Strong strategies
Strong growth performance

MiGROS

MİGROS TİCARET A.Ş.
2011 ANNUAL REPORT

Exceeding customer expectations while keeping a close watch on customer wishes since the day it was founded, Migros is known as a source of its innovation and progress in retailing. Constantly expanding the geographical reach of its service network with the addition of new stores, Migros was Turkey's top retailer and ranked 199th in the world's retailing league table in 2011.

Our Formats

MİGROS

Tansaş

macro▲center

MİGROS Where shopping is a pleasure

The trailblazing pioneer of the retailing sector in Turkey and with stores in more than 80% of Turkey's provinces located in every part of the country today, Migros is still the address that people prefer for a pleasurable, innovative, and superior-quality shopping experience. Strengthening the qualities that have distinguished it from its competitors down through the years while further expanding its range of reasonably-priced choices, Migros reaches out to new audiences. With its philosophy of constant innovation and diversity in product offerings, Migros continues to attract customers with new ideas and a service approach that recognizes their individuality.

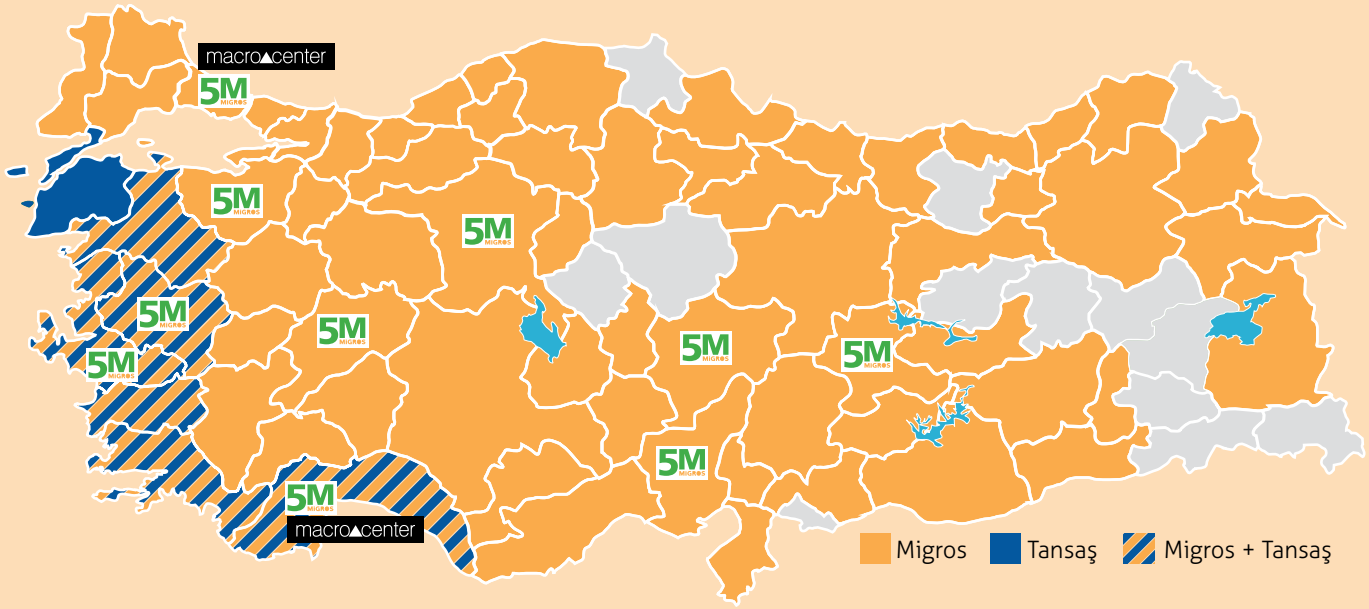
TANSAŞ My Super Market!

Eminently accessible to customers thanks to its commitment to freshness, discount prices, friendly service, and lively atmosphere, the very best in neighborhood service is summed up in the "My Super Market Tansaş" slogan. Tansaş is always one step ahead of the pack with its "Mind-Boggling Consumer Rights".

MACROCENTER Exclusively For You

The leading name in appetizing brilliance, Macrocenter's superior service standards and product choices put it in a class of its own. With an outstanding assortment of the best local offerings from all over Turkey as well as gourmet temptations from around the world, Macrocenter constantly renews itself as touchstone of excellence in customer service and satisfaction. Having been originally launched and honed to perfection in İstanbul, the potential of the Macrocenter concept and format has been amply demonstrated by the success of its recently opened store in Antalya. New stores in other locations around the country are now being planned.

In Turkey...



5M Hyper Discount

With the broad appeal that comes of hyper-discounts offered along with an untrammeled shopping experience, 5M hypermarkets have proven to be very popular with customers. 5M is Turkey's chain of hyper-discount stores whose vast selection of textiles, home furnishings, glass- and kitchenware, electronics, and appliances is unmatched.

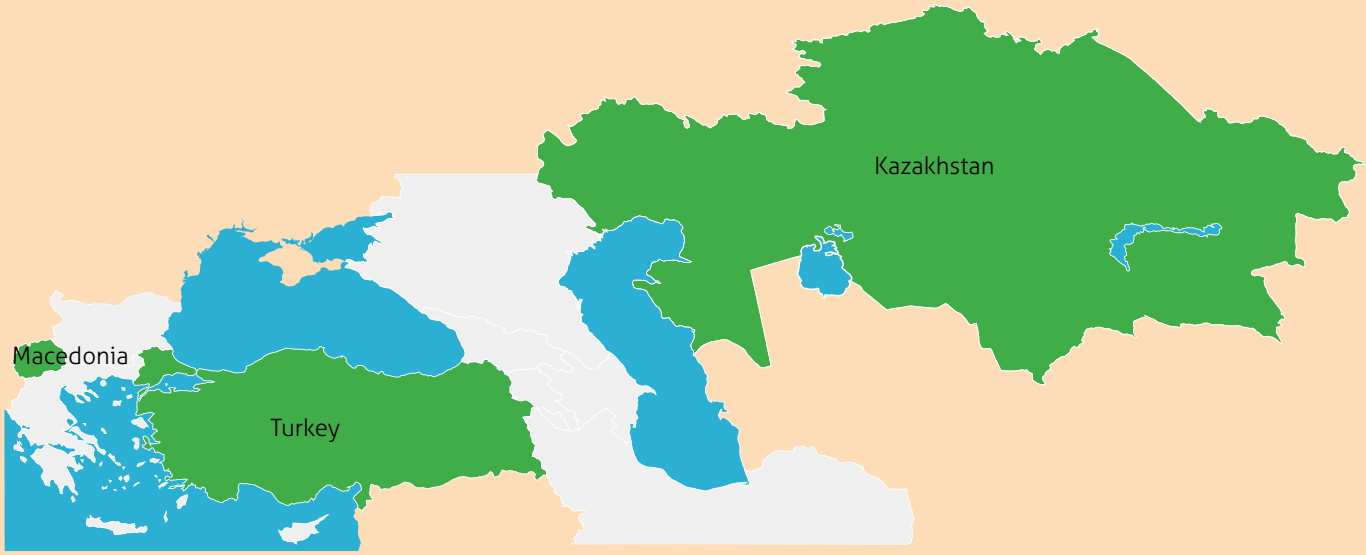
MIGROS VIRTUAL MARKET One-Stop Shopping

Too busy to get out and go shopping? With just a few clicks at Migros Virtual Market you can make your choices and have everything delivered right to your door. Migros Virtual Market is the premier internet address for online grocery and electronic shopping and much more. Located at www.kangurum.com.tr, the reach of the Migros Virtual Market was significantly expanded in 2011, with same-day deliveries now being made to your door in 17 cities: Adana, Afyon, Ankara, Antalya, Bursa, Edirne, Erzurum, İstanbul, İzmir, İzmit, Kayseri, Konya, Malatya, Manisa, Mersin, Muğla, and Samsun.

RAMSTORE Taking pleasurable shopping around the world

The leading retailer in Turkey, Migros is also going international with its "Ramstore" brand and format. The company currently serves customers through Ramstores at 28 locations outside Turkey, including two shopping centers–one in Kazakhstan and one in Macedonia. It plans both to extend its reach in existing markets and to venture into new ones as well.

Abroad...



Corporate Profile

Originally established in Turkey in 1954 as a collaboration of the Swiss-based Migros Cooperatives Society and the İstanbul municipality, Migros's primary mission was to supply economically-priced groceries and household supplies to consumers in İstanbul under wholesome conditions. The very first Migros store was not much more than a somewhat largish shopfront located in the venerable Balık Pazarı (Fish Market) of İstanbul's Beyoğlu (Pera) district. In 1975 the Koç Group acquired a majority stake in the company, following which there was a steady increase in both number of its stores and its brand value for more than a decade. In 1991, Migros became the first publicly traded company in retail. Following a Koç Group strategic decision to pull out of grocery retailing, in February 2008 Koç Holding signed an agreement to sell its 50.83% stake in Migros to Moonlight Perakendecilik. Transfer of the shares took place on May 30th of the same year. On 30 April 2009, Moonlight Perakendecilik (now known as Migros Ticaret A.Ş.) and Migros Türk T.A.Ş. were merged into a single company which has since been operating under the name "Migros Ticaret " and whose principal shareholder is MH Perakendecilik ve Ticaret A.Ş.

In 2005 Migros further bolstered its leadership of Turkey's food retailing sector with its acquisition of Tansaş, another national chain. With the synergies thus created, the company began serving customers through a diversified range of brands and formats.

As of end-2011 Migros was operating through a total of 745 national and international locations. With a national presence in all seven of Turkey's geographical regions taking the form of 262 "M", 190 "MM", 59 "MMM", and 16 "5M" Migros-branded stores and of 177 "Tansaş" and 13 "Macrocenter" stores, its international footprint consisted of 23 Ramstores in Kazakhstan and another 5 in Macedonia.

The services that Migros provides its customers at its stores are further expanded with order placement and delivery options that are made available through such alternatives as internet, call center, kiosk, catalogue, and mobile shopping.

The pioneer of organized retailing in Turkey, Migros today offers spacious stores in a wide range of formats and locations whose vast selection of stationery, glass and kitchenware, appliance, book, recorded media, clothing, and other items along with groceries and other necessities give it the ability to satisfy nearly all of the shopping needs of its customers.

Striving to give customers the benefit of technological developments while confidently continuing to serve them with its trusted human resources, the attention which Migros gives to information technology and the investments which it undertakes always keep it at the forefront of the retailing sector.

Exceeding customer expectations while keeping a close watch on customer wishes since the day it was founded, Migros is known for its innovation and progress in retailing. Constantly expanding the geographical reach of its service network with the addition of new stores, Migros was Turkey's top retailer and ranked 199th in the world's retailing league table in 2011.

Vision

To be an organized retailer who remains the closest to customers by serving them in a variety of formats through a strategy of pursuing expansion both in its own and in neighboring national markets and of always exceeding customer expectations.

Mission

To strengthen its leading position in the Turkish retailing sector and to be a strong, regional retail chain which is pointed to as a model and which ranks either first or second in every national market in which it is active.

Strategies

In line with its mission, Migros devises and manages its strategies so as to achieve sustainable quality, reputation, and sectoral leadership through a customer satisfaction approach which raises the standards of organized retailing in the countries in which it is active.

Migros's most fundamental strategy is to keep its customers supplied with modern, reliable, economical, and high-quality service.

General Meeting Agenda

Date & Time: Thursday, 28 June 2012, 14:30
Place: Migros Ticaret A.Ş. Headquarters Ataşehir-İstanbul

1 Roll call and election of the Assembly Presidium,

2 Presentation and discussion of the Board of Directors Report on 2011 activities and accounts, Statutory Auditors' Report and the summary of the Independent Auditors' Report prepared by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu International), approval, amendment or rejection of the Board's proposed Balance Sheet and Income Statement for 2011,

3 Individual acquittal of the members of the Board of Directors and Statutory Auditors of their fiducial responsibilities for the Company's operations during 2011,

4 Approval, amendment or rejection of the Board of Directors' proposal regarding the distribution and timing of the 2011 dividend,

5 Presenting the Company's "Dividend Distribution Policy" for 2012 and the following years pursuant to Corporate Governance Principles,

6 On condition that necessary permissions are obtained from Capital Markets Board and T.R. Ministry of Industry and Trade and as it has been permitted; the following articles of the articles of association have been revised; Article 3 named "Purpose and Scope", Article 11 named "General Assembly Meetings", Article 16 named "Board of Directors", Article 18 named "Meeting of the Board of Directors", Article 21 named "Remuneration of the Directors" and Article 32 named "Legal Provisions" in the Articles of Association of the Company whilst Article 11/B named "Powers of the General Assembly", Article 16/A named "Committees" and Article 35 named "Compliance with Corporate Governance Principles" have been added,

7 Determination of the number of members of the Board of Directors and election of the members accordingly, including the Independent Board Members,

8 Re-election or replacement of Statutory Auditors and the setting of their terms of office,

9 Presenting the Company's "Compensation Policy for Members of the Board and Senior Management" in accordance with the Corporate Governance Principles,

10 Determination of the monthly gross remuneration of the Members of the Board of Directors and the Statutory Auditors,

11 Presenting the Company's "Disclosure Policy" in accordance with the Corporate Governance Principles,

12 Informing the General Assembly of the donations made by the Company for charitable purposes foundations and associations in 2011,

13 Approval of the Independent Audit Company, recommended by the Audit Committee and selected by the Board of Directors pursuant to the regulations of the Capital Markets Board of Turkey pertaining to Independent Auditing in Capital Markets,

14 Informing the General Assembly about the details of collaterals, mortgages and pledges given as per Capital Markets Board Resolution no 28/780 dated 09.09.2009,

15 Giving consent to the shareholders who control the management, the members of the Board of Directors, the top executives, and blood and in-law relatives of them up to and including second kin to carry out the business transactions falling under the Company's scope, personally or on behalf of others, and to become shareholders in companies pursuing businesses of such nature and to carry out other transactions, which may lead to conflict of interest with the Company or its affiliates, and giving information about the transactions of this kind executed during the year, pursuant to the articles 334 and 335 of the Turkish Commercial Code and the Articles of Association,

16 To authorize the Presidium to sign the minutes of the General Meeting on behalf of the shareholders,

17 Closing.

Financial Highlights

Migros Ticaret A.Ş.

Summary Consolidated Balance Sheet (TL thousand)	2011	2010	Change (%)
Assets			
Current Assets	1,797,570	1,745,344	3.0
Non-Current Assets	3,683,394	3,822,001	-3.6
Total Assets	5,480,964	5,567,345	-1.6
Liabilities			
Short-term Liabilities	1,578,694	1,717,981	-8.1
Long-term Liabilities	2,706,563	2,502,211	8.2
Non-controlling interests	476	506	-5.9
Parent Company Shareholders' Equity	1,195,231	1,346,647	-11.2
Total Liabilities and Equity	5,480,964	5,567,345	-1.6

Summary Consolidated Statement of Income (TL thousand)	2011	2010	Change (%)
Net Sales	5,753,112	5,159,707	11.5
Cost of Sales	-4,258,622	-3,835,105	11.0
Gross Profit	1,494,490	1,324,602	12.8
Operating Expenses	-1,241,823	-1,098,661	13.0
Other Operating Income/Expenses	-20,255	-7,571	167.5
Operating Profit	232,412	218,370	6.4
Other Income/Expenses (net)	-548,270	-127,354	330.5
Income/Expense Before Tax	-315,858	91,016	-447.0
Income Tax Expenses	-53,356	-34,278	55.7
Net Income/(Loss)	-163,170	42,674	-482.4
EBITDA	**386,009**	**347,528**	**11.1**

Net sales
(TL million)

Gross profit
(TL million)

EBITDA
(TL million)

11.5%

Net sales growth

Chairman's Message

More than half a century of experience gives us an unrivalled competitive advantage in our sector.

