currency; sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; interest rates, wages and prices are linked to a price index; and the cumulative inflation rate over three years is approaching, or exceeds, 100%. The restatement was calculated by means of conversion factor derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). The indices and conversion factors used to restate the financial statements at 31 December are as follows:

Dates	Index	Conversion factor	Cumulative three year inflation rates %
31 December 2004	8,403.8	1.000	69.7
31 December 2003	7,382.1	1.138	181.1
31 December 2002	6,478.8	1.297	227.3

The main guidelines for the above mentioned restatement are as follows:
- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Comparative financial statements are restated using general inflation indices at 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) Translation of financial statements of foreign Subsidiaries and Joint-venture

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

c) US Dollar and Euro convenience translation

US dollar ("USD") and EURO amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate of TL1,342,100=USD 1.00 for purchases of USD and TL1,826,801=EURO 1.00 for purchases of EURO at 31 December 2004. Thus, USD and EURO amounts do not form part of the consolidated financial statements prepared in accordance with IFRS at 31 December 2004. Such translations should not be construed as a representation that the TL amounts have been or could be converted into USD and Euro at this or any other rate.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Group accounting

a) The consolidated 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 and negative goodwill arising on the consolidation of subsidiary undertakings, joint-venture or associates is reported separately in the balance sheet.

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

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	2004	2003
Ramstore (1)	79.75	79.75
Ramstore Bulgaria (1)	99.99	99.99
Rambutya (1)	51.00	51.00
Ramstore Macedonia (1), (2)	94.95	79.99
Şok Marketler (3)	99.60	99.60
Sanal Merkez (3)	69.99	69.99

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

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

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

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

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

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

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

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

The table below sets out all Associates and the proportion of ownership interest as of 31 December:

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

e) Investments, in which Migros has controlling interests below 20%, or over which the Group does not exercise a significant influence, are carried at cost and restated to the equivalent purchasing power at 31 December 2004 less any impairment when their fair value cannot be reliably measured. All other investments are classified as available-for-sale equity securities (Note 6).

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

g) The minority shareholders' share in the net assets and results for the year for Subsidiaries are separately classified in the consolidated 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 (Note 8).

Investment securities

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

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

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

For investments under 20% shareholding where there is no quoted market price and where a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable, they are carried at cost restated to equivalent purchasing power of the Turkish Lira at the date of balance sheet less any impairment in value.

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.

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.

Inventories

Inventories are valued at the lower of "cost restated to equivalent purchasing power of the Turkish Lira at balance sheet date" or "net realisable value". Cost of inventories comprise cost of purchase and cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses (Note 9).

Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. 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 15).

Property, plant and equipment

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

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

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

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

Goodwill

Goodwill and negative goodwill arising on acquisitions of the Group before 31 March 2004, is capitalised and amortised using the straight line method over its estimated useful life of 5 years, until 31 December 2004. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary. Within the context of IFRS 3 - "Business Combinations" amortisation accounting is not applied for goodwill related to the acquisitions after 31 March 2004, and the carrying value of goodwill is reviewed annually and adjusted for impairment where it is considered necessary. The carrying amount of negative goodwill related to the acquisitions after 31 March 2004 is reviewed and accounted for as income in the related period. In accordance with IFRS 3, the Group will derecognize the carrying amount of negative goodwill at 31 December 2004, associated with the transactions before 31 March 2004 at the beginning of the first annual period beginning after 31 March 2004, with a corresponding adjustment to the opening balance of retained earnings at 1 January 2005 (Note 14).

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 in accordance with the allowed alternative treatment in IAS 23.

Leases

Leases of property, plant and equipment where the Group 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 statement of income over the period of the lease (Note 22).

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

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

Prepayments for land leases

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

Deferred taxes

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

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

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

Foreign currency transactions and translation

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

Revenue recognition

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

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

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

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

Provisions

Provisions are recognised when the Group 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.

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).

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.

Contingent assets and liabilities

Possible assets or obligations 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 not wholly within the control of the Group are not included in financial statements and treated as contingent assets or liabilities.

Financial instruments and financial risk management

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

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

Interest rate risk

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

Funding risk

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

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that 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.

Foreign currency risk

The Group 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 33).

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 can realize in a current market exchange.

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

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 amortized cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

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

The fair values of available for sale investments which have been determined by reference to quoted market prices, approximate their carrying values.

Financial liabilities

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

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

Trading liabilities have been estimated at their fair values.

Earnings per share

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

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 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.

Earnings per share are determined by dividing net income attributable to shareholders to the weighted average number of issued ordinary shares.