Honored shareholders,

Welcome to the annual general meeting at which the results of our company's operations in 2011 will be discussed.

Among the G-20 countries, Turkey's growth performance ranked second only to that of China last year. Despite global uncertainties prevailing almost everywhere in the world, particularly in the eurozone, national and international investors continued to invest in Turkey. Rising domestic demand supported production capacity utilization rates. Exports were up; unemployment rates continued to go down. Having grown by 9.2% in 2010, the national economy came close to that with an 8.5% growth rate in 2011. That said, imports grew relatively faster than did exports and, triggered by a bigger foreign trade deficit, the size of the current account deficit continued to increase. In the second half of the year, it became necessary to bring that current account deficit under control in view of increasingly greater risks in the global economy. The Central Bank therefore began taking a series of measures aimed at restraining the growth both in banks' consumer lending and in credit card expenditures in order to achieve a "soft landing".

As for the current situation, international economic circles have begun to talk about the possibility of a second recession while worries about the economic future of the eurozone continue to worsen. Here in our own country, inflation returned to the double-digit range once again and reached 10.45% in 2011. The Central Bank and the government have declared their intention to return to single-digit inflation levels in 2012. Our own view is that inflation will indeed begin to subside, especially in the second half of the year, and will once again be back in the single-digit zone. We believe that low levels of inflation are important for sustainable growth.

The government has set a 2012 growth target for the Turkish economy that is on the order of 4%. While that is a growth rate that is lower than those which prevailed in previous years, given the difficult economic conditions in the world today, it will still be satisfactory.

According to figures published by the Turkish Statistical Institute, the Turkish economy grew by 8.5% last year while expenditures on food and beverages increased by 6.3%. Considered from the standpoint of operational strategies, 2011 was a year of restructuring for our company. Last year we converted a large number of Tansaş stores outside the Aegean region and Antalya to the Migros format. In the part of the country where the Tansaş name was born and still remains the strongest, we repositioned the brand. We sold off the "Şok" chain of discount retailing outlets and focused instead on our supermarket operations. Having made that decision, we also made revisions in our supermarket growth program. We doubled planned openings of supermarkets and we are currently growing in the supermarket segment at the rate of two new store openings a week. We took our "Macrocenter" brand outside İstanbul for the first time. Located in Antalya, our newly opened Macrocenter store has so far fulfilled our expectations. That being so, we may start seeing the "Macrocenter" name gradually appearing in other parts of the country in the period ahead as well. In 2011 we opened 76 new stores in our home market and one abroad. These additions bring the total number to 745. We continue to operate successfully at the international level through our investments in Kazakhstan and Macedonia. Migros's consolidated sales increased by 11.5% year-on and reached TL 5,753 million in 2011. Gross profit increased by 12.8% and reached TL 1,494 million last year. Our consolidated gross profit margin was 26.0%. Our consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to TL 386 million, which gave us an EBITDA margin of 6.7%. However as the company suffered a serious rise in its currency translation losses owing to its EUR-denominated financial obligations, it booked a net loss of TL 163 million in 2011. Despite this however, I want to make it clear that I consider the company's operational results and sales growth to have been quite satisfactory.

In our home market we are positioned in our principal business line–the supermarket segment–with three strong brands. "Migros", which is our company's flagship, is the bedrock underlying our future growth. "Tansaş", which is the apple of our eye in the Aegean region, distinguishes itself by its ability to "act local while thinking global". "Macrocenter", which appeals to upper-income groups, will continue to grow along with Turkey. We have already begun taking the Macrocenter format outside the confines of İstanbul. Although we are positioned with three brands in our principal business line–the supermarket segment, we continued to grow with 5M format, with the opening of 5 new hypermarkets in 2011. Needless to say, we continue to give the utmost attention to service quality in all of our formats.

More than half a century of experience gives us an unrivalled competitive advantage in our sector. Nevertheless, the quality of Migros employees and the upper hand that we gain through such quality really matter. At the same time, our growth strategy is both clear and explicit: we shall continue to grow along with our country and we shall continue to create employment opportunities for our country men.

In closing, I thank you for the interest and confidence you have expressed by attending this general meeting and I extend my best regards to you all.

F. Bülend Özaydınlı
Chairman of the Board of Directors

Report of the Board of Directors

Board of Directors	
Fevzi Bülent Özaydınlı	Chairman and Executive Member
Antonio Belloni	Member of the Board of Directors
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Cedric Brice Dubourdieu	Member of the Board of Directors
Evren Rıfkı Ünver	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors/ General Manager
Pedro Miguel Stemper	Member of the Board of Directors
Giovanni Maria Cavallini	Member of the Board of Directors
Sharifa Salim Mohamed Al Busaidy	Member of the Board of Directors
Carlo Francesco Frau	Member of the Board of Directors

Senior Management & Directors	
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager (Migros, 5M and Macrocenter Operations)
Erkin Yılmaz	Assistant General Manager (Finance)
Demir Aytaç	Assistant General Manager (Human Resources and Industrial Relations)
Cem Lütfi Rodoslu	Assistant General Manager (Marketing)
Hakan Şevki Tuncer	Assistant General Manager (Tansaş Operations)
Tarık Karlıdağ	Director (Construction)
Mustafa Murat Bartın	Director (Information Technologies and Business Development)

Statutory Auditors	
Mustafa Bilgutay Yaşar	Statutory Auditor
Yüksel Toparlak	Statutory Auditor
Recep Bıyık	Statutory Auditor

The Board of Directors

In 2011 the eleven-member Migros Board of Directors consisted of Fevzi Bülent Özaydınlı (chairman), Antonio Belloni, Nicholas Stathopoulos, Stefano Ferraresi, Cedric Brice Dubourdieu, Evren Rıfkı Ünver, Ömer Özgür Tort, Pedro Miguel Stemper, Giovanni Maria Cavallini, Sharifa Salim Mohamed Al Busaidy, and Carlo Francesco Frau.

At the time the company's most recent annual general meeting was held (26 May 2011), the terms of office of all existing company directors were still current and it was therefore not necessary to hold any elections for seats on the board. It was decided at the same meeting not to pay board members a monthly salary.

The Migros Board of Directors is empowered to take all decisions with respect to the company with the exception of those specifically reserved to a general assembly of shareholders by the articles of incorporation or by the Turkish Commercial Code.

According to article 17 of the company's charter, company directors are elected to three-year terms of office unless a decision to the contrary is taken at a general meeting. A director whose term of office expires may be reelected. The general assembly of shareholders has the power to replace any director whenever such replacement is deemed to be necessary.

We hereby present it for the approval of the General Assembly that an election be held for the seats on the Board of Directors, and their terms of office be determined.

Senior Management

The company's senior management consists of an eight-member team led by general manager Ömer Özgür Tort; assistant general managers Ahmet Fuat Yanar, Erkin Yılmaz, Demir Aytaç, Cem Lütfi Rodoslu, and Hakan Şevki Tuncer; and directors Tarık Karlıdağ and Mustafa Murat Bartın.

According to the company's articles of incorporation, senior managers are chosen and appointed by the Board of Directors.

Statutory Auditors

The duties, obligations, and responsibilities of the statutory auditors as well as other issues related to the auditing of the company are governed by the Turkish Commercial Code.

The provisions of article 275 of the Turkish Commercial Code are reserved. Under article 22 of the company's articles of incorporation, statutory auditors are elected by the general assembly of shareholders to terms of not more than three years.

At the time the company's most recent annual general meeting was held (26 May 2011), the terms of office of all existing statutory auditors were still current and it was therefore not necessary to elect new ones. It was decided at the same meeting to pay the statutory auditors a gross monthly stipend of TL 500.

We hereby present it for the approval of the General Assembly that an election be held for the statutory auditor positions, and their terms of office be determined.

Audit Committee

The company's audit committee has been formed pursuant to Capital Markets Board communiqué X: 22. Stefano Ferraresi and Evren Rıfkı Ünver are the elected members of this committee.

Having examined the auditing of the company's accounts and the independent auditors' report as of 31 December 2011, the Audit Committee has informed the Board of Directors that the post-consolidation financial statements prepared pursuant to CMB communique XI: 29 and in compliance with CMB-published accounting principles accurately reflect the company's true financial standing as of 31 December 2011 as well the results of its actual operations during the reporting period.

Changes in the Company's Articles of Incorporation

No changes took place in the company's articles of incorporation during the reporting period.

Capital

The company's capital amounts to TL 178,030,000. The names and the absolute and relative shareholding interests of those controlling a 10% or greater stake in the company are as follows:

Migros Ticaret A.Ş.

	% Stake	TL Value
MH Perakendecilik ve Tic. A.Ş.	80.51	143,323,336
Others	19.49	34,706,664
Total	100.00	178,030,000

Changes in the Paid-in Capital During the Year

No changes were made in the paid-in capital during the year.

Migros's Position in the Sector and Investments in 2011

Migros Ticaret A.Ş. is active in the foods and household necessities sector. The company is involved in the retailing of all foods and other consumable items and in the wholesaling of goods intended for retail consumption. The company also engages in shopping center management in its home market and, through subsidiaries, in other countries.

As of end-2011, Migros had a national presence in all seven of Turkey's geographical regions taking the form of 262 "M", 190 "MM", 59 "MMM", 16 "5M", 94 "Mini", 60 "Midi", 23 "Maxi", and 13 "Macrocenter" self-owned stores while its international footprint consisted of 23 Ramstores in Kazakhstan and another 5 in Macedonia, all of which it controlled through international subsidiaries.

Last year the company opened 56 Migros stores (31 "M", 22 "MM", and 3 "MMM"); 13 Tansaş stores (10 "Mini" and 3 "Midi"), 5 "5M"; and 2 Macrocenter stores. On the international front, it opened one new Ramstore in Kazakhstan. This corresponds to the launching of 77 new stores in 2011, a year in which the company also exited the discount retailing format.

Information About the Company's Financial Structure, Profit Distribution Proposal, Conclusion

Information About the Company's Financial Structure

This report of Migros's operational results has been prepared in compliance with CMB Financial Reporting Standards, which are based on TAS/IFRS.

In 2010 Migros booked consolidated sales of TL 5,160 million. In 2011 consolidated sales increased by 11.5% and amounted to TL 5,753 million. During the same 12-month period, consolidated gross profit increased by 12.8% to TL 1,494 million. During 2011 Migros continued to invest in prices both to grow market share and to increase customer traffic. As has been the case for several years now, Migros kept the rises in its own prices below the prevailing inflation rate. Despite this, the company posted a consolidated gross profit margin of 26.0% in 2011, which was slightly above the previous year's level of 25.7%. The company's consolidated operating profit, which was up by 6.4% year-on and amounted to TL 232 million, is what helped keep its consolidated operating profit margin at the 4% level for the second year. Migros's EBITDA was up by 11.1% year-to-year. Amounting to TL 386 million, it corresponded to 6.7% of sales. Owing to euro exchange rate volatilities, the company sustained significant currency translation losses last year. In 2011 Migros booked a pretax loss of TL 316 million and a net loss of TL 163 million.

Total financial obligations corresponded to 78% of liabilities (76% in 2010); current assets made up 33% of total assets (31% in 2010) and 67% of non-current assets (69% in 2010).

Profit Distribution Proposal and Conclusion

With reference to principles set forth in Capital Markets Board (CMB) communiqué Serial: IV No: 27, to provisions of our company's articles of incorporation, and to our company's publicly disclosed profit distribution policies: in as much as the consolidated financial statements for 2011 issued in compliance with CMB regulations show a net current loss in the amount of TL 163,169,871.28, a recommendation has been made to the general assembly not to pay out a dividend for 2011.

Esteemed shareholders,

We present you with this report of our operations and results in 2011 for your information.

We submit the company's consolidated balance sheet and income statement dated 31 December 2011 for your consideration and approval.

Very truly yours,

The Board of Directors

Consolidated Report of the Statutory Auditors

To the General Assembly of
Migros Ticaret A.Ş.

Our audit results for the 2011 fiscal year of the Company are presented below for your perusal:

1. The Company had a successful period regarding its operations carried out within the framework of the Capital Markets Law and applicable legislation.

2. The required books and records were kept in accordance with the Turkish Commercial Code and applicable legislation and all documentary evidence was properly maintained.

3. In our opinion, the consolidated financial statements attached, which were prepared in accordance with the accounting principles issued by the CMB, for the period ending 31 December 2011, correctly represent the financial status of the Company as at the date and the operating results for the fiscal period.

4. Management decisions are recorded in the book of resolutions, which is kept in compliance with the procedures.

Consequently, we hereby present for your perusal the operations of the Company summarized in the Annual Report of the Board of Directors, the consolidated financial statements issued in accordance with the Capital Markets Law together with the approval of the proposal of the Board of Directors regarding the distribution of profit and the discharge of the Board of Directors.

İstanbul, 10 April 2012

Yours sincerely,

Mustafa Bilgutay Yaşar

Yüksel Toparlak

Recep Bıyık

Economic Review

The aftershocks of the global crisis which was triggered in the US financial system by company bankruptcies in the autumn of 2008 and which eventually engulfed the whole world, continue to weigh heavily on the world economy. Having contracted by 0.7% in 2009, the year in which the effects of the global crisis were the most severely felt, the world economy nevertheless completed 2010 with a 5.2% rate of growth. Ensuing signs that a rapid recovery might be forthcoming nourished hopes among global investors and the world's economic pundits that the global crisis had been just a transient blip.

Such optimism turned out to be transient instead. The threat of a "double-dip recession", which some of the world's eminent economists and leading international economic agencies had already identified as a serious element of risk, began to make itself truly felt in early 2011. Eurozone-focused worries from the very beginning of the year manifested themselves as a palpable loss of momentum in international trade, with the result that the world economy's growth performance slipped to the 3.8% level for all of 2011.

The effects of this second dip, which are already being felt among the developed countries, are currently expected to last at least until the middle of 2012. An average growth rate on the order of 1.2% among all developed economies is now being mooted while a 5.4% rate of growth is anticipated among the developing economies.

Subsequent to measures taken to mitigate the impact of the global crisis on the Turkish economy after four consecutive quarters of "negative growth" in 2008-2009, growth eventually resumed in the last quarter of 2009 and continued strongly (9%) in 2010 and only marginally less so (8.5%) in 2011. Among the G-20 countries, Turkey's 2011 growth performance ranked second only to that of China.

Decisions on the part of the world's leading central banks (not least of them the US Federal Reserve) to pursue expansionist monetary policies contributed undeniably to the substantial volatilities and uncertainties that were to be observed in global commodity prices. Moreover as it turns out, those decisions have proven to be inadequate. Incapable of eliminating the risk of a second recession, they are failing also to prevent even greater global economic uncertainty in 2012.

Turkey's strong growth performance in 2010 and again in 2011 was driven by strong domestic demand. Private-sector investment increased by 22.3% year-on in 2011 even as private-sector consumption outlays grew by 6.1%. Total household expenditures, which amounted to TL 821 billion in 2010, increased to TL 961 billion in 2011. Some expect them to continue growing and reach the TL 1,050 billion level in 2012. Given the Turkish Central Bank's policy of cooling off the economy in order to achieve a "soft landing" however, it is more likely that household expenditures will rise by only 3.1% in 2012 in real terms.

Having reached USD 742 billion in 2008, Turkey's GDP contracted to USD 617 billion in 2009. This was arguably due to the effects of the global crisis however because GDP rebounded to USD 732 billion in 2010 and it has since then continued moving upwards: reaching USD 772 billion in 2011, it is thought to be capable of rising to USD 822 billion in 2012. Turkey's GDP now ranks it in 16th position among the world's biggest national economies.