	2004	2003
Net income attributable to shareholders	74,397	81,016
Weighted average number of shares with face value of TL1,000 each (Note 24)	137,700,000,000	137,700,000,000
Earnings per share (full TL)	540	588

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

NOTE 4 - SEGMENT INFORMATION

In these consolidated financial statements at 31 December 2004, the primary reportable segments comprise the geographical segments.

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

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

	2004	2003
a) Net Sales		
Turkey	1,901,310	1,730,203
Russian Federation	288,719	297,429
Kazakhstan	60,527	57,870
Bulgaria	13,086	13,273
Azerbaijan	10,295	9,425
	2,273,937	2,108,200
b) Operating profit/(loss)		
Turkey	49,975	23,515
Russian Federation	24,982	20,112
Kazakhstan	9,129	7,089
Azerbaijan	137	(200)
Bulgaria	(2,541)	(1,662)
	81,682	48,854

c) Segmental analysis for the year ended 31 December 2004

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	1,901,310	10,295	13,086	288,719	60,527	2,273,937	-	2,273,937
Inter-segment revenues	4,618	-	-	-	-	4,618	(4,618)	-
Revenues	1,905,928	10,295	13,086	288,719	60,527	2,278,555	(4,618)	2,273,937
Cost of sales	(1,500,342)	(7,805)	(10,595)	(205,954)	(42,461)	(1,767,157)	4,265	(1,762,892)
Gross profit	405,586	2,490	2,491	82,765	18,066	511,398	(353)	511,045
Selling and marketing expenses	(34,581)	(94)	(182)	(8,304)	(1,019)	(44,180)	-	(44,180)
General and administrative expenses	(325,184)	(2,273)	(4,488)	(49,274)	(8,971)	(390,190)	353	(389,837)
Other income/(expense) -net	4,154	14	(362)	(205)	1,053	4,654	-	4,654
Operating profit/(loss)	49,975	137	(2,541)	24,982	9,129	81,682	-	81,682

Segmental analysis for the year ended 31 December 2003

	Turkey	Azerbaijan	Bulgaria	Russian Federation	Kazakhstan	Total Combined	Inter Segment Elimination	Total
External revenues	1,730,203	9,425	13,273	297,429	57,870	2,108,200	-	2,108,200
Inter-segment revenues	7,655	-	-	66	-	7,721	(7,721)	-
Revenues	1,737,858	9,425	13,273	297,495	57,870	2,115,921	(7,721)	2,108,200
Cost of sales	(1,368,804)	(7,245)	(10,814)	(225,152)	(40,960)	(1,652,975)	7,106	(1,645,869)
Gross profit	369,054	2,180	2,459	72,343	16,910	462,946	(615)	462,331
Selling and marketing expenses	(30,118)	(63)	-	(7,816)	(1,140)	(39,137)	-	(39,137)
General and administrative expenses	(312,190)	(2,341)	(4,121)	(44,530)	(9,731)	(372,913)	612	(372,301)
Other (expense)/income -net	(3,228)	24	-	115	1,050	(2,039)	-	(2,039)
Operating profit/(loss)	23,518	(200)	(1,662)	20,112	7,089	48,857	(3)	48,854

d) Geographical segment assets employed

	2004	2003
Total assets		
Turkey	1,104,824	1,025,566
Russian Federation	301,560	286,441
Bulgaria	40,217	21,636
Kazakhstan	36,798	39,331
Azerbaijan	6,317	7,572
Total Combined	1,489,716	1,380,546
Less: Inter-segment elimination	(174,743)	(166,943)
Total assets as per consolidated financial statements	1,314,973	1,213,603

	2004	2003
Net assets		
Turkey	653,951	617,115
Russian Federation	136,725	129,639
Kazakhstan	17,292	12,087
Bulgaria	19,197	13,179
Azerbaijan	4,746	5,556
Total Combined	831,911	777,576
Less: Inter-segment elimination	(171,426)	(161,456)
Total net assets	660,485	616,120
Less: Minority interest	(9,797)	(7,048)
Total shareholders' equity as per consolidated financial statements	650,688	609,072

e) Capital expenditures, depreciation and amortisation

	2004	2003
Capital expenditures		
Russian Federation	37,349	24,402
Turkey	32,004	66,715
Bulgaria	13,883	190
Kazakhstan	1,151	257
Azerbaijan	70	2,294
	84,457	93,858
Depreciation and amortisation		
Turkey	50,756	53,323
Russian Federation	7,803	7,883
Bulgaria	1,380	1,449
Kazakhstan	1,157	1,297
Azerbaijan	328	336
	61,424	64,288

f) Minority interest

Kazakhstan	8,473	5,922
Azerbaijan	961	1,125
Bulgaria	363	1
	9,797	7,048

NOTE 5 - CASH AND CASH EQUIVALENTS

	2004	2003
Cash in hand	9,028	8,327
Banks		
- demand deposits	25,725	13,059
- time deposits	67,315	35,170
Cheques in collection	70	186
Other liquid assets	115,654	95,156
	217,792	151,898

Weighted average effective interest rates on TL, USD and EURO denominated bank accounts are 21%-23% (2003: 26%), 3.20%-8.09% (2003: 1.35%-4.50%) and 4.30% p.a. (2003: none) respectively. Other cash equivalents mainly include receivables on credit card slips with maturity less than two months (2003: less than one month).