Total private-sector investment, which amounted to USD 109 billion in 2010, rose to USD 135 billion in 2011 and is expected to reach the USD 150 billion level in 2012. The saving needed to support Turkey's economic growth is an issue however because the country's marginal propensity to save contracted to around 13% in 2011. The reason for that decline is said to be a strong preference among households in Turkey for spending rather than for saving. As measured in real terms, household consumption outlays rose by 6% annually for two years in a row (2010 and 2011). These rises are certainly much higher than those witnessed in any EU-member country. Having increased by a mere 0.35% in 2008 on a real-term basis, household consumption outlays in the eurozone grew by just 0.91% in 2010; in 2011 they actually contracted by 0.4%.

High rates of real growth and high levels of private-sector consumption and investment pushed Turkey's current account deficit up from its USD 47 billion level in 2010 to USD 77 billion in 2011. Worldwide rises in oil and natural gas prices contributed about USD 22 billion worth to that growth in the current account deficit.

Evidence of an overheating economy may be seen in annualized inflation, which surged to 10.45% in 2011 after having remained around the 6.5% level in 2009 and 2010. The Central Bank insists that it is committed to pulling inflation down to its announced target of 5% in 2012. In line with this, the bank raised interest rates, which were around 7.9% in 2010, to between 9.3% and 10.5% by the end of 2011. Having done so however, it is now expected that the bank's rates will have subsided to around 8% by the end of 2012.

Turkey's official unemployment rate was 14.0% in 2009. Responding to strong economic growth, it dropped to 11.9% in 2010 and to 9.8% in 2011.

Supermarkets in Turkey began and grew with Migros.

The corporate history of Migros is also the history of organized retailing in Turkey. Migros's successful and unique style of doing business not only shapes the course of retailing but also entitles it to a place among the world's giants.

Migros Activities in 2011

2011 investments

Migros serves customers through its "Migros", "Tansaş", "Macrocenter", "Ramstore", "5M", online, and wholesaling formats. In 2011 the company pulled out of the discount retailing format while focusing on pursuing additional growth in the supermarket and hypermarket formats. Particular focus was given to supermarket investments in the Turkish market, where 71 new supermarkets were opened last year. The company also opened 5 hypermarkets in 2011.

In the supermarket format, in 2011 the company opened 56 Migros stores (31 "M", 22 "MM", and 3 "MMM"); 13 Tansaş stores (10 "Mini" and 3 "Midi"); 2 Macrocenter stores. In the hypermarket format, it opened 5 new "5M" stores last year. On the international front, it opened one new Ramstore in Kazakhstan. This corresponds to the addition of 77 new stores to the company's portfolio last year.

At end-2011 Migros was operating through a total of 745 national and international locations consisting of a national presence in all seven of Turkey's geographical regions in the form of 262 "M", 190 "MM", 59 "MMM", 16 "5M", 94 "Mini", 60 "Midi", 23 "Maxi", and 13 "Macrocenter" stores and an international footprint consisting of 23 Ramstores in Kazakhstan and another 5 in Macedonia. As of the same date, Migros was operating supermarkets in 67 and hypermarkets in 10 provinces in Turkey.

The company manages four shopping centers in Turkey and two (one each in Kazakhstan and Macedonia) internationally. Combined national and international net sales space in 2011 amounted to 797,761 m², which was 8.5% more than in 2010.

In the second half of 2010 the company decided to position its Tansaş brand regionally and for that reason it began converting all of its Tansaş stores outside Turkey's Aegean and Mediterranean provinces into the Migros format. This process was completed as of April 2011. The "Mjet" format was added to the company's existing "M Migros" and "Mini Tansaş" formats in the "small supermarket" segment. The underlying notion of the "Mjet" format is to give customers convenient access to the variety and service quality normally only available in the supermarket format. In 2011 Migros inaugurated its strategy of expanding the Macrocenter format nationally with the opening of its first store outside İstanbul in Antalya.

In the hypermarket format, the company opened five new stores in different cities bringing the total number in the nationwide chain to 16. With a much larger sales area that goes beyond the company's core business activity of supermarket operations, hypermarkets continue to offer customers an enjoyable shopping experience.

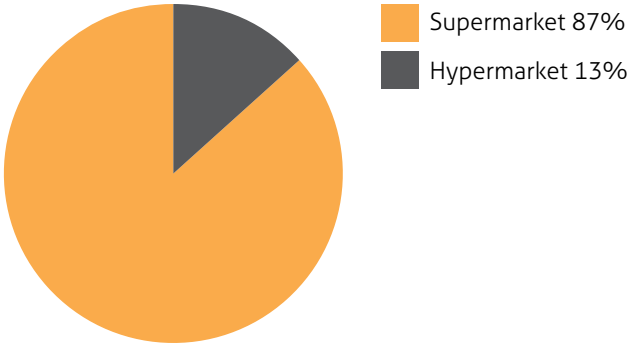
To sum up, the company is positioned with three strong brands in the supermarket segment: "Migros", which is Turkey's leading and most widespread format; "Tansaş", which has a solid regional presence and a loyal customer base; and "Macrocenter", whose gourmet focus gives it a strong upmarket position. These three formats enable the company to appeal to a broad range of customers. While supermarket operation is the company's core business activity, its "5M" format also allows it to offer customers an enjoyable shopping experience that sets it apart from all others.

Store Format	2011	2010
Supermarket	701	637
Hypermarket	16	11
Total Domestic	**717**	**648**
International	28	27
Total	**745**	**675**

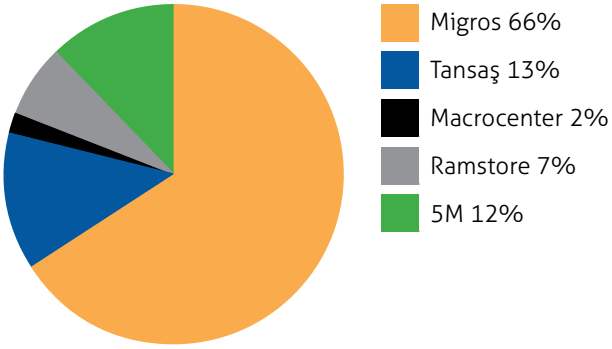
Net Sales Area (thousand m²)	2011	2010
Supermarket	639	609
Hypermarket	99	70
Total Domestic	**739**	**679**
International	59	57
Total	**798**	**736**

International Operations	2011	2010
Macedonia	5	5
Kazakhstan	23	22
Total	**28**	**27**

Breakdown of net sales area by store formats (%)



Breakdown of net sales area by store brands (%)



Total domestic stores (unit)

Total net sales area of domestic stores (thousand m²)

Total stores (unit)

Total net sales area (thousand m²)

Sale of Shares in Şok Marketler Ticaret A.Ş.

Pursuant to a Migros Board of Directors resolution passed on 07 June 2011, the company sold off its 99.60% stake in the firm of Şok Marketler Ticaret A.Ş., the nominal value of which was TL 99,600 as follows: shares with a nominal value of TL 50,000 were sold to Turkish Retail Investments BV; shares with a nominal value of TL 39,000 were sold to Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.; shares with a nominal value of TL 10,000 were sold to Bizim Toptan Satış Mağazaları A.Ş.; shares with a nominal value of TL 600 were sold to other shareholders. Share transfer agreements concerning these sales were signed.

On 03 August 2011 Migros made a public disclosure in which it stated that 1,243 "Şok" stores, along with all of their stocks, fixed assets, and leases, had been sold and transferred to the firm of Şok Marketler, a subsidiary in which Migros controlled a 99.6% stake.

At a meeting convened on 17 August 2011, the Competition Authority approved the sale of Şok Marketler shares. On 25 August 2011, Migros transferred ownership of all of its shares in Şok Marketler to the new owners.

Migros no longer owns any shares in Şok Marketler. During the reporting period, the company booked and collected TL 581,010,056 as payments for the Şok Marketler shares that it sold.

Marketing and Sales Activities

Money Club and Customer Relationship Management

"Money Club", a new name that was adopted in 2010, is Turkey's biggest customer loyalty program and has been active since 1999. Equipped with features that make shopping at merchant partners increasingly more attractive the more it is used, Money Club celebrated the first anniversary of its new identity in 2011. There were 8.2 million Money Club users last year and they contributed an 81% share of the company's total turnover.

Striving to satisfy members' needs and expectations even beyond their expectations, Money Club has introduced a brand-new program that is sure to please the new parents. The "Bebemoney" program launched in March allows parents to get free baby products against the purchases of such products that they make. Those who join the program also get Money Club cards that are personalized with a picture of their own child. The "Bebemoney" program proved to be immediately and very popular with customers. By the end of the year, 90,000 members had signed up for it.

In 2011 Money Club moved quickly into the realm of social media by opening up its own Facebook and Twitter pages.

For the first time in Turkey, Money Club made it possible for Facebook page members to link their identities up with their card numbers. This not only allows Money Club to know its members better but also provides an infrastructure on which campaigns are now being specifically targeted at members through Facebook. The unique and interactive applications which Money Club has added to its Facebook page make it very easy for members to join campaigns simply by "liking" them. It is thanks to this convenience that Money Club's Facebook pages have been ranked first in Turkey and fifth in the world by Socialbakers, a global social media and digital analytics company, in terms of "customer-interaction". As of end-2011, the number of Money Club Facebook members had reached 90,000.

Last year Money Club introduced a special surprise for children by bringing their favorite Disney characters into Migros stores. In this campaign, which has been very popular with children, Money Club members whose shopping purchases go above a specified level are issued specially-designed "Disney Magic" cards which their children can collect in a specially-designed Disney album.

Reaching out to numerous customers from different segments through personalized campaigns, Money Club celebrated its first full year with an enjoyable evening at the movies for its members. Money Club members showing their cards at participating cinemas in many parts of Turkey received tickets entitling them to free admission to showings.

Money Club continues to study and interpret its customer data in order to design and offer campaigns which are not just targeted at particular customer groups but which can even be personalized according to individuals' habits and tastes. Customers are also contacted personally by phone in order to obtain first-hand feedback about Migros so that any complaints they may have may be dealt with immediately.

"Money Visa" is a credit card version of the Money Club card. Specially-designed campaigns and other activities have brought the number of Money Visa cardholders to 450,000, which now makes up 8.6% of the credit card sales made in Migros stores.

MIGROS CUSTOMER SERVICES LINE

444 10 44

The Migros call center served 550,320 customers in 2011.

The Migros Customer Services Line on 444 10 44 is in operation seven days a week from 08:30 to 22:00. Seeking to maximize customer satisfaction, the call center recorded and achieved a 93% service level in its responses to calls in all formats. Calls about issues which cannot be dealt with immediately are transferred to the appropriate department for resolution. During all of 2011, 95% of incoming calls at the center were resolved within 48 hours. The remaining 5% of the calls were subjected to detailed study and analysis by our quality control department, following which customers were provided with feedback.

Monthly reports prepared on the basis of feedback received at the company's call centers, which are located in İstanbul and Samsun, reveal issues which need to be dealt with. All such problems are given attention in order to rapidly resolve them.

Product Management

The pioneering leader of organized retailing in Turkey, Migros seeks to offer suitably-priced, high-quality, wholesome products that exceed customers' expectations.

Migros's innovative ideas and attractive campaigns once again continued to earn it customers' appreciation and admiration in 2011. A campaign which Migros conducted for its 57th anniversary and which appealed to cherished communal memories, was very popular with customers. Representing a novel use of nostalgic associations in Turkey's food-retailing industry, the campaign introduced to today's customers the products of a number of still highly respected brands in the packaging at the prices which they would have had on Migros's shelves half a century ago. Special campaigns conducted for holidays like Women's Day, Children's Day, and World Animal Day also drew strong attention. In addition to such one-off campaigns, the company continued to regularly put out its themed catalogues and to offer weekend discounts all year long.

In keeping with its practice of going beyond ordinary retailing, Migros has begun offering customers a broader range of necessities such as healthcare products. In addition to making summer fruits available to its customers throughout the year in 2011, Migros stores also added locally available as well as specially imported items to its product portfolio. Detailed price research was also carried out to be sure that customers were being offered the best prices currently available during the year.

Such efforts not only ensured high levels of product availability at stores but also contributed significantly to enhancing customer satisfaction. Efforts continued to optimize product portfolios so as to be certain that the goods which are most appealing to customers are to be found in stores which are nearest to them. The use of a computer-supported and automated central order-placing system resulted in substantial improvements in both product availability and stock levels.

Private Labels

Migros's lineup of private-label products was reviewed in 2011 and specific product groups on which to focus were identified. Work was carried out on "Migros"- and "Tansaş"-branded products in 66 product groups with 537 separate stock-keeping units (SKU) in order to keep customers supplied with the goods at the most appropriate price. The "M Life" label, which now consists of 75 SKU in 12 product groups, has been enriched with new additions. The portfolio of "M Selection" label products was expanded to 24 SKU in 11 product groups.

A comprehensive mechanism for more effectively managing private-label products was introduced in 2011. "Consumer household" panels have been created in order to better understand consumer appeal levels on all such products. The feedback from these studies is used to make improvements in line with consumer needs.

Improvements were also made in the packaging and content of many private-label products. Efforts continued to be made to be sure that the company is offering the best possible quality at the most appropriate price.

Migros- and Tansaş-branded products are priced to give customers better value. In February a campaign was conducted in which such products were relaunched along with messages to the customers that the products are high-quality in addition to being low-priced. This campaign has resulted in significant progress in the direction of the company's strategy of expanding the private-label target group and cultivating customer loyalty.

Migros- and Tansaş-branded products have been developed to turn price-conscious, economy-minded consumers into our loyal customers. Migros-branded products possess all of the high quality standards expected of Migros and are the most economically-priced products of the same quality that are currently available on the market. Tansaş-branded products are similarly the lowest-priced products on the market. "M Life" is the name of a line of products which Migros has developed for health-conscious customers and which includes both organic products and products specially designed for diabetics. "M Selection" is the name of a line of exclusive products which have features not to be found even in the top brands in their respective categories.

M Selection — Outstanding Products

mlife — The Healthy Living Brand

MiGROS — Migros Brand = Migros Quality

Tansaş — Super-Priced Products

We stand by you with a supermarket chain that is constantly expanding in all seven of Turkey's regions.

Continuing to accelerate its investments in supermarkets, which represent the company's core business activity, Migros opened 71 new stores in this format in 2011. In the "small-supermarket" segment, the company also added its "Mjet" format to its existing "M Migros" and "Mini Tansaş" stores.

Migros Virtual Market

www.sanalmarket.com.tr

Migros Virtual Market is one of the leading internet shopping websites in Turkey. Every product and service that is available in a Migros store can be purchased by a customer 24 hours a day seven days a week at exactly the same price and with exactly the same advantages. Located at www.sanalmarket.com.tr, the Migros Virtual Market received an average 385,000 visits a month in 2011.

Seeking to maximize customer accessibility with the addition of smartphone and tablet applications to its existing online and telephone shopping channels, Migros Virtual Market continued to grow rapidly in 2011. Migros Virtual Market's operations have been expanded to 67 stores year-round. With the addition of seasonal distribution points, the number of stores being served by the market is 74.

Migros's Mobil Market ("Mobile Market") application, the first of its kind in Turkey, was launched in 2010. The number of orders placed through this channel has since increased steadily and it accounted for 10% of the total transactions in 2011. By reading product barcodes with their mobile phone cameras, Mobile Market users can put together "shopping baskets" containing whatever items they want wherever they may be. Accessible from any mobile phone that has internet connectivity, Migros Mobile Market users have access to all Migros store products and campaigns at exactly the same prices and with exactly the same advantages from the convenience of their own phones.

Because the Migros Mobile Market application is also fully compatible with Migros Virtual Market, not only can users put together orders by reading barcodes but they can also use the search function to locate items on the shelves and even create new orders from old ones. In the month following its launch, Migros Mobile Market was downloaded by 100,000 people, making it the number one application at the Appstore. To further increase the visibility of the Migros Mobile Market, in December 2011 Migros introduced another first in Turkey with the staging of "Virtual Migros Aisles" at shopping centers and other locations. During this marketing and promotional event, the barcode reading capabilities of the application were demonstrated.

Migros Mobile Market was cited as the "Retailing Technology Application of the Year" in the 2011-2012 series of awards conducted by the Turkish Shopping Centers and Retailers Association.

In 2011 the Migros Virtual Market began making active use of both Facebook and Twitter. Since the introduction of these social media channels, Migros customers are able to keep up with campaigns and innovations from Facebook and Twitter while also taking advantage of special campaigns as well. In addition to its Facebook and Twitter pages, Migros Virtual Market pages that have been created on other social media platforms such as YouTube and Vimeo are also attracting attention and encouraging user participation.

The www.dahaucuzuyok.com.tr website, which was launched in 2009, continues to draw customers with computer, electronic, and white goods that are offered at rock-bottom prices and with extra-fast deliveries.

Macrocenter, Migros's chain of shops whose superior service standards and products appeal to upmarket customers, went online with the introduction of its "Macroonline" service in 2010. It is now serving customers via the internet in designated districts of İstanbul.

Employing a professional order preparation and delivery team, Macroonline accepts orders and delivers them to the customer's address aboard specially-compartmentalized, climate-controlled vehicles every day between the hours of 10:30 and 21:00.

Good Agricultural Practices

In 2009 Migros joined forces with Turkey's Ministry of Food, Agriculture, and Livestock in launching a "Good Agricultural Practices Project" to formulate a model of agriculture that was socially viable, economically productive, and mindful of human, animal, and environmental health and welfare. This project not only provides the foundations for the food-safety of the fruits and vegetables that Migros offers its customers but also increases awareness of good agricultural practices among both producers and consumers.

In the conduct of good agricultural practices (GAP), planned inspections are carried out at all suppliers' places of production during which they are checked and produce is analyzed for compliance with 214 criteria specified by GAP. Information about producers, fields, certificates, crop protection and fertilizing practices, and pest control specific to all produce which has been awarded GAP certification as well as GAP operational continuity can be checked from the Migros GAP Traceability Portal. Working through a team of GAP experts, Migros provides both producers and suppliers with ongoing support on such issues as setting up and expanding a GAP-compliant system.

The GAP agricultural model also attaches great importance to human and environmental health as well. Those who are employed in the production of produce that complies with GAP requirements are given regular health checkups. The potential environmental impact of every activity taking place at every stage of production is investigated and practices which might cause environmental harm are prevented. An effective waste management system is deployed in which all packaging, pesticide containers, and other similar waste are collected in special bins. In this way, it is possible to safeguard soil fertility and productivity and to maintain a healthy environment that may be passed on to future generations.

Migros has published Taze Meyve Sebze Tedarikçileri Kalite El Kitabı, a quality handbook which it put together to inform fresh fruit and vegetable suppliers about quality control and food safety procedures, to improve agricultural produce standards, and to ensure that fresh produce moves according to food safety norms from field to consumer. About a thousand copies of this handbook have been given to producers.

The "Migros Traceability Portal" has been launched. Located at https://b2b.migros.com.tr, this portal provides firms in possession of Good Agricultural Practices (GAP) certification with convenient online access to the company.

Quality Management

Where product wholesomeness is concerned, Migros is always guided by the highest internationally recognized standards. The company's goal is to ensure that all products are kept and displayed under the most healthful conditions so as to be worthy of its customers' unconditional trust. In line with this goal, every product is kept under careful control at every stage from its initial purchase until it reaches the final consumer.

During 2011, specialized firms conducted onsite inspections at 413 product locations, of which 83 were the suppliers of the company's private-label products. In situations where unacceptable conditions were observed, correct/preventive measures were initiated and follow-up inspections were carried out to determine their effectiveness. The contracts of suppliers who failed the second round of inspections were terminated.

In 2011, a total of 3,167 products were sent to independent laboratories for analysis. In the case of products whose analysis results were unacceptable, suppliers were notified and product recalls were carried out in situations where human health might have been placed at risk. Detailed comparisons were made between the results of analyzing private-label products and comparable ones. Based on the results of these comparisons, action was taken to improve private-label product specifications.

In the conduct of the company's internal inspection program, 643 stores were visited by 199 Migros personnel during 2011. All inspections were conducted in compliance with company procedures.

Under the heading of ISO 9001:2000 Quality Management System and ISO 22000 Food Safety Management System standards, Migros stores, warehouses, and headquarters units were visited and inspected by Turkish Standards Institute personnel, as a result of which the company's certifications were upheld.

Inspections were carried out as planned by store quality specialists for all of the company's formats. Stores that scored below average grades were subjected to follow-up inspections. Independent inspections were also carried out at 630 stores, during which 7,799 samples (water, ice, residues, equipment, employee hand swabs, etc) were collected and analyzed.

We make your life easier with the best and freshest ideas.

Focusing always on customer satisfaction, Migros leads the way in its sector while coming up with solutions and approaches that exceed customers' expectations. The company's attitude towards innovation is that it should make the customer's life easier and should involve ways to make its retailing activities a part of many different aspects of their everyday lives.

Human Resources and Training

One of Migros' most important strategic objectives is to have human resources which it has itself trained to be knowledgeable, customer- and process-focused, resourceful, and dynamic. In line with this approach, the company's human resources policy is rooted in the philosophy of "Create employees who will create competitive advantages" in parallel with its corporate vision, mission, and strategies. The importance which Migros gives to professional and personal development through ongoing training helps keep it one step ahead of everyone else in what is a highly competitive sector.

At end-2011, the Migros family consisted of 17,478 people of whom 16,036 were employed in Turkey and 1,442 outside the country. With the inclusion of seasonal hires, the average number of personnel works out to about 18,330. Last year Migros received about 123 job applications a day. All applications are carefully considered for possible employment at the company. New employees joined the Migros family at an average rate of four every business hour last year. Nevertheless it is the company's policy to give priority to filling job position vacancies by promoting existing personnel to them. Last year 72% of all positions were filled in this way. In the case of middle- and senior management positions, 98% of the appointments are made in this way.

In the "Capital 500 Champions League" survey conducted by Capital, an economics magazine, Migros ranked among Turkey's five hundred biggest companies. It also outstripped its peers with an award in the "Companies with the most employees" category. While the average number of female personnel employed by companies throughout Turkey is 29.4%, at Migros, 39% of its employees are women. In 2011 Migros ranked first in the category of "Employers with the greatest number of female employees". With 435 physically handicapped individuals on its payroll at year-end, it was also the leader among companies which had given jobs to the greatest number of such people.

50% of Migros employees have been working for the company for more than eight years. Migros is a youthful, energetic family whose members' average age is 29.

Employee satisfaction is an issue to which Migros gives the utmost importance. A "Working Life Assessment Survey" is conducted every year in order to measure and further improve the level of employee job satisfaction. Employee feedback about possible improvements in working conditions is posted and tracked on the company's "Have Your Say" platform. Such feedback was used as input for making many changes in the company's human resources processes in 2011. During the year, a number of programs such as "Migros Has Got Talent" as well as meetings on a variety of subjects and wellness and nutrition seminars were conducted as ways of increasing employee satisfaction and improving working life.

Migros's human resources evaluation systems are specifically designed to be fair, measurable, and transparent. To achieve this, the company makes use of both the most advanced technology and the most effective methods.

The objectives of the Migros Performance Management System are to:

- Make sure that the company's strategies and goals are known and shared by employees
- Manage and evaluate employee performance objectively and within the framework of communally-recognized principles
- Provide guidance for career development and backup, compensation package, and personal development policies
- Motivate employees whose performance contributes to the achievement of company goals and retain the best-quality people
- Reward, in a timely fashion, employees who perform as good as or better than expected.

During the reporting period, a number of revisions were made in the company's store personnel performance management process. Twice a year, employees now undergo reviews during which their service quality (as evidenced by the abilities and professional skills which they have demonstrated in the performance of their job) as well as their sales- and service-focused job performance during the most recent six months are evaluated. The results of these evaluations are now used to chart the course of employees' development and training plans and their career progression.

"360° Competency-Based Performance" reviews are also carried out in order to identify employees' strengths as well as their weaknesses and to formulate development plans accordingly.

Aware that its employees and their loved ones make up one strong, big family, Migros conducts a "My Family And Me" program thanks to which its personnel enjoy a number of significant advantages when purchasing individual goods and services from participating concerns.

Other efforts that have been initiated to strengthen communication, cooperation, and solidarity among employees also continue without letup. Last year the third in the series of Migros Sports Festivals was held in which employees from all over Turkey took part. During the course of the festival's events, 983 employees competed with one another in football, basketball, volleyball, tennis, table tennis, and chess. Awards and recognitions were handed out to 116 successful contestants.

A talent contest, in which employees from all over the country took part, was also conducted last year. Called "Migros Has Got Talent", 573 people took part with performances of song, dance, and comedy. Seventeen finalists who emerged from the initial tryouts and semifinals held at the branch level, took part in a gala evening in İstanbul with awards being given to the most successful contenders.

Migros supports programs which contribute towards its employees' development. The company's progression plans and career-management processes are implemented at all personnel levels in all store formats. In line with this, the company has introduced a "Migros Development and Learning Strategy", whose foundations are rooted in the desire to create, in-house, the knowledgeable, dynamic, trustworthy, and effective human resources that will satisfy Migros' present and future manpower requirements in line with its strategic objectives.

April 2011 saw the relaunching of the Migros Corporate Training and Development Portal ("Akademig"), which was originally created to contribute towards employees' professional and personal development and to support employees' efforts to achieve personal career-plan goals in line with the company's corporate objectives.

Located at www.akademig.com, the Migros Corporate Training and Development Portal gives employees 24*7 access to company-provided career and personal development opportunities. Akademig is constantly being expanded with the addition of new opportunities ranging from classroom learning to informative articles and from distance education programs to an online retailing glossary. The curriculum of the Migros Retailing Academy consists of 450 classroom courses, 110 distance education programs, 55 articles, and 25 recommended-reading titles. Five new programs making use of the "virtual classroom" methodology for the first time were added to the curriculum last year. In 2011, total training time provided to all employees in all categories (on-the-job, classroom, distance) amounted to about 175,000 days.

In collaboration with the Anadolu University Distance Learning Faculty, associate and bachelor's degree programs have been created and are specially conducted for Migros to provide the company's employees with academic education which will both support their career progression at the company and create equality of opportunity. A total of 226 employees are registered participants in the university's "Migros Retailing Associate Degree" and "Migros Retailing Bachelor's Degree" programs, both of which are designed to give employees the opportunity to overcome any educational deficiencies that might otherwise hinder their careers.

Training its own management personnel from among its own human resources is one of Migros' strategic priorities. In line with this, the company is steadily increasing its efforts to collaborate with Turkey's most respected educational institutions in the conduct of its training activities. One example of this is the 216-hour pre-MBA course specializing in retailing which has been set up at the Koç University Migros Management Development Center. A total of 178 mid-level managers have graduated from this program so far, 23 of them in 2011.

"Hotline Forum", which was launched at the beginning of 2011 with the objectives of increasing employee satisfaction and of responding to personnel problems in the quickest way possible, responded to more than 21,000 calls by the end of the year. The average number of calls dealt with was 1,750 a month.

Besides taking a completely objective and results-focused approach in all aspects of recruitment and hiring, engaging in ongoing development planning through the use of performance evaluation systems, and providing employees with training and career guidance, Migros also knows that giving every member of its family timely recognition of their contributions is an important part of its human resources processes. In addition to acknowledging employees' superior performance, the Migros Reward System also encourages employee practices that contribute towards greater teamwork, employee creative ideas, and employee efforts which have been instrumental in the company's success over the years. Two new categories were added to the Migros Reward System in 2011, bringing the total number to five. From among the thousands of ideas that were put forward last year, 1,259 employees received rewards.

In addition to their reputation for knowledgeable experience resulting from leading the way forward through innate, and sound practices, the members of the Migros family also shape the course of the sector with a youthful, dynamic, and enterprising spirit which is always on the lookout for new ideas and which rapidly improves itself. Migros employees have always succeeded in ranking among the best of a sector that is constantly growing and developing and have made it a principle to take a "retail engineering" approach as they rapidly plan and carry out even the minutest details of their work. The truth of this is shown by the award which was received from Capital magazine recognizing Migros as "the most liked organized retailer" in the "Best of the Sector" category among Turkey's 500 biggest privately-owned companies.

Always cheerful, always friendly, always near you...

A pioneering leader of organized retailing in Turkey, Migros enjoys an outstanding reputation for cheerful, friendly service and for wholesome, superior-quality products that exceed customers' expectations.

International Operations

Migros's international operations continued to contribute to the company's consolidated sales and profitability in 2011. Although last year was a generally difficult one for food retailing throughout the world, Migros' international operations registered average growth rates of more than 30% in their total sales.

Solid macroeconomic indicators and relatively untapped potential in so far as organized retailing is concerned make Kazakhstan a market that is especially promising from the standpoint of future growth. In November last year Ramstore Kazakhstan opened another new store with 2,432 m² of floor space, thus bringing the total number of its stores and its total sales area in that country to 23 and 51,552 m² respectively. Ramstore Kazakhstan served 15.4 million customers in 2011.

Ramstore Macedonia continued to serve customers through three stores in Skopje and two stores in Tetovo in 2011. Total sales area in Macedonia amounted to 7,442 m² as of year-end. Ramstore Macedonia served 2.4 million customers in 2011.

At year-end 2010, Ramstore Azerbaijan was operating through three stores whose total sales area amounted to 3,220 m². In February 2011, a decision was made to sell all of Migros' shares in Ramstore Azerbaijan to the Dubai-based firm of Intersun Holding. The transfer of ownership was completed the same year.

As of year-end 2011, Migros' international operations consisted of 28 stores whose combined sales space amounted to 58,994 m² and which reported total sales worth TL 352.4 million. The earnings before interest, taxes, depreciation, and amortization (EBITDA) of the company's international operations reached TL 28.6 million in value, which corresponds to an EBITDA margin of 8.1% of total sales.

Total number of stores of international operations (unit)

Total net sales area of international operations (thousand m²)

Financial Results and Discussion

In June 2011 Migros decided to sell all of its shares in Şok Marketler Ticaret A.Ş., a company that is active in the discount retailing segment. Ownership of the shares was transferred effective 25 August. This sale was an outcome of the company's strategy of focusing more on its core business activity: supermarkets. Having originally planned to open 40-45 new supermarkets in 2011, the company increased this target to 71. At year-end 2011, the company had 745 stores in operation, whose 798,000 m² of total sales area had expanded by 8.5% during the previous twelve months.

In 2010 Migros booked consolidated sales of TL 5,160 million. In 2011 consolidated sales increased by 11.5% and amounted to TL 5,753 million. During the same 12-month period, consolidated gross profit increased by 12.8% to TL 1,494 million. During 2011 Migros continued to invest in prices both to grow market share and to increase customer traffic. As has been the case for several years now, Migros kept its price increases below the prevailing inflation rate. Despite this, the company posted a consolidated gross profit margin of 26.0% in 2011, which was slightly above the previous year's level of 25.7%. The company's consolidated operating profit, which was up by 6.4% year-on and amounted to TL 232 million, is what helped keep its consolidated operating profit margin at the 4% level for the second year. Migros' EBITDA was up by 11.1% year-to-year and amounted to TL 386 million, which corresponded to 6.7% of sales. Owing to euro exchange rate volatilities, the company sustained significant currency translation losses last year. In 2011 Migros booked a pretax loss of TL 316 million and a net loss of TL 163 million.