Analysis of time deposits by maturity at 31 December is as follows:

	2004	2003
1 - 90 days	33,204	35,170
91 days - 1 year	938	-
1 year - 2 years	528	-
Over 2 years	32,645	-
	67,315	35,170

NOTE 6 - CURRENT AVAILABLE-FOR-SALE INVESTMENTS

	2004	2003
Debt securities	125,554	111,551
Equity securities	14,086	9,123
	139,640	120,674

The details of debt securities at 31 December are as follows:

	2004		2003	
	Interest rate p.a.	Amount	Interest rate p.a.	Amount
Treasury bills and government bonds	20.17%-29.83%	93,233	27%-55%	68,537
Eurobond (USD)	8%-12.38%	32,185	9.70%-13.80%	43,014
Foreign currency bonds (USD)	3%	136	-	-
		125,554		111,551

Analysis of debt securities by maturity at 31 December is as follows:

	2004	2003
Period remaining to maturity		
1-30 days	719	94
31-90 days	5,712	4,946
91-180 days	22,145	17,085
181 days - one year	35,729	47,043
Over one year	61,249	42,383
	125,554	111,551

Details of equity securities at 31 December are as follows:

	2004		2003	
	Shareholding	Amount	Shareholding	Amount
Listed:				
Tat Konserve San. A.Ş. ("Tat Konserve")	2.87%	6,565	0.8%	1,774
Unlisted:				
Koç Finansal Hizmetler A.Ş. ("KFS")	0.37%	5,448	0.37%	5,276
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	9.24%	1,928	9.24%	1,928
Ece Türkiye Proje Yönetimi ve Tic. A.Ş. ("Ece Türkiye")	2%	145	2%	145
		14,086		9,123

For Tat, which is traded in an active market, fair value is determined by reference to İstanbul Stock Exchange quoted bid prices at the balance sheet date.

KFS is stated at fair value in the consolidated financial statements. The difference between the costs and fair values of KFS and Tat Konserve is recognised in fair value gain or loss on available-for-sale investments in the consolidated statements of income.

Koçtaş and Ece Türkiye are carried at their acquisition costs restated in terms of the purchasing power of the TL at the date of balance sheet.

Movements of the equity securities in the period are as follows:

	2004	2003
1 January	9,123	6,476
Additions:		
Tat Konserve	4,184	-
Koçtaş	-	1,928
Ece Türkiye (Note 11)	-	145
Increase / (decrease) in fair value:		
Tat Konserve	607	694
KFS	172	(120)
31 December	14,086	9,123

The increase in fair value of debt securities as of 31 December 2004 is YTL 3,145 (2003: YTL 10,380). This increase in the fair value of debt securities, together with the net fair value increase of equity securities amounting to YTL 779 (2003: YTL 574), is included in the consolidated statements of income as fair value gain of available-for-sale investments at a total amount of YTL 3,924 (2003: YTL 10,954).

NOTE 7 - TRADE RECEIVABLES

	2004	2003
Trade receivables	33,522	38,895
Less: Provision for doubtful receivables	(3,879)	(3,452)
Less: Unearned financial income	(341)	(745)
	29,302	34,698

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

NOTE 8 - SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Bank balances::	2004	2003
Koçbank A.Ş.		
- demand deposits	2,799	5,039
- time deposits	26,071	16,279
- other cash equivalents (credit card slip accounts)	16,716	46,944
Koçbank Nederland N.V.		
- time deposits	6,331	-
Koçbank Azerbaijan		
- demand deposits	313	315
	52,230	68,577

Due from related parties::	2004	2003
Ford Otosan San A.Ş.	1,699	11
Setur Servis Turistik A.Ş. ("Setur Servis")	1,560	209
Sanal Merkez	809	330
Arçelik A.Ş.	501	395
Other	366	595
	4,935	1,540

Due to related parties:	2004	2003
Düzey Tüketim Mal. San. Paz. ve Tic. A.Ş. ("Düzey Tüketim")	16,386	20,454
Beko Ticaret A.Ş.	5,226	970
Ram Sigorta Aracılık Hizmetleri A.Ş.	2,904	2,526
Other	4,428	6,829
	28,944	30,779

Sales of goods:	2004	2003
Sanal Merkez	10,853	9,464
Setur Servis	6,306	811
Other	4,116	3,089
	21,275	13,364

Purchases of property, plant and equipment:	2004	2003
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2,332	1,514
Tanı Pazarlama	571	-
Ark İnşaat San ve Tic. A.Ş.	93	14,534
Other	917	1,021
	3,913	17,069

Inventory purchases:	2004	2003
Düzey Tüketim	92,184	68,099
Ram Kofisa Pasific. Ltd.	7,505	3,397
Setur Divan Sütlüce	7,066	2,240
Türk Demir Döküm Fabrikaları A.Ş.	3,737	-
Tat Konserve	292	6,661
Maret Marmara Besicilik ve Et San. ve Tic A.Ş.	-	15,307
Sek Süt Endüstrisi Kurumu San. ve Tic. A.Ş.	-	6,940
Other	882	3,289
	111,666	105,933

Service purchases:	2004	2003
Beko Ticaret A.Ş.	19,564	1,181
Ece Türkiye	8,866	6,921
TNT Lojistik Dağıtım Hizmetleri A.Ş.	5,771	12,365
Eltek Elektrik Enerjisi İth. İhr. ve Tic. A.Ş.	4,476	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	3,510	3,119
Entek Elektrik Üretimi A.Ş.	2,972	7,525
Koç Holding A.Ş.	2,247	2,367
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	1,958	1,931
Other	3,194	2,750
	52,558	38,159

Bank borrowings:	2004	2003
Koçbank Nederland N.V.		
Short term bank borrowings	671	-
Long term bank borrowings	6,331	-
	7,002	-

Rent Income:	2004	2003
Setur Servis	315	224
Koçbank A.Ş.	251	231
Arçelik A.Ş.	145	110
Other	69	85
	780	650

Rent Expense:	2004	2003
Temel Ticaret ve Yatırım A.Ş. ("Temel Ticaret")	1,276	1,276
Vehbi Koç Vakfı	1,042	704
Other	486	1,263
	2,804	3,243

Interest income:	2004	2003
Koçbank A.Ş.	3,672	5,686
Other	46	5
	3,718	5,691

Interest expense:	2004	2003
Koçbank A.Ş.	209	54
Koç Finansal Kiralama A.Ş.	2	328
Other	20	108
	231	490

Dividend paid:	2004	2003
Koç Holding A.Ş.	9,521	16
Temel Ticaret	-	3,173
	9,521	3,189

Management fee received:	2004	2003
Koçbank A.Ş.	312	-
Tanı Pazarlama	25	194
	337	194

Donations	2004	2003
Vehbi Koç Vakfı Koç Üniversitesi	800	882
Rahmi Koç Müzesi	595	-
	1,395	882

	2004	2003
Salaries and other benefits provided to the Board of Directors and key management of Migros	8,701	7,282

NOTE 9 - INVENTORIES

	2004	2003
Merchandise stocks	146,730	134,988
Other	2,096	2,070
	148,826	137,058
Less: Provision for obsolescence	(961)	(1,046)
	147,865	136,012

NOTE 10 - OTHER CURRENT ASSETS

	2004	2003
Prepaid expenses	15,563	13,333
Value Added Tax ("VAT") receivable	13,366	13,586
Taxes and funds deductible	4,809	161
Due from employees	719	197
Prepayments for land leases	342	332
Other	222	871
	35,021	28,480

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

	2004		2003	
	Amount	Shareholding %	Amount	Shareholding %
Available-for-sale Investments				
Sanal Merkez (*)	1,187	69.99	1,187	69.99
Şok Marketler (*)	520	99.60	520	99.60
	1,707		1,707	

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

	2004		2003	
	Amount	Shareholding %	Amount	Shareholding %
Investments in associates				
Tanı Pazarlama	3,053	32.00	4,488	32.00
	3,053		4,488	

Movement of investments in associates is as follows:

	2004	2003
1 January	4,488	4,309
Capital increase in investment in associates	-	6,969
Sales of investments in associates	-	(1,674)
Transfers to the unlisted available-for-sale investments (Note 6)	-	(145)
Share of loss of associates	(1,435)	(4,971)
31 December	3,053	4,488