The company's cash and cash equivalent items increased by 14% in 2011 and amounted to TL 1 billion. As a result of our concentration on the supermarket segment as our core business activity, we opened 71 supermarkets, 5 hypermarkets, and 1 Ramstore last year. In 2012 our goal is to open at least two new supermarkets a week on average and to have at least 100 of them in operation by year-end; we also plan to open at least one and possibly two new hypermarkets. In our international operations, we will be opening three new Ramstores.

In 2010 the company booked TL 25 million as interest income on deposits and securities. In 2011 this increased to TL 34 million. The company's currency translation gains by contrast fell to around TL 78 million. In 2011, the euro gained value against the Turkish lira with the result that the company sustained net currency translation losses on the order of TL 383 million owing to the year-end valuation of its euro-denominated balance sheet liabilities.

94% of the company's total sales by value took place in Turkey. Domestic sales, which amounted to about TL 4,889 million in 2010, increased by 10.5% and reached TL 5,401 million in 2011. Over the same 12-month period, the company's profit margin on its domestic sales went from 25.7% to 26.1%. Domestic gross profit rose to TL 1,409 million, which corresponds to a year-on rise on the order of 12.1%. The company's EBITDA was up by 10.4% year-to-year and reached TL 357 million while its domestic EBITDA margin stood at 6.6%.

Ramstore Kazakhstan, which is a wholly-owned Migros subsidiary, opened one new store in 2011. Last year the company began to reap the benefits of the rapid growth which it had achieved in 2010. Ramstore Macedonia, which has one shopping center and five stores in that country, continued its operations but opened no new stores last year. Migros' international sales grew rapidly and increased by nearly 30% in 2011. The company's international sales, which amounted to TL 270 million in 2010, were TL 352 million in 2011. Gross profit on such sales, which increased by 9.5% and reached TL 67 million in the twelve months to end-2010, subsequently grew by another 26.8% and stood at TL 85 million at year-end 2011. The company's gross profit margin on its international sales is around 24.2%. International EBITDA, which contributes 7.4% of consolidated EBITDA, increased by 19.7% year-on and reached TL 29 million. The EBITDA margin on Migros's international operations is 8.1%.

Consolidated Results

Summary (TL thousand)	2011	%	2010	%	Change (%)
Sales	5,753,112	100.0	5,159,707	100.0	11.5
Gross Profit	1,494,490	26.0	1,324,602	25.7	12.8
Operating Income	232,412	4.0	218,370	4.2	6.4
EBITDA	386,009	6.7	347,528	6.7	11.1
Income Before Taxes	-315,858	-5.5	91,016	1.8	-447.0
Net Income	-163,170	-2.8	42,674	0.8	-482.4

Domestic Operations

Summary (TL thousand)	2011	%	2010	%	Change (%)
Sales	5,400,669	100.0	4,889,303	100.0	10.5
Gross Profit	1,409,360	26.1	1,257,483	25.7	12.1
EBITDA	357,448	6.6	323,670	6.6	10.4

International Operations

Summary (TL thousand)	2011	%	2010	%	Change (%)
Sales	352,443	100.0	270,404	100.0	30.3
Gross Profit	85,130	24.2	67,119	24.8	26.8
EBITDA	28,561	8.1	23,858	8.8	19.7

We embrace the community with our social responsibility approach.

In 2011 Migros was again the recipient of the "Turkey's Best-Liked Retailer" accolade. As Turkey's pioneering leader of organized retailing, Migros continues to quickly adapt itself to changes and developments taking place around it. The company's activities in the area of corporate social responsibility are informed by its commitment to universally recognized principles.

Corporate Social Responsibility

For more than half a century, Migros has been distinguishing itself through its innovations and its approach to outstanding service in its ongoing efforts to make shopping a pleasure.

Focusing always on customer satisfaction, Migros leads the way in its sector while coming up with solutions and approaches that exceed customers' expectations. The company's attitude towards innovation is that it should make the customer's life easier and should involve ways to make its retailing activities a part of many different aspects of their everyday lives. Such innovation creates new opportunities to diversify and enrich the customers' shopping experience and to maximize satisfaction in the fulfillment of their needs and expectations. As it transforms innovation into reality, Migros also strives to use technology even more effectively and to achieve even greater organizational productivity. Through its extensive network of stores, Migros seeks to be as close as possible to customers in order to provide them with the affordability, variety, and convenience which they deserve.

Migros's services on behalf of society are broadly acknowledged by its business partners, its employees, its customers, and its community as a whole. Migros is well aware that its existence depends upon its ability to perceive, understand, and appropriately respond to the needs of those around it.

In 2011 Migros was again the recipient of the "Turkey's Best-Liked Retailer" accolade. As Turkey's pioneering leader of organized retailing, Migros continues to quickly adapt itself to changes and developments taking place in its community. The company's activities in the area of corporate social responsibility are informed by its commitment to universally recognized principles. Migros's attitudes towards social responsibility are encapsulated in the company's very DNA. Migros is involved in a variety of projects that are socially beneficial in many different areas ranging from education, health, and the environment to culture and art, sports, and social welfare. The most essential criterion for all of the social responsibility projects which the company involves itself in is that they should address a social need or that they should encourage others to come up with solutions to such needs. Believing that all of its

stakeholders should be involved in the development of the community which it serves, Migros encourages its own employees to participate voluntarily in the social responsibility projects that it undertakes.

Migros's employees have always played a leading role in the successes it has achieved over more than half a century. Recognizing its employees as a huge family of 17,500 members, Migros operates with an approach which supports the personal development of its employees, which invests in their futures, which does not discriminate among them, which devotes time and material resources to their individual and professional advancement, and which is committed to providing them with a safe and healthy working environment.

To reinforce the strong, dynamic, and participatory bonds which it establishes with employees, Migros conducts internal communication meetings in all of its territories. These meetings, which are perfect reflections of the company's dynamism, are occasions during which all members of the Migros family take part in the process of identifying new goals and new approaches. Other gatherings, such as the "Migros Has Got Talent" competitions, also help increase employee satisfaction.

Migros's primary goal is to provide its customers with continuously improving service and to distinguish itself through its absolute commitment to its rules about product and service quality. Putting no product on its shelves unless it fully complies with the strictest quality and hygiene standards, Migros designs all of its business processes and rules so as to maximize customer satisfaction. As a company that has the utmost respect for consumer rights, Migros serves its customers with employees best trained in their own fields.

The corporate history of Migros is also the history of organized retailing in Turkey. Migros's successful and unique style of doing business not only shapes the course of retailing but also entitles the company to a place among the world's giants.

Corporate Social Responsibility Projects at Migros

In order to promote civil society awareness and increase the effectiveness of non-governmental organizations, Migros also supports projects which have been developed by others as well. In 2011 the company made a charitable donation of TL 359,488.81 to foundations and societies.

The Environment

Migros is a leading advocate of environment-related projects. It has authored and developed many of its own projects with the aims of creating and fostering environmental awareness and of protecting nature with a focus on ensuring that the needs of future generations will be met. It engages in an ongoing effort to use resources productively and economically.

374,000 Trees for the Aegean

Heeding the concerns of its Aegean-region customers, Tansaş launched a social responsibility project in collaboration with the Aegean Forest Foundation for the town of Urla in southwestern Turkey back in 2006. Starting out initially with 100,000 newly-planted saplings, the project has, with the steady support of customers, reached a total of 374,000 trees planted to reforest fire-ravaged areas in Dikili, Torbalı, Selçuk-Şirince, Çeşme, Seferihisar-Doğanbey, and Seferihisar-Kavakdere.

Some of the proceeds from every jar of Aegean Forest Foundation that is sold in Tansaş stores are used to plant a new tree in support of reforestation projects.

A New Retailing Sector Standard: Biodegradable Bags
Migros was one of the first major retailers in Turkey to stop using plastic shopping bags and to replace them with more environment-friendly sacks made from biodegradable materials. Migros's decision attracted widespread public attention, with the practice becoming a new standard in the retailing sector.

Yet Another Step Forward: Fabric Carrier Bags
Following up the success of biodegradable shopping sacks, Migros began offering its customers another environment-friendly option in the form of reusable carrier bags made from fabric. Emblazoned with the "Protecting The Environment Is In My Hands" slogan, the introduction of these cloth tote bags contributed to the 9% reduction in the number of shopping bags used by Migros customers in 2011.

A Smarter Recycling Bin
Migros's environmental approach is also spreading through the increasingly greater use of "smart" recycling bins at the company's stores. Environmentally-aware customers who properly dispose of packaging waste and used batteries (all of which is correctly sorted and binned by means of barcode readers) earn "Environment Points" which they can then use to pay for purchases when they shop. As a result of this program, 5.5 million pieces of packaging and other waste was collected in 2011.

As a member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), Migros contributed towards ÇEVKO's efforts by collecting 3,514 tons of packaging waste in 2011. In keeping with its environmental awareness, 17,011 tons of paper, cardboard, metal, and other packaging waste from the company's stores and back office units was picked up and dispatched to these centers in 2011.

Migros's efforts to protect the environment through recycling, recovery, and reuse extend to waste electrical and electronic equipment as well. Last year 62,473 kgs of electronic scrap were collected for recycling/ disposal without causing environmental harm.

Health
Thanks to widespread public interest in a Migros-supported campaign to recycle plastic container caps in the Aegean region, 60 tons of plastic caps and lids were collected. Not only did this help keep tons of plastic refuse from polluting the environment but the proceeds from the sale of the plastic was used to provide wheelchairs to 240 handicapped people.

Under a "Help The Handicapped Shop" program introduced at Tansaş stores, store employees are assigned to provide handicapped customers with help while shopping.

Yet another innovation that has been introduced at Tansaş stores is "Let me carry that for you". Intended for people aged 65 or older, store personnel accompany elderly shoppers on foot and carry their purchases as they return home. By focusing on the "neighborhood store" concept, this Tansaş campaign has generated considerable positive feedback from elderly customers and their relatives.

Culture & Art

Migros continues to support theater out of its belief that it is an effective way to contribute to children's intellectual development and to raise children who are culturally and artistically creative. Over the years, Migros has been opening the theatrical season with a new play and in the process the company has given some 750,000 children in 40 cities a chance to experience theater through performances that are simultaneously enjoyable and edifying. In 2011, the Migros Children's Theater mounted 86 performances in 11 provinces. Directed by Enis Fosforoğlu, the plays are entertaining while conveying messages about peace and love to young audiences.

In collaboration with the State Theater, Migros stages plays for children for two weeks every spring as part of Children's Day celebrations. Known as the "April 23rd Theater Festival", these performances have been going on regularly in cities where Migros stores are located for seventeen years. Tickets to Migros Children's Theater performances may be obtained at no charge by anyone coming into a Migros store.

Sport

Migros continues to increase its support for sports activities. In 2008 Migros joined forces with the Educational Volunteers Foundation of Turkey (TEGV) as it embarked upon a brand-new mission to make active participation in sports a part of people's everyday lives. This project, to which the company gives great importance, is still continuing. Through its "Young Uniforms" project, Migros fosters a love of sports especially among children in the 11-12 age group, who are encouraged to join together as amateur teams at TEGV playgrounds. The football pitches at some TEGV training parks were renovated by Migros, which also provided equipment. As a result of this project, 3,070 children taking part in programs conducted at 12 training parks in 11 provinces were awarded Turkish Football Federation certificates.

Drawing on the valuable support of our five million customers, the "Special Olympics Türkiye" campaign continues to touch the lives of increasingly more children and young people with intellectual disabilities. In the eighth annual Special Olympics, Migros and P&G once again joined forces to give such handicapped children and youths a chance to take part in sports. To date, 4,000 of them have been reached in this way.

Another Migros-conducted event is the Migros Sports Festival, the first of which took place in 2009. Last year the scope of the festival was expanded and included football, basketball, chess, volleyball, table tennis, and tennis. Migros employees from Adana, Ankara, Antalya, and İzmir took part in finals held in İstanbul during which they engaged in sportsmanlike competition against one another in tournaments characterized by all of the excitement, exuberance, and enjoyment of sport.

In İzmir, the company's Tansaş format stores organized bicycle races during which students from the city's different high schools took part in closely-contested meets that unfolded in an enjoyable and friendly atmosphere. Tansaş-supported activities organized under the "Good Health With Tansaş" slogan were open to all of the city's inhabitants free of charge six days a week.

Education
Recognizing that young people are the guarantee of our future, Migros continues to support their education by designing and implementing various projects. Migros also supplies material resources in support of similar education-related projects which may be undertaken by non-governmental organizations. In 2011 once again Migros donated part of the income it received on own-brand products that were sold in its stores to the Educational Volunteers Foundation of Turkey.

The number of Migros employees who have volunteered to serve as sports coaches at vocational high schools in different parts of Turkey has reached 17.

In order to encourage customers to buy gifts for other children as well as their own in celebration of National Sovereignty and Children's Day (April 23rd), Migros undertook a campaign jointly with TEGV in which a 50% price discount was given on the toys, children's books, and school supplies sold at Migros, Tansaş, 5M, and Macrocenter stores.

Social Welfare

Migros joins the Van relief campaign
In the response to the Van earthquake, Migros stores, branches, and distribution centers were all mobilized and came to the aid of the disaster's victims. Working together with the Turkish Red Crescent Society, Migros dispatched two container carriers laden with food within the first twelve hours. Six more vehicles along with 14 trucks and 4 pickups carrying supplies donated by private individuals were also sent into the disaster area at the company's expense. At its Migros, Tansaş, Macrocenter, 5M, and Virtual Market stores, two differently-composed cases of necessities were displayed as examples. People were invited to make donations to send the supplies, which were booked at cost, to earthquake victims in Van through the company's distribution centers. The names of those who made such donations were announced on the Migros corporate website.

During the Feast of Sacrifice holiday, customers were given opportunities to send donations to a number of charities (Darüşşafaka Orphanage, Foundation for the Training and Protection of Mentally Handicapped Children, İstanbul Education and Solidarity Foundation for Mental Retardation, and Solidarity Association for the Physical Disabled) through Migros stores and Virtual Market.

Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Order-in-Council 654 published in (duplicate) issue 28081 of Turkish Trade Registry Gazette (the official gazette) dated 11 October 2011 made the following additions to the duties and authorities of the Capital Markets Board (CMB): "determine and announce corporate governance principles in capital markets; in order to contribute towards the improvement of the investment environment, require those public joint stock companies whose shares are traded on an exchange and which are members of groups which it shall specify taking into account the percentage of their publicly traded stock, the number and nature of their investors, the indexes in which they are included, and their trading volumes within a specified period of time to comply, partially or entirely, with corporate governance principles."

In line with the powers vested in the Capital Markets Board by this order-in-council, corporate governance principles were reconstituted as a regulatory communique with some changes being made in the principles taking international developments into account. "Communique concerning the determination and application of corporate governance principles" (IV:56) was also published in duplicate issue 28081 of Turkish Trade Registry Gazette on 11 October 2011. Amendments in this communique were published in issue 28201 of Turkish Trade Registry Gazette on 11 February 2012 in the form of "Communique concerning the amendment of the communique concerning the determination and application of corporate governance principles" (IV:57) and went into force the same day. The execution of provisions of the communique is carried out by the Capital Markets Board.

Migros Ticaret AŞ gives great importance to compliance with the corporate governance principles published by CMB in the appendix to "Communique concerning the determination and application of corporate governance principles". Migros is aware of the benefits that implementation of these principles will bring to the Company, its stakeholders and ultimately to the country. In order that we may be an exemplary company on such issues, the company's practices are continuously reviewed and improvements in them are made where necessary.