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2004	Additions	Disposals	Impairment loss (Note 29)	Transfers	Transfers to investment property (Note 15)	Effect of changes in foreign exchange rates	Closing 31 December 2004
Cost								
Land and buildings	347,419	3,348	(688)	-	10,628	-	(14,691)	346,016
Leasehold improvements	293,876	4,636	-	(2,728)	7,639	-	(15)	303,408
Machinery and equipment	352,043	13,398	(3,463)	-	6,516	-	(2,974)	365,520
Furniture and fixtures	82,720	8,053	(586)	-	1,849	-	(693)	91,343
Motor vehicles	2,961	487	(329)	-	-	-	202	3,321
Construction in progress	15,631	35,325	-	-	(24,209)	(546)	(1,170)	25,031
Advances given	3,900	17,168	(2,414)	-	(2,423)	-	(103)	16,128
	1,098,550	82,415	(7,480)	(2,728)	-	(546)	(19,444)	1,150,767
Accumulated depreciation								
Buildings	(34,716)	(7,813)	-	-	-	-	1,008	(41,521)
Leasehold improvements	(127,252)	(19,921)	-	2,152	-	-	-	(145,021)
Machinery and equipment	(217,805)	(24,397)	3,418	-	-	-	779	(238,005)
Furniture and fixtures	(51,338)	(6,629)	573	-	-	-	311	(57,083)
Motor vehicles	(1,555)	(623)	329	-	-	-	(117)	(1,966)
	(432,666)	(59,383)	4,320	2,152	-		1,981	(483,596)
Net book value	665,884							667,171

Borrowing costs of YTL 505 (2003: YTL 371) arising on financing specifically entered into for the construction of the new stores were capitalised during the period. The capitalisation rate used represents the interest cost of the borrowing used to finance the project.

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

	2004	2003
Net Book Value	20,051	25,731

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2004	Additions	Effect of changes in foreign exchange rates	Closing 31 December 2004
Rights	7,253	2,042	(106)	9,189
Other intangible assets	88	-	-	88
Accumulated amortisation	(4,537)	(1,004)	45	(5,496)
Net book value	2,804			3,781

NOTE 14 - GOODWILL

	Opening 1 January 2004	Additions	Closing 31 December 2004
Goodwill	5,510	-	5,510
Negative goodwill	(7,276)	-	(7,276)
Accumulated amortisation	(1,095)	1,431	336
Net book value	(2,861)	-	(1,430)

In 2001, Migros purchased 9.21% of the issued share capital of Rambutya for a cash consideration of YTL 7,967 and 10% of the issued share capital of Ramenka for a cash consideration of YTL 18,324 and 7% of the issued share capital of Ramstore for a cash consideration of YTL 8,670 from Ram Dış Tic. A.Ş..

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

Total cash consideration (net of cash acquired)	34,960
Less: net assets acquired at fair value	(42,236)
Negative goodwill	(7,276)

NOTE 15 - INVESTMENT PROPERTY

	Opening 1 January 2004	Additions	Transfers (Note 12)	Effect of changes in foreign exchange rates	Closing 31 December 2004
Cost					
Land and buildings	56,937	-	546	(5,899)	51,584
Total	56,937	-	546	(5,899)	51,584
Accumulated depreciation					
Land and buildings	(3,315)	(1,037)	-	343	(4,009)
Net book value	53,622	(1,037)	546	(5,556)	47,575

Investment property owned by the Company represents designated areas within stores that are let out under rent agreements. The result of the work made by an independent appraiser firm in order to estimate the fair value of the investment property at 31 December 2004 amounted to YTL 99,672 (2003: YTL 107,915). The valuation includes land that is under operating lease by the Company as it cannot be separated from the valuation of investment property.

NOTE 16 - OTHER NON-CURRENT ASSETS

	2004	2003
Prepayments for land leases	13,518	13,105
Prepaid expenses	4,068	1,412
Other	975	140
	18,561	14,657

NOTE 17 - BANK BORROWINGS

		2004	
	Interest rate p.a.	US Dollars	Thousand YTL
Short-term bank borrowings	3.50%	500	671
Current portion of long-term bank borrowings			
With fixed interest rates	9.73%-9.85%	1,797	2,412
With floating interest rates	Libor +2.35%-Libor +5.83%	16,991	22,803
Short-term bank borrowings		19,288	25,886
Long-term bank borrowings			
With fixed interest rates	9.73%-9.85%	5,895	7,912
With floating interest rates	Libor +2.35%-Libor +5.83%	94,983	127,477
Long-term bank borrowings		100,878	135,389
Total bank borrowings		120,166	161,275

		2003	
	Interest rate p.a.	US Dollars	Thousand YTL
Short-term bank borrowings	4.23%-8%; Libor +1.9%	2,395	3,804
Current portion of long-term bank borrowings			
With fixed interest rates	4.25%-10.85%	7,013	11,144
With floating interest rates	Libor+2.35% - Libor+5.83%	7,848	12,472
Short-term bank borrowings		17,256	27,420
Long-term bank borrowings			
With fixed interest rates	4.25%-10.85%	19,528	31,032
With floating interest rates	Libor+2.35% - Libor+5.83%	49,397	78,492
Long-term bank borrowings		68,925	109,524
Total bank borrowings		86,181	136,944

The redemption schedule of long-term bank borrowings is as follows:

	US Dollars	Thousand YTL
2006	16,792	22,536
2007	28,476	38,218
2008	35,979	48,287
2009	6,912	9,276
2010 and over	12,719	17,072
	100,878	135,389

NOTE 18 - TRADE PAYABLES

	2004	2003
Trade payables	395,504	360,385
Less: Unincurred financial expense	(11,457)	(5,469)
	384,047	354,916

NOTE 19 - TAXES ON INCOME

	2004	2003
Corporation and income taxes currently payable	20,951	12,188
Less: prepaid taxes	(20,050)	(8,397)
Taxes on income	901	3,791

Turkey

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

Corporation tax rate for year 2004 is 33% (2003: 30%). This rate is % 30 for the following years. Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances. No further tax is payable unless the profit is distributed.

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

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

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10% (2003: 11%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 33% (2003: 30%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Capital gains derived from the sale of investments in subsidiaries and immovable assets held for not less than two years are tax exempt until 31 December 2004 if such gains are added to paid-in-capital in the year in which they are sold.

Capital expenditures after 24 April 2003, with some exceptions, over YTL 6,000 are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax.

Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8% (2003: 19.8%), irrespective of profit distribution.

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

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

Russian Federation

The applicable income tax rate is 24% in Russia (2003: 24%).

Under the Russian taxation system tax losses can be carried forward to offset future taxable profits over the subsequent 10 year. The maximum offset in any one year is limited to 30% (2003: 30%) of the total taxable income of the year. Losses not utilized in the eligible periods can not be carried forward.

Kazakhstan

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

Income tax rates applied in Bulgaria and Azerbaijan are 19.5% and 24%, respectively (2003: 23.5% and 24%).

The taxation on income for the years ended at 31 December expressed in terms of the purchasing power of the Turkish Lira at 31 December 2004:

	2004	2003
Deferred tax (charge) / credit	(2,851)	39,517
Current period taxation charge	(24,704)	(18,397)
Taxation on income	(27,555)	21,120

Deferred taxes

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2004	2003	2004	2003
Lease obligations	1,009	2,591	303	795
Tax losses carried forward	693	1,277	166	306
Provision for employment termination benefits	6,268	5,445	1,880	1,634
Allowance for unearned interest income	341	745	102	246
Net difference between the tax base and the carrying value of inventories	7,060	5,295	2,047	1,604
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	(130,301)	(123,060)	(36,125)	(33,784)
Allowance for unincurred interest expense	(11,457)	(5,469)	(3,437)	(1,804)
Adjustment for fair value of financial assets	(3,837)	(8,752)	(1,151)	(2,859)
Unrealised financial cost	2,832	-	850	-
Other	(434)	(1,620)	(107)	(338)
			(35,472)	(34,200)

Movements in deferred taxes can be analysed as follows:

	Deferred tax assets/(liabilities)
1 January 2003	(76,761)
Foreign currency translation difference	3,044
Credit to income statement	39,517
31 December 2003	(34,200)
Foreign currency translation difference	1,579
Charge to income statement	(2,851)
31 December 2004	(35,472)

NOTE 20 - OTHER CURRENT LIABILITIES

	2004	2003
Taxes and funds payable	14,266	10,573
Payable to personnel	7,117	5,430
Merchandise coupons	3,674	1,503
Miscellaneous accrued expenses	3,273	1,428
Security deposits	1,548	2,152
Payable due to land leases	834	1,986
Deferred income	2,176	530
Other	627	1,845
	33,515	25,447

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 (the retirement age is 58 for women and 60 for men). Since the legislation was changed on 8 September 1999, 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 YTL 1,574.74 (31 December 2003: YTL 1,389.95) for each year of service at 31 December 2004.

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

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

IFRS requires 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 provision:

	2004	2003
Discount rate	5.45%	6.00%
Turnover rate to estimate the probability of retirement	84.80%	84.00%

The principal assumption is that the maximum liability of YTL 1,574.74 as of 31 December 2004 (31 December 2003: YTL 1,389.95) for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 1,574.74 (31 December 2003: YTL 1,389.95) has been taken into consideration in calculating the provision for employment termination benefit of the Company.

Movements of the provision for employment termination benefits during the years ended 31 December were as follows:

	2004	2003
1 January	5,445	4,444
Increase for the year (Note 28)	1,620	1,603
Less: monetary gain	(797)	(602)
31 December	6,268	5,445

NOTE 22 - LEASE OBLIGATIONS

	2004			2003		
	EUR	USD	Thousand YTL	EUR	USD	Thousand YTL
Short-term lease obligations	552	-	1,009	544	260	1,494
Long-term lease obligations	-	-	-	552	-	1,097
	552	-	1,009	1,096	260	2,591

Effective interest rates vary between 7%-11% p.a.

NOTE 23 - MINORITY INTEREST

Changes in minority interest during the year are as follows:

	2004	2003
1 January	7,048	6,276
Increase in share capital	362	66
Increase in minority interest due to Subsidiaries added to scope of consolidation	-	1
Net income attributable to minority interest	2,921	1,338
Translation reserve	(534)	(633)
31 December	9,797	7,048

NOTE 24 - SHARE CAPITAL

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

	2004	2003
Limit on registered share capital (historical)	190,000	137,700
Historical authorised and paid-in share capital	137,700	137,700

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

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

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

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

As of 31 December 2004 and 2003, there are 137,700,000,000 units of shares with face value of TL 1,000 each. There are no privileged shares.

In accordance with article 1 of the Law Concerning the Amendments to the Turkish Commercial Law No. 5274 dated 9 December 2004, which came into force on 1 January 2005, the nominal value of a share certificate is at least one Yeni Kuruş. Accordingly, the Articles of Association of the Company will be changed in the general assembly as "Issued and paid-in share capital amounting to YTL 137,700 is divided into 13,770,000,000 shares with a nominal value of one Yeni Kuruş each".

NOTE 25 - CAPITAL SURPLUS

Capital surplus represents the net proceeds from the offering of the Company's shares remaining unutilised pre-emptive rights at the share capital increase in 1997. This surplus was recorded in shareholders' equity and is not available for distribution. In addition to that in accordance with the Board of Directors Resolution dated August 5, 1998, the Company sold 75,000,000 shares in foreign stock exchange markets and obtained funds at a net amount of YTL 152,855 expressed in terms of the purchasing power of the TL at 31 December 2004. This surplus was also recorded in shareholders' equity and is not available for distribution.

NOTE 26 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

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

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

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

In accordance with Communiqué XI-25, effective from 1 January 2004, companies are obliged to distribute at least 30% (2003: 20%) of their distributable profit arising from 2004 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the general assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. Net income of subsidiaries, joint-ventures and associates, included in consolidated net income, is not considered in profit distribution if a decision of profit distribution has not been taken in the general assembly of these companies.

Balances stated in the consolidated balance sheets prepared in accordance with IFRS as of 31 December 2004 and 2003 are as follows.

	2004	2003
Share capital	137,700	137,700
Adjustment to share capital	(77,165)	(77,165)
Total paid-in capital	60,535	60,535
Capital surplus	152,855	152,855
Translation reserve	(39,117)	(24,977)
Retained earnings	476,415	420,659
Total shareholders' equity	650,688	609,072

For the purposes of profit distribution in accordance with the Communiqué No: XI-25, items of statutory shareholders' equity such as share capital, capital surplus, legal reserves, other reserves, special reserves and extraordinary reserves are presented at their historical amounts. The difference between the restated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

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

In accordance with the above explanation, the composition of the Company's shareholders' equity according to the Communiqué No: XI-25, is as follows:

	31 December 2004	31 December 2003
Share capital	137,700	137,700
Capital surplus	18,854	18,854
Legal reserves	8,225	4,447
Extraordinary reserves	48,935	50,235
Shareholders' equity restatement differences	175,758	175,655
Translation reserve	(39,117)	(24,977)
Net income for the year	74,397	81,016
Retained earnings	225,936	166,142
Total shareholders' equity	650,688	609,072

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

	31 December 2004			31 December 2003		
	Historical amounts	Restated amounts	Shareholders' equity restatement differences	Historical amounts	Restated amounts	Shareholders' equity restatement differences
Share capital	137,700	60,535	(77,165)	137,700	60,534	(77,166)
Capital surplus	18,854	152,855	134,001	18,854	152,855	134,001
Legal reserves	8,225	26,732	18,507	4,447	20,734	16,287
Extraordinary reserves	48,935	149,350	100,415	50,235	152,768	102,533
Total	213,714	389,472	175,758	211,236	386,891	175,655

NOTE 27- NET SALES

	2004	2003
Retail	2,188,032	1,999,714
Rent income	83,000	86,910
Wholesale	57,939	62,522
Other	10,901	11,699
Gross sales	2,339,872	2,160,845
Less: discounts and returns from sales	(65,935)	(52,645)
Net sales	2,273,937	2,108,200

NOTE 28 - GENERAL AND ADMINISTRATIVE EXPENSES

	2004	2003
Staff costs	154,579	143,244
Rent	70,387	65,077
Depreciation and amortisation	62,401	65,116
Energy	33,072	33,911
Repair, maintenance, cleaning and security	29,055	26,065
Taxes and other fees	4,956	5,403
Communication	4,732	5,003
Mechanisation	4,319	4,547
Storage	3,702	3,641
Insurance	3,569	3,006
Travel	2,589	1,810
Parent company service charges	2,247	2,367
Donations	1,978	1,255
Stationary	1,927	3,162
Employment termination benefits (Note 21)	1,620	1,603
Other	8,704	7,091
	389,837	372,301