Our Company has adopted the main principles of Corporate Governance which are:

a) Fairness
b) Transparency
c) Responsibility
d) Accountability.

A Corporate Governance Committee was set up in 2007 to monitor corporate governance activities throughout the company and to supervise the Investor Relations Department. Nicholas Stathopoulos, Ömer Özgür Tort, Erkin Yılmaz and Affan Nomak are the elected members of the Corporate Governance Committee since 1 August 2011.

Our corporate website (www.migroskurumsal.com) is updated daily in order to provide more extensive information on the Company to our stakeholders. In addition, dedicated websites are available on each of our Company's formats for the information of the general public and our stakeholders.

You can access the Corporate Governance Principles Compliance Report of Migros at www.migroskurumsal.com by visiting the Investor Relations section where you can also find the Annual Reports of previous years.

PART I – SHAREHOLDERS

2. Investor relations

The Investor Relations Department was set up under the responsibility of the Assistant General Manager for Financial Affairs. The Investor Relations Department acts in compliance with the requirements of capital market laws and regulations and with CMB regulations, communiques, and principles in the conduct of its activities. The main duties and responsibilities of the Investor Relations Department are the following:

- Conduct matters related to company general assembly meetings;
- Conduct matters related to share capital increases;
- Conduct matters related to dividend payments;
- Handle shareholder requests and procedures related to general assembly meetings, share capital increases, and dividend payments;
- Represent the company before such agencies as the Capital Markets Board (CMB), İstanbul Stock Exchange (ISE), the Central Registry Agency (CRA), and ISE Settlement and Custody Bank Inc. and liaise with them;
- Maintain records of board of directors and general assembly meetings;
- When necessary, send material event disclosures to the Public Disclosure Platform as required by CMB communique VIII:54;
- Keep track of all matters related to public disclosures covered by the company's public disclosure policy;
- Prepare documents that may be useful to shareholders at general assembly meetings and ensure that shareholders have easy access to these documents;
- Keep track of the requirements of laws and regulations and of CMB communiques;
- Inform senior management of matters and issues with which the company must be in compliance;
- Prepare the company's quarterly and annual reports;
- Coordinate corporate governance-related projects and activities;
- Prepare quarterly and yearly presentations that are to be made to investors;
- Provide analysts, fund managers, and shareholders with information about the company.

All shareholders who wish to obtain information about the company may submit their requests by email to yatirimci@migros.com.tr and/or by calling 444 10 44 Customer Service Line. All other channels of communication are also available to shareholders.

Assistant General Manager for Finance: Erkin Yılmaz

Address	: Turgut Özal Caddesi No: 12 34758 Ataşehir / ISTANBUL
Email	: erkiny@migros.com.tr
Finance Group Manager	: Ferit Cem Doğan
Email	: cemdo@migros.com.tr
Head of Investor Relations	: Dr. Affan Nomak
Email	: affann@migros.com.tr

The dematerialization of securities is undertaken by Yapı Kredi Securities Inc. advising Migros. The retroactive transactions of a total of 138 Migros and 12 Tansaş shareholders who had not exercised their bonus stock options in time and/or claimed their dividend entitlements during the year were carried out at the Company headquarters. In addition, shareholders who called the 444 10 44 Customer Services Line were provided with information and also directed to go to any Yapı Kredi Bank branch in order to exercise their rights.

3. Shareholders' Rights to Information

Disclosure

The Investor Relations Department endeavors to respond to requests for information about the company that it receives as quickly as possible and without making any distinctions among shareholders. Mindful of shareholders' right to be informed and of their right to have simultaneous, convenient access to information, all announcements about the company are also published on the company's corporate website.

Auditing

According to the Articles of Association of Migros, 3 (three) auditors, either among the shareholders or from outside, shall be elected by the General Assembly for a maximum 3 (three) years.

The General Assembly of Migros, also taking into consideration the proposal of the Audit Committee, resolved that "DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (Member of Deloitte Touche Tohmatsu International), which was nominated by the Board of Directors, serve as the independent auditor for 2011 fiscal year.

At the meeting of the Board of Directors of Migros, held on 29 March 2012, it was decided according to the proposal by our Audit Committee that DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu International) be elected as the independent audit company for the 2012 accounting period. This decision will be submitted to the General Assembly for approval, according to the Board's resolution.

A two-member Audit Committee has been formed by the Board of Directors of Migros. At the meeting of the Board of Directors of the Company held on 1 August 2011, Stefano Ferraresi and Evren Rıfkı Ünver were elected as members of the Audit Committee.

The internal audit activities of the Company are discussed in the relevant sections of the Corporate Governance Principles Compliance Report.

4. General Assembly

Attention is given to covering all issues whose discussion is statutorily mandated when determining items for the agendas of general assembly meetings. General meeting announcements are published in Turkish Trade Registry Gazette and on the company's corporate website within the statutorily prescribed periods of time. All shareholders are given convenient access to these announcements.

General assembly meetings are held at the company's headquarters, whose address is Turgut Özal Caddesi No: 12 34758 Ataşehir İstanbul. General Assemblies are open to all stakeholders and media representatives.

Shareholders are informed about donations and assistance which the company has given to foundations and associations during the most recent year by the inclusion of a separate item concerning them in the agendas of general assembly meetings.

Annual Ordinary General Assembly

The Ordinary General Assembly, in which the activities and accounts of Migros Ticaret Anonim Şirketi for the year 2010 are reviewed, was held at Migros Ticaret A.Ş. Head Office Building located at Turgut Özal Caddesi No. 12 34758 Ataşehir/Istanbul on 26 May 2011 at 10:00. Ministry Representative Fatma Yazıcı, appointed by Letter No. 32527 dated 25 May 2011 from the Istanbul Provincial Directorate of Industry and Commerce under the Ministry of Industry and Commerce, was present as observer.

The balance sheet, income statement, annual report of the Board of Directors, reports of statutory auditors and independent auditors of the Company and the proposal on the distribution of the annual profit were made available to shareholders for their examination at the Company's headquarters as of 10 May 2011.

Upon the Ministry commissioner's examination of the list of attendees, it was acknowledged that out of 17,803,000,000 shares corresponding to the Company's total paid-in capital of 178,030,000 Turkish lira, a total of 14.381.998.701.3 shares equaling 143,819,987,013 Turkish lira were represented at the General Assembly.

The minutes of the General Assembly and the list of attendees were delivered to the ISE immediately after the conclusion of the General Assembly. In addition, the minutes of the General Assembly were published in the Turkish Trade Registry Gazette on 3 June 2011, Issue 7829 and delivered to shareholders by fax and e-mail upon their request.

At the annual general assembly of Migros Ticaret AŞ held on 26 May 2011 it was decided to set the current year's profit aside as an extraordinary reserve and not to pay out a dividend.

5. Voting Rights and Minority Rights

As stipulated in the Articles of Association of Migros, none of the Company's shares enjoy any privileged voting rights. All votes are equal. At the General Assemblies, every shareholder is entitled to one vote for each share of stock he/she holds. There is not any reciprocal shareholding arrangement with any partner. The Company avoids engaging in any practice which would complicate shareholders' right to vote.

At the General Assemblies, shareholders can cast their votes either personally or through a proxy they will appoint from among shareholders/non-shareholders. The sample proxy forms, which are required to be issued for shareholders who will not be able to attend the meeting in person, are posted on our corporate website (www.migroskurumsal.com) and published in the Turkish Trade Registry Gazette.

Open voting by raise of hands is employed in General Assemblies when shareholders vote on each agenda item.

6. Dividend Payment Policy and Timing

There are no privileges regarding participation in the Company's profit. Profits are distributed within statutorily prescribed periods of time and as soon as possible after a general meeting has taken place. The actual payment dates are determined by the general assembly.

Payment of dividends has always been an important matter for Migros, which always aimed to protect the interests of its shareholders. The utmost attention is given to the fine balance between the growth strategy and dividend payment policy. A copy of the "Dividend Policy" formulated by the board of directors is sent to the Public Disclosure Platform system along with material event disclosures pertaining to dividend payments. The same information is provided to shareholders at general assembly meetings and is published on the company's corporate website.

In line with the Company's long-term strategies, investments and financing plans and profitability, the dividend amount is determined by the Board of Directors and submitted for the approval of the General Assembly, computed in accordance with the communiques published by the CMB and regulations, and can be distributed in cash or in the form of bonus shares of stock, or some combination of the two. This is the Company's policy for the next three years. Any changes to this policy will also be shared with the public separately.

7. Transfer of Shares

The Articles of Association of the Company does not contain any provisions restricting the transfer of shares. According to the Articles of Association, the Board of Directors is authorized to make decisions on issuing shares priced above their nominal value and to impose restrictions on the rights of existing shareholders to acquire new shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Corporate Disclosure Policy

The public disclosures of the Company are made in an accurate and timely manner pursuant to the Communique Serial: VIII, No. 54 published by the CMB on Principles Governing Disclosure of Material Events. In addition, public disclosures are also made on all important matters which might impact the decisions of shareholders as well as other stakeholders. Disclosures are also posted on our corporate website in order to allow shareholders access to publicly disclosed information easily. Publicly-disclosed information (such as investor presentations, press releases, etc) are published on the company's corporate website. Use is made of business data providers as well as of printed and visual media in order to disseminate such information among the public. The Company has also devised a public disclosure policy, shared with the public. The Company announces its dividend payment policy in annual reports and on its corporate website; it is also presented for the information of the shareholders at the General Assemblies.

The board of directors has formulated a "Disclosure Policy", which it keeps up to date by making such changes as are needed. Shareholders are provided with information about this policy at general assembly meetings after which it is published on the company's corporate website. The Investor Relations Department responds to shareholders' questions about the company within the framework of this Disclosure Policy, correctly, completely, and mindfully of the principle of equality.

The public disclosure policy of Migros obliges the Company to share any kind of information upon request unless such information is a commercial secret or would provide a competitive advantage to third parties or would adversely affect the Company's operations.

9. Disclosure of Material Events

During 2011, 32 material event disclosures were submitted to the Public Disclosure Platform. Whenever ISE demanded additional information about such disclosures or about news appearing in the media, the company immediately responded with additional explanations.

Public disclosures are also posted on the corporate website together with their English versions to provide foreign investors with the same information.

Periodic financial statements, notes, annual reports and interim annual reports are shared with the public to provide an accurate and complete view of the Company's financial position. Financial statements are prepared in compliance with national/international accounting standards in consolidated format in compliance with communiques issued by the CMB. The accounting policies of the Company are referred to in the notes to financial statements. The Company's annual reports are prepared in sufficient detail to allow all concerned parties to obtain the necessary information and are updated every fiscal year in line with the applicable legislation/needs.

The company published its financial statements regularly every quarter during 2011, after which investor presentations were published on the corporate website for the purpose of informing stakeholders.

The Company designates an independent audit firm each year and requires this independent audit firm to rotate after a given period. Consultancy services are not obtained from the firm designated as an independent auditor.

10. Company Website and its Content

Migros launched its corporate website at www.migroskurumsal.com for the use of its shareholders and customers in 1997.

The content of the company's corporate website located at www.migroskurumsal.com was enriched during the year. The company also maintains a separate website for each of its store formats and these websites are made accessible to the company's stakeholders. All of the issues stipulated in section II.2.2 of CMB Corporate Governance Principles as well as much additional information is provided on the company's corporate website under the main headings of "About Us", "Our Brands and Stores", "Corporate Social Responsibility", "Quality and Product Safety", "Investor Relations", and "Human Resources" and their associated subheadings.

The Investor Relations section of our corporate website covers topics such as "Migros Corporate", "Financial Reports", "The Increase of Company Capital and Distribution of Dividends", "Information on General Assemblies", "Material Disclosures", "Announcements to Shareholders", "Frequently Asked Questions", and "Contact Us". Our investors can find more detailed information about Migros in the subsections under these main headings. The Investor Relations webpage is updated as needed and allows our investors to access up-to-date information easily.

The corporate website also contains trade registry information and the shareholding structure in Turkish and English as required by law.

11. Disclosure of Ultimate Controlling Individual(s) Shareholder(s)

The shareholding structure of Migros Ticaret A.Ş. is presented below.

Shareholder	Share (%)	Amount (TL)
MH Perakendecilik ve Tic. A.Ş.	80.51	143,323,336
Publicly Held	19.49	34,706,664
Total	**100.00**	**178,030,000**

There are no preferential shares.

Information about changes in the company's capital structure taking place during the year was publicly disclosed immediately through the Public Disclosure Platform system. Such changes are also announced in the pertinent sections of the company's 2011 annual report.

Pursuant to CMB Communique Serial: VIII, No. 54, the Company's chairman and the members of the Board of Directors, General Manager and Assistant General Managers, other persons with significant decision-making authority and responsibilities in the partnership and shareholders directly or indirectly owning more than 5% of the Company's shares or parties acting together with such shareholders are required to make material disclosures when they buy or sell Migros shares. Material event disclosures concerning a sale of shares made by the firm of MH Perakendecilik ve Ticaret AŞ, which is Migros' biggest shareholder, were publicly disclosed by being sent to the Public Disclosure Platform system by MH Perakendecilik ve Ticaret AŞ.

12. Public Disclosure of Those Who Have Access to Insider Information

Names of the members of the Board of Directors and statutory auditors of our Company and of those in senior management positions as well as any changes to the senior management during the year are presented in the Annual Report. Individuals who have access to insider information about the company are identified below.

Fevzi Bülent Özaydınlı	Chairman and Executive Member
Antonio Belloni	Member of the Board of Directors
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Cedric Brice Dubourdieu	Member of the Board of Directors
Evren Rıfkı Ünver	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors / General Manager
Pedro Miguel Stemper	Member of the Board of Directors
Giovanni Maria Cavallini	Member of the Board of Directors
Sharifa Salim Mohamed Al Busaidy	Member of the Board of Directors
Carlo Francesco Frau	Member of the Board of Directors
Mustafa Bilgutay Yaşar	Statutory Auditor
Yüksel Toparlak	Statutory Auditor
Recep Bıyık	Statutory Auditor
Ömer Özgür Tort	General Manager
Ahmet Fuat Yanar	Assistant General Manager
Erkin Yılmaz	Assistant General Manager
Demir Aytaç	Assistant General Manager
Cem Lütfi Rodoslu	Assistant General Manager
Hakan Şevki Tuncer	Assistant General Manager
Tarık Karlıdağ	Director
Mustafa Murat Bartın	Director

The Board of Directors consisted of 11 members in 2011: Fevzi Bülent Özaydınlı served as the Chairman and Antonio Belloni, Nicholas Stathopoulos, Stefano Ferraresi, Cedric Brice Dubourdieu, Evren Rıfkı Ünver, Ömer Özgür Tort, Pedro Miguel Stemper, Giovanni Maria Cavallini, Sharifa Salim Mohamed Al Busaidy and Carlo Francesco Frau served as members.

Changes to the Board of Directors and related information are presented in detail in the Board of Directors section of the Annual Report.

PART III - STAKEHOLDERS

13. Informing Stakeholders

The corporate governance practices of Migros guarantee the rights of its stakeholders, also governed by law, regulations and mutual contractual agreements. The employees, shareholders, subsidiaries of and third-party individuals or entities with which the Company has business relationships may submit suggestions or report violations on corporate governance issues directly to the executives of the Company. Such submissions or reports are evaluated and necessary feedback is provided to the applicants. Migros publishes the names and contact information of the Department Heads of the Company on its corporate website thus making it possible for stakeholders to directly contact the Manager overseeing a particular issue and direct their questions and opinions to the relevant person firsthand. The objective of this model is to allow for the establishment of a more transparent and effective communications model between the Company and its stakeholders.

The Investor Relations Department keeps shareholders and other interested parties informed through such means as press releases and investor presentations.