NOTE 29 - OTHER OPERATING INCOME/(EXPENSE) - NET

	2004	2003
Operating income:		
Amortisation of negative goodwill	4,346	4,346
Scrap good sales	1,769	1,661
Penalty fee income	716	-
Advertisement income	599	714
Reversal of provisions	562	210
Income from sale of property, plant and equipment	362	422
Other	1,229	1,532
Total operating income	9,583	8,885
Operating expense:		
Amortisation of goodwill	(2,916)	(4,653)
Impairment loss of leasehold improvements (Note 12)	(576)	(1,886)
Loss from sale of property, plant and equipment	(419)	(1,343)
Bad debt expenses	(419)	(941)
Loss from sale of investments	-	(1,577)
Other	(599)	(524)
Total operating expense	(4,929)	(10,924)
Operating income/(expense) - net	4,654	(2,039)

NOTE 30 - FINANCIAL INCOME/(EXPENSE) - NET

	2004	2003
Financial income:		
Interest on debt securities	21,146	29,153
Due date difference on credit sales	14,013	12,192
Foreign exchange gain	13,695	14,846
Interest income from time deposits	6,993	7,072
Other interest income	1,182	238
Total financial income	57,029	63,501
Financial expense:		
Due date difference on credit purchases	(33,187)	(46,135)
Interest expense on bank borrowings	(7,967)	(9,303)
Foreign exchange loss	(5,746)	(10,836)
Interest expense on lease obligations	(135)	(790)
Other	(602)	(401)
Total financial expenses	(47,637)	(67,465)
Financial income/(expenses) - net	9,392	(3,964)

NOTE 31 - INTEREST IN JOINT-VENTURE

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

	2004	2003
Property, plant and equipment	220,586	208,595
Other non-current assets	15,507	14,097
Current assets	65,467	63,749
	301,560	286,441
Long-term bank borrowings	(76,019)	(74,351)
Provisions	(11,739)	(13,086)
Current liabilities	(77,077)	(69,365)
	(164,835)	(156,802)
Net assets	136,725	129,639
Net sales	288,719	297,429
Income before tax	25,586	22,173
Income taxes	(7,026)	(6,009)
Net Income	18,560	16,164

NOTE 32 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given at 31 December were as follows:

	2004	2003
Pledges (*)	338,358	327,209
Letters of guarantee given to banks	16,960	16,754
	355,318	343,963

(*) All assets of Rambutya amounting to YTL 36,798 are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD 11 million.

All assets of Ramenka amounting to YTL 301,560 are pledged as security for the IFC loan agreement amounting to USD 30 million.

b) Guarantees taken at 31 December were as follows:

	2004	2003
Guarantees obtained from customers	57,119	76,632

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

	2004	2003
Payable within 1 year	4,129	3,376
Payable in 1 to 2 years	3,840	3,472
Payable in 2 to 5 years	10,391	9,391
Payable in 5 to 10 years	10,393	8,488
Payable after 10 years	3,628	5,153
Total	32,381	29,880

d) As of 31 December 2004, there are contractual commitments for the new hypermarket constructions of Ramenka and Ramstore Bulgaria amounting to YTL 81,780 (31 December 2003: YTL 75,694).

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

NOTE 33 - FOREIGN CURRENCY POSITION

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

		2004	2003
Assets		74,594	66,225
Liabilities		(47,476)	(33,816)
Net foreign currency asset position		27,118	32,409
YTL equivalents of foreign currency amounts			
Cash and cash equivalents	USD	29,793	3,474
	EURO	4,339	787
Available-for-sale investments			
Eurobond	USD	32,184	43,015
Trade receivables, due from related parties and other current assets	USD	8,278	18,014
	EURO	-	935
Bank borrowings	USD	43,174	27,324
Trade payables, due to related parties, lease obligations and other liabilities	USD	3,128	3,997
	EURO	1,174	2,495

NOTE 34 - SUBSEQUENT EVENTS

a) Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish Lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (YTL 1 = YKr 100). When the prior currency, Turkish Lira ("TL"), values are converted into the YTL, one million TL (TL 1,000,000) is equivalent to one YTL (YTL 1). Accordingly, currency of the Republic of Turkey is simplified by removing six zeroes from the TL.

All references made to Turkish Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting the books, accounts and financial statements.

b) On 7 February 2005, the Board of Directors decided to obtain a loan from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) amounting to USD 20 million, with a maturity of 5 years. The loan will be used for funding the new investments of Ramenka settled in Russian Federation, in which the Company has 50% shareholding interest.

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