The section of the Migros Code of Conduct concerning employees is presented under the title of "Rules of Ethics" and other principles are presented below:

The responsibilities of Migros towards other companies

1. Migros abides by the law in all of its activities.
2. Migros does not derive any unlawful benefit from any person or entity under any circumstances. Procurement decisions regarding goods and services are made based on well-established and publicly disclosed criteria.
3. It is important for Migros that its business partners do not damage its image and reputation and that they respect the accepted business values of the Company.
4. Migros checks and monitors the services it obtains on an ongoing basis from other organizations to ensure that they are provided in full legal compliance.
5. Migros does not share the confidential information of its suppliers with any third party without permission.

Social responsibilities of Migros

1. Migros strives to upgrade its service standards in order to satisfy the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historic integrity while acting in accordance with customs and traditions of the community and observing legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The responsibilities of Migros employees towards the Company

1. Migros employees categorically reject any pecuniary or non-pecuniary incentives which may come from any third parties within their areas of responsibility.
2. Migros employees inform their immediate superiors whenever they enter into a direct business relationship with a company in which a close relative is employed or he/she is a minority or majority partner.
3. Migros employees take utmost attention and care in their duties and they make every effort to ensure that the work they perform is higher in quality, faster and more efficient.
4. Migros employees refrain engaging in any action or behavior which would damage the image and reputation of the Company and during work hours they comply with the generally accepted code of conduct and the dress policy of the Company.
5. Migros employees do not remain indifferent or silent in any situation which runs counter to the interests of the Company and shall notify the concerned business units.
6. Migros employees avoid waste by putting all the fixtures, tools and equipment owned by the Company to use for their intended purposes. The employees do not use the resources and facilities of the Company for their own private benefit.
7. Migros employees do not divulge any confidential or private information which they might be privy to due to their position or the work they perform outside the Company and they do not give interviews or make statements of any kind to any media organization without the prior consent of the Company management.

Responsibilities of Migros employees towards other employees

Migros employees do not share the private information regarding their co-workers they might be privy to with others outside the Company.

General responsibilities

"The Migros Business Ethics Committee" is responsible for dealing with issues that are not addressed by the principles set forth above.

14. Stakeholders' Participation in the Company Management

The Article No. 7 of "The Company's Responsibilities toward its Employees" section of the Migros Code of Conduct states: "In matters that are related to employees, Migros seeks to include the opinions of its employees as much as possible in any decision concerning the future of the Company."

The Management of Migros gives a great deal of attention towards the achievement this goal. As a part of the business style of the Company, Migros employees participate in the decision-making processes concerning their respective areas of work. Migros employees have the opportunity to communicate their new ideas, proposals and demands to the senior management of the Company and Members of the Board of Directors directly or by e-mail.

15. Human Resources Policy

The Human Resources Department of Migros, in executing the Company's strategies, aims to develop systems which will ensure the continuous improvement, motivation and management of the human resources staff and implement these systems in line with the corporate principles of the Company. Our human resources are our most important asset. The quality of our products and services reflects the quality of our employees. In our endeavor to create a Company spanning generations, we choose attracting and employing the best and most competent people; taking maximum advantage of our people's abilities, strengths and creativity; increasing their individual productivity; providing them opportunities to develop themselves; and creating a workplace in which teamwork and solidarity flourish

Our Principles

Strategic Use of Human Resources

The Human Resources Department of Migros places the human element on a high pedestal by giving it great strategic importance and creates awareness of its strategic value. Human resources strategies are designed to create and develop a reliable, fast and proactive organizational structure to sustain the industrial leadership of Migros in a competitive business environment. Employees are considered a strategic resource for it is believed that their experience and creativity would be the driving forces in the adaptation of the Company to fastchanging competitive environment and new markets.

Superior Business Ethics and Integrity

In all dealings with employees, the Company accepts as a fundamental principle to act fairly, in good faith and in an understanding manner abiding by the rules of law and ethics.

Occupational Safety

Migros assures its employees that it will fulfill all of its obligations towards them in compliance with the relevant laws and regulations. The Company, in order to ensure the safety of its employees in the workplace, complies not only with all legal requirements and regulations stipulated by the Labor and Occupational Safety Law but also with the industry standards on ergonomics and improvement of the working environment. Civil defense activities, which are of great importance for our country, and theoretical and practical training are also provided in cooperation with the concerned public institutions.

Equal Opportunities

Migros provides services to its customers both in Turkey and overseas through an employee workforce comprising of individuals coming from many different linguistic, religious and ethnic backgrounds. All human resource-related decisions from recruitment and placement to compensation are governed by job position profiles defined in detail. Through the human resource staff evaluation systems, Migros objectively monitors and assesses the competencies, skills and performances of its employees by common principles applied to all. Migros provides equal training, promotion, and career development and compensation opportunities to each of its employees based on the evaluation results through the Integrated Human Resource systems deployed by the Company.

Human Resources Management

The management of human resources processes and relations with employees at our Company, in line with established human resources policies and principles, is the responsibility of the Assistant General Manager for Human Resources and Industrial Relations; this function is clearly defined and undertaken within the regulations and business ethics principles of the Company.

Participation and Transparency

Managers and employees are the integral parts of human resources practices at Migros. Employees are updated on their roles and responsibilities regarding human resources policies and provided with guidance in fulfilling those responsibilities.

Human resources policies and processes are shared with employees on a regular basis by means of the communications resources (intranet, e-mail, distance learning and meetings) of the Company. Employees have access to employee evaluations and are able to receive training and information on the practices and can monitor their individual results.

Competitiveness

Migros plans and manages the professional development of its employees to help them sustain their competitiveness not only within the Company itself but also on a professional level so as to allow the contribution of positive values to the economy, environment and community.

Commitment to Shared Values

Our Corporate Culture is based on our shared values. These values are:

1. Reliability
2. Leadership
3. Empathy
4. Customer-orientation
5. Productivity
6. Innovativeness.

Actions of employees contradicting the Company's shared values are dealt with appropriately and impartially through the warning system and disciplinary committee procedures. Conducting relations with employees at Migros is the primary function of the Industrial Relations Department. The objectives of this Department are to ensure that all laws and regulations are fully complied with by the Company, oversee the legal and contractual rights of the employees and manage employee rights so as to maintain labor peace and fulfill all legal obligations.

16. Relations with Customers and Suppliers

Getting to know its customers and markets by monitoring and acting proactively on them and pioneering change are among the crucial factors behind the innovative business style of Migros. For this reason, a number of "firsts" such as consumer rights took hold in the retail industry only after they were introduced by Migros as early as in the 1960s and 1970s. By introducing the Migros Club system for the first time in Turkey, in 1998, Migros had an opportunity to become better acquainted with its customers and provide them with differentiated service. And through this system, the Company gained the opportunity to approach its customers not only collectively but also individually by conducting customer data analyses. Migros aims to fulfill the expectations of its customers as satisfactorily as possible through the stores it operates in different formats.

In the retail industry where any product seen in any store can be imitated quickly, Migros' experience and deep-rooted innovation embedded in its corporate culture, as well as investments in supporting technology, together create a competitive advantage that cannot be easily replicated.

In the 1990s, Migros became the first retail company to introduce the barcode system and electronic cash registers which reduced waiting times at the checkout counters and decreased the Company's operating costs dramatically. Thanks to the B2B system which has been set up jointly with suppliers, all the parties involved benefit from savings in both logistics and costs. This system benefits all the stakeholders, and especially the Company's customers.

Migros has conducted a Customer Satisfaction Survey regularly since 1994. In 2011 survey, 7,635 of our customers who shop at our stores were asked about their opinion. The analyses undertaken on the survey results help us to have an idea about the current and future expectations of our customers. Occasional surveys conducted at kiosks inside the stores on specific matters provide the Company with the chance to hear the customers and their expectations.

Customer Relationship Management (CRM) analysis of Migros Club data and the mystery shopper surveys which are aimed at improving the service levels are quality-based performance tools specific to Migros.

Some of the other activities undertaken to achieve customer satisfaction include:

- Migros was awarded ISO 9001-2000 Quality Management System certification in August 2005.
- Migros was awarded TS EN ISO 22000 Food Safety Management System certification by the Turkish Standards Institution (TSI) in December 2006. This certification covers retail, wholesale and online sales services as well as design and provision of organizational and logistic support services. In addition, Tansaş and Macrocenter stores were brought within the scope of TS EN ISO 9001-2000 certification which were awarded to the Company previously.
- Migros selects each of its suppliers after conducting appropriate due diligence. Suppliers are audited at regular intervals by reputable independent organizations and products are subjected to periodic quality audits. Migros-label products are also included in the same quality control process.
- Every new product, which is offered for sale at the stores goes through a preliminary quality control process.
- Before the products are admitted to warehouses, "food engineers" subject them to sensory, chemical, physical and microbiological quality control tests. Those products which do not meet the quality standards are rejected.
- Meat products at the stores, warehouses and on the shelves are regularly checked by veterinarians to ensure food safety.
- Personnel employed at all the stores attend training programs on hygiene in order to ensure food safety.
- In the promotional program of the company we call "Aksiyon", products are offered for sale at discount prices for a period of 15 days
- All customer suggestions received at the stores or the Call Center are evaluated and the results are communicated to customers as soon as possible. Customers can forward their complaints quickly and easily to company store managers via a toll-free customer line and by e-mail which can be sent to managers at all levels.
- In keeping with its objective of exceeding customer expectations and making life easier through innovations, Migros introduced the first self-checkout solution "Jet kasa" to its customers in Turkey. "Jet kasa" eliminates the need to wait in line and allows customers to check-out by themselves in three easy steps. As the number of customers using 'Jet kasa' increases by the day, so does the number of stores featuring this facility.

Efforts to ensure full customer satisfaction are presented in the relevant section of the Annual Report.

17. Corporate Social Responsibility

Migros defines its responsibilities towards the society in the Migros Code of Conduct:

1. Migros strives to upgrade its service standards in order to meet the expectations of its customers.
2. Migros seeks to set an example for the community by fulfilling all of its tax and other obligations in a complete and timely manner.
3. Migros does not make any derogatory, derisive or offensive statements about other companies, organizations, products or individuals.
4. Migros takes the utmost care in all its activities to preserve nature and historical fabric of the society while acting in accordance with customs and traditions of the community and observing the legal rules and regulations.
5. Migros stands for business ethics in its industry and strives for the establishment, dissemination and adoption of these principles.

The corporate culture Migros has developed for more than half a century, includes its concern for public health and hygiene, sensitivity toward identifying and satisfying societal needs, organization of and participation in exemplary educational, cultural, athletic and social activities essential for social development as well as its corporate identity as an "Honest Retailer" sensitive to the environment.

As a part of its approach to corporate social responsibility, Migros acts in compliance with laws, moral standards and human rights in all services it offers to consumers, does its part to expand the organized sector and contributes to employment by protecting the legal rights of its employees. The Company also shares its sense of social responsibility with its social stakeholders - employees, suppliers, subsidiaries, investors and customers and with the public at large. Great importance is given to supporting and spreading of such pioneering and valueadding practices for the improvement of the society.

Migros is aware a good reputation can be ruined in a single blunder. Migros acts ethically and with integrity in every practice it engages in. The Company is well aware that trust cannot be won easily, and that it is a bond that grows and develops slowly over a long period of time between a company and its customers and that once broken, cannot be saved by quick fixes. Migros has been protecting the good health and rights of its customers since 1954. Many innovative practices introduced by Migros encourage good shopping habits and foster consumer awareness. These practices subsequently became industry standards and some have even been made into law.

Specific details of the activities undertaken by the Company in the field of social responsibility are presented in the relevant sections of the Annual Report.

PART IV - BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors and Independent Members

The Board of Directors of Migros consists of 11 members elected by the General Assembly. Members of the company's board of directors are elected to terms of not more than three years, unless a shorter term of office has been stipulated at the general meeting at which they were elected. A board member whose term of office expires may be reelected. A general assembly may replace any boardmember at any time that it deems such replacement to be necessary. These issues are set forth in the company's articles of incorporation.

Board of Directors

Fevzi Bülent Özaydınlı	Chairman and Executive Member
Antonio Belloni	Member of the Board of Directors
Nicholas Stathopoulos	Member of the Board of Directors
Stefano Ferraresi	Member of the Board of Directors
Cedric Brice Dubourdieu	Member of the Board of Directors
Evren Rıfkı Ünver	Member of the Board of Directors
Ömer Özgür Tort	Member of the Board of Directors
Pedro Miguel Stemper	Member of the Board of Directors
Giovanni Maria Cavallini	Member of the Board of Directors
Sharifa Salim Mohamed Al Busaidy	Member of the Board of Directors
Carlo Francesco Frau	Member of the Board of Directors

According to the allocation of duties within the Board of Directors, Fevzi Bülent Özaydınlı serves as the Chairman of the Board of Directors.

19. Qualifications of the Members of the Board of Directors

Each member of the Board of Directors possesses the qualifications listed in the Article 4.3 of Section IV of the Corporate Governance Principles published by the CMB. They are also professionals whose knowledge, experience and educational backgrounds are exemplary both in the industry and throughout the business world.

20. Mission, Vision and Strategic Goals of the Company

Our vision is to be in tune with each and every consumer by providing a service in different formats in line with the strategy of expanding in the retail industry in Turkey and neighboring countries and always being ahead of consumer expectations.

Our mission is to strengthen our leadership position in the Turkish retailing industry and become a strong and exemplary regional retail chain by ranking first or second in our operating countries.

In line with this mission, Migros structures its strategies to achieve sustainable quality and earn respect as the industry leader through an approach to customer satisfaction which raises the standards of retailing in the countries in which it is active.

The senior management of the Company develops strategies to achieve these objectives in accordance with the vision defined by the Board of Directors. Accordingly, our main strategy is to provide our customers with high quality, modern, reliable services at affordable prices. Targets set to achieve these strategies are shared with all the organizational units and supported by business plans. The Corporate Performance Management System in place facilitates monitoring and evaluation of these targets and business results as well as their assessment and revision whenever necessary.

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

Board members are updated on the progress and direction of the Company's business results via meetings in which the annual updates of long term five-year plans are presented and reviewed; annual budget is discussed and monthly performance results are presented and the Board's feedback is sought. In addition, detailed monthly progress reports are prepared and submitted to the Board allowing the members to monitor the Company's efforts to achieve objectives and immediately intervene and provide guidance when necessary.

21. Risk Management and Internal Control Mechanism

The purpose of the Internal Control System at Migros is to provide management with independent information on the functional, operational and financial performance of audited business processes or units. This enables management of identified or predicted risks, and systematic establishment and operation of necessary control mechanisms.

In the scheduled financial and operational audits carried out, the Internal Audit Department of Migros investigates and reviews:

- Effective and efficient utilization of the resources of the Company,
- Effectiveness of the internal control mechanisms on operations and activities,
- Reliability of financial statements,
- Confirmation of Company assets
- Efficiency and effectiveness of business operations,
- Compliance of employees with the quality management documentation and administrative instructions approved by the management,

The extent to which predetermined and reported operations and transactions posing a risk have been eliminated or controlled through recommendations endorsed by the management.

Irregularities uncovered during the audit operations are investigated in detail to allow for the taking of necessary measures. In addition, proposals are made to compensate for the losses incurred by the Company. The efforts focus mainly on the changes to be made to the processes to prevent any similar situations.

Within this framework, the Internal Audit Department performed financial and operational audits in line with risk analysis conducted in 2010 and the annual internal audit schedule. The assessment, recommendations and areas of improvement identified during the audit reviews have been presented to the senior management of the Company in the form of audit reports. In addition to financial and operational audits, the Internal Audit Department also performed follow–up audits on issues that were reported to the senior management before and for which actions plans were put in place for corrections.

22. Authorities and Responsibilities of the Members of the Board of Directors and Executives

The duties and authorities of the members of the Board of Directors are clearly delineated and defined in the Articles of Association of the Company, which can be accessed at the Migros corporate website at www.migroskurumsal.com.

The Board of Directors of Migros is authorized to decide on all matters with the exception of those for which responsibility cannot be delegated by the General Assembly according to the Turkish Commercial Code and the Articles of Association of the Company.

23. Principles of Activity of the Board of Directors

The Board of Directors passed 25 resolutions on various matters in 2011. At least seven (7) members were in attendance during each of these meetings. Pre-meeting and post-meeting activities are organized by a Secretariat responsible for such matters. The Secretariat keeps records in an orderly manner; the records are copied to the minutes book of the Board of Directors and made available for review by all members of the Board.

Each Member of the Board of Directors of Migros is entitled to a single vote. Members are not granted any weighted voting rights or positive/negative veto rights.

Members of the board of directors are not allowed to cast votes concerning agenda items which would acquit board members of their fiduciary responsibilities.

24. Prohibition from Engaging in Transactions and Competing with the Company

None of the Members of the Board of Directors was involved in any business transactions or competition with the Company during the reporting period.

25. Code of Ethics

The Principles of Business Ethics of Migros are grouped under the following headings:

- The responsibilities of the Company towards its employees
- The responsibilities of employees towards the Company
- The responsibilities of Migros towards other companies
- Responsibilities of the Company towards the society
- General responsibilities.

The responsibilities of the Company towards its employees and the information about the other categories of business ethics principles have been described in the various sections of this Corporate Governance Compliance Report.

The Company considers its employees as one of its most valuable assets in today's tough market conditions. One of our Company's greatest competitive advantages is its experience in the industry and qualities possessed and continuously improved by its employees.

The responsibilities of Migros towards its employees

1. Migros is in full compliance of its legal obligations to its employees; in situations where the requirements of law are ambiguous, Migros consults professionals who are experts in the relevant fields.
2. Migros protects the rights of its employees within the framework of its business ethics rules in situations where laws do not sufficiently address to.
3. Candidates for employment, promotion and appointment are evaluated based on their qualifications; all employees are provided equal opportunity.
4. Migros does not get involved in the personal affairs or private lives of its employees and holds all of the private information about its employees in strict confidence.
5. Migros helps its employees to develop professionally and personally by providing them training.
6. Migros does not discriminate on the basis of sex, age, ethnic origin or religion.
7. In matters that are related to employees, Migros seeks to include their opinions as much as possible in any decisions that are related to the future of the Company.
8. Migros provides hygienic and safe working conditions as dictated by the requirements of law and circumstances, and seeks to improve them to the best of its ability.
9. Migros holds private information about its employees that it may receive through various means in strict confidentiality and does not divulge any of it (e.g. medical records, shopping habits, economic data, and the like).

26. Number, Structure and Independence of the Committees Established by the Board of Directors

At the meeting of the Board of Directors of the Company held on 1 August 2011, Stefano Ferraresi and Evren Rıfkı Ünver were elected as members of the Audit Committee. The two-member Audit Committee meets 4 times a year. Members of the Board of Directors are not assigned to more than 2 committees.

The Board of Directors of Migros also formed a three-member Corporate Governance Committee which is responsible for monitoring the Corporate Governance practices across the Company and coordinating the activities of the Investor Relations Department. Nicholas Stathopoulos, Ömer Özgür Tort, Erkin Yılmaz and Affan Nomak were elected as members of the Corporate Governance Committee following a decision taken on 1 August 2011.

27. Remuneration of the Board of Directors

The forms of remuneration which are to be provided to board members are discussed under a separate agenda item at general assembly meetings. It was decided not to pay any gross monthly salary to the Members of the Board of Directors at the Ordinary General Assembly held on 26 May 2011. Benefits which are provided to members of senior management are also indicated in the footnotes to the company's financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

Independent Auditor's Report

(Convenience Translation into English of Independent Auditor's Review Report Originally Issued in Turkish)

Deloitte.

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

We have audited the accompanying consolidated financial statements of Migros Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated financial position as of 31 December 2011 and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Migros Ticaret A.Ş. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Additional paragraph for convenience translation into English

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

İstanbul, 10 April 2012
DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Gaye Şentürk

Gaye ŞENTÜRK
Partner

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 31 December 2011	(Audited) 31 December 2010
ASSETS			
Current assets			
Cash and cash equivalents	5	1.010.255	884.180
Trade receivables	8	67.174	49.920
- Other trade receivables		67.164	49.897
- Due from related parties	26	10	23
Other receivables	9	1.037	24.641
Inventories	10	679.000	746.590
Other current assets	17	40.104	40.013
Total current assets		**1.797.570**	**1.745.344**
Non-current assets			
Other receivables	9	1.165	1.475
Financial assets	6	1.695	2.215
Derivative financial instruments	27	43	4.627
Investment property	11	51.365	52.193
Deferred income tax assets	24	-	603
Property, plant and equipment	12	1.118.881	1.193.891
Intangible assets	13	250.270	304.786
Goodwill	14	2.251.427	2.251.427
Other non-current assets	17	8.548	10.784
Total non-current assets		**3.683.394**	**3.822.001**
Total assets		**5.480.964**	**5.567.345**

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

Migros Ticaret Anonim Şirketi and Its Subsidiaries

Audited Consolidated Financial Position at 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 31 December 2011	(Audited) 31 December 2010
Current liabilities			
Financial liabilities	7	13.796	61.122
Derivative financial instruments	27	22.591	43.417
Trade payables	8	1.387.042	1.463.546
- Due to related parties	26	1.365	2.260
- Other payables		1.385.677	1.461.286
Other payables	9	684	16.169
Taxes on income	24	2.521	1
Provisions	15	53.505	48.197
Other current liabilities	17	98.555	85.529
Total current liabilities		**1.578.694**	**1.717.981**
Non-current liabilities			
Financial liabilities	7	2.573.754	2.327.261
Derivative financial instruments	27	13.345	41.856
Other liabilities	9	3.602	3.811
Provision for employee termination benefits	16	10.516	10.269
Deferred income tax liabilities	24	105.346	119.014
Total non-current liabilities		**2.706.563**	**2.502.211**
Total liabilities		**4.285.257**	**4.220.192**
EQUITY			
Attributable to equity holders of the parent		**1.195.231**	**1.346.647**
Share capital	18	178.030	178.030
Share premium	18	678.233	678.233
Other capital reserves	18	(365)	(365)
Restricted reserves	18	385.856	385.856
Cumulative translation differences	18	18.869	7.040
Additional contribution to shareholders' equity related to merger	18	27.312	27.312
Retained earnings	18	70.541	27.960
Net (loss)/income for the period	18	(163.245)	42.581
Non-controlling interest		**476**	**506**
Total equity		**1.195.707**	**1.347.153**
Total liabilities and equity		**5.480.964**	**5.567.345**
Contingent assets and liabilities	15		

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

Migros Ticaret Anonim Şirketi and Its Subsidiaries

Audited Consolidated Statement of Income for the Year Ended 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 1 January - 31 December 2011	(Audited) 1 January - 31 December 2010
CONTINUING OPERATIONS			
Revenue (net)	4,19	5.753.112	5.159.707
Cost of sales (-)	4,19	(4.258.622)	(3.835.105)
GROSS PROFIT	**4,19**	**1.494.490**	**1.324.602**
Marketing, selling and distribution expenses (-)	20	(1.030.684)	(896.122)
General administrative expenses (-)	20	(211.139)	(202.539)
Other operating income	21	8.955	10.574
Other operating expense (-)	21	(29.210)	(18.145)
OPERATING PROFIT	**4**	**232.412**	**218.370**
Financial income	22	176.935	192.982
Financial expense (-)	23	(725.205)	(320.336)
(LOSS)/INCOME BEFORE TAX FROM CONTINUING OPERATIONS	**4**	**(315.858)**	**91.016**
Income tax expense from continuing operations	**24**	**(53.356)**	**(34.278)**
- Income tax expense	24	(47.939)	(34.057)
- Deferred income tax expense	24	(5.417)	(221)
NET (LOSS)/INCOME FROM CONTINUING OPERATIONS		**(369.214)**	**56.738**
DISCONTINUED OPERATIONS			
Income/(loss) after tax from discontinued operations	31	206.044	(14.064)
NET (LOSS)/INCOME		**(163.170)**	**42.674**
Net (loss)/income attributable to:			
Equity holders of the parent		(163.245)	42.581
Non-controlling interest		75	93
		(163.170)	**42.674**
Earnings per share (Kr)	25	(0,92)	0,24

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

Migros Ticaret Anonim Şirketi and Its Subsidiaries

Audited Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 1 January - 31 December 2011	(Audited) 1 January - 31 December 2010
Net (loss)/income for the period		**(163.170)**	**42.674**
Cumulative translation differences reclassified due to foreign operations disposal	31	(5.989)	-
Currency translation differences		17.713	(18)
Other comprehensive income/(loss) for the period		**11.724**	**(18)**
Total comprehensive (loss)/income for the period		**(151.446)**	**42.656**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(151.416)	42.611
Non-controlling interest		(30)	45
		(151.446)	**42.656**

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

Audited Consolidated Statement of Changes in Equity for the Year Ended 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Share capital	Share Premium	Other capital reserves
Balances at 31 December 2009 (As previously reported)		**178.030**	**678.233**	**(365)**
Effect of restatement		-	-	-
Balances at 1 January 2010 (As restated)		**178.030**	**678.233**	**(365)**
Transfers		-	-	-
Dividend paid		-	-	-
Total comprehensive income		-	-	-
Balances at 31 December 2010		**178.030**	**678.233**	**(365)**
Balances at 1 January 2011		**178.030**	**678.233**	**(365)**
Transfers		-	-	-
Total comprehensive loss		-	-	-
Balances at 31 December 2011		**178.030**	**678.233**	**(365)**

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

Restricted reserves	Cumulative translation differences	Additional contribution to equity related to merger	Retained earnings	Net (loss)/ income for the period	Non-controlling interest	Total equity
364.097	**7.010**	**27.312**	**133.067**	**108.024**	**461**	**1.495.869**
-	-	-	4.542	(81)	-	4.461
364.097	**7.010**	**27.312**	**137.609**	**107.943**	**461**	**1.500.330**
21.759	-	-	54.684	(76.443)	-	-
-	-	-	(164.333)	(31.500)	-	(195.833)
-	30	-	-	42.581	45	42.656
385.856	**7.040**	**27.312**	**27.960**	**42.581**	**506**	**1.347.153**
385.856	**7.040**	**27.312**	**27.960**	**42.581**	**506**	**1.347.153**
-	-	-	42.581	(42.581)	-	-
-	11.829	-	-	(163.245)	(30)	(151.446)
385.856	**18.869**	**27.312**	**70.541**	**(163.245)**	**476**	**1.195.707**

Audited Consolidated Statement of Cash Flow for the Year Ended 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 1 January - 31 December 2011	(Audited) 1 January - 31 December 2010
Operating activities:			
Net income/(loss) for the period from continuing operations		(369.289)	56.645
Net income/(loss) for the period from discontinued operations	31	206.044	(14.064)
Adjustments to reconcile net income to net cash provided/used by operating activities:			
Net income attributable to non-controlling interest		75	93
Depreciation and amortisation	20	123.744	121.432
Provision for employment termination benefits	16	14.185	6.211
Provision for unused vacation	15	15.090	19.898
Provision for litigation	15	5.314	4.650
Doubtful receivable provision	8	1.639	2.456
Income tax expense	24,31	120.960	24.990
Tax provision concerning prior periods		1.930	11.164
Interest income	22	(53.777)	(40.997)
Interest expense	23	230.850	181.482
Loss/(gain) on sale of property, plant and equipment - net	21	2.132	(2.475)
Impairment of property, plant and equipment	12	8.941	5.130
Gain from sale of subsidiary	31	(357.613)	-
Fair value gain/(loss) of derivative instruments	22,23	(18.418)	59.343
Unrecognised foreign exchange differences loss/(gain) - net		459.492	(131.601)
Cash flows from operating activities before changes in operating assets and liabilities		**391.299**	**304.357**
Changes in operating assets and liabilities:			
Trade receivables		(18.957)	(14.634)
Inventories		(27.881)	(134.655)
Other current assets and other receivables		16.128	(7.708)
Other non current assets		2.485	(2.500)
Short-term trade payables		(74.789)	214.908
Other current payables and liabilities		8.705	15.991
Other non-current liabilities		(494)	(1.052)
Employment termination benefits paid	16	(13.400)	(10.125)
Unused vacation paid	15	(5.590)	(13.942)
Income taxes paid	24	(106.044)	(40.393)
Tax paid concerning prior periods		(13.094)	-
Compensations paid	15	(2.486)	(5.426)
Accrued interest		2.662	-
Net cash (used in)/provided from operating activities of discontinued operations		14.912	(9.341)
Net cash provided from operating activities		**173.456**	**295.480**

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

Migros Ticaret Anonim Şirketi and Its Subsidiaries

Audited Consolidated Statement of Cash Flow for the Year Ended 31 December 2011 and 2010

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Currencies other than TL are expressed in thousands unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	(Audited) 1 January - 31 December 2011	(Audited) 1 January - 31 December 2010
Investing activities:			
Purchase of investment property	11	(253)	(461)
Purchases of property, plant and equipment		(155.593)	(196.681)
Purchase of intangible assets	13	(9.964)	(5.438)
Proceeds from sale of property, plant and equipment		2.548	4.316
Cash received due to sale of subsidiary	31	595.153	-
Interest received		51.115	40.998
Cash inflow from acquisition of subsidiaries		-	272
Net cash (used in)/provided from investing activities of discontinued operations		(3.934)	(24.890)
Net cash used in investing activities		**479.072**	**(181.884)**
Financing activities:			
Bank borrowings paid		(262.300)	(65.748)
Cash paid with respect to derivative instruments		(26.336)	(49.536)
Dividend paid		-	(195.833)
Interest paid		(228.875)	(183.475)
Net cash used in financing activities of discontinued operations		(10.058)	(16.103)
Net cash used in from financing activities		**(527.569)**	**(510.695)**
Cumulative translation adjustment		1.116	(8)
Net increase/(decrease) in cash and cash equivalents		126.075	(397.107)
Cash and cash equivalents at the beginning of the period		**884.180**	**1.281.287**
Cash and cash equivalents at the end of the period	**5**	**1.010.255**	**884.180**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., previously named as Moonlight Perakendecilik ve Ticaret Anonim Şirketi ("Moonlight"), (collectively referred to as "Migros Ticaret" or the "Company"), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code.

Moonlight acquired 50,83% of Migros Türk Ticaret A.Ş. ("Migros Türk") shares on 30 May 2008 from Koç Holding A.Ş. ("Koç Holding") at a price of TL 1.922.440 subsequent to the approval of the Competition Board. As of 31 December 2008, Moonlight had increased its shares in Migros to 97,92% as a result of purchases made in Istanbul Stock Exchange on various dates (Note 14).

In accordance with the decision taken during Migros Türk's general assembly held on 28 April 2009, Migros Türk decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") regulations, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, Moonlight's capital was decided to be increased from TL 174.323.340 to TL 178.030.000 (Amount expresses in Turkish Lira) and in accordance with the merger agreement approved during the General Assembly, merger ratio of 0,97918 and share exchange ratio of 1,00 was determined. As a result of the merger, registered shares amounting to TL 3.706.660 (Amount expresses in Turkish Lira) issued by Moonlight were distributed to the minority shareholders of Migros Türk in exchange for their Migros Türk shares.

The General Assembly held on 28 April 2009 regarding the merger was registered on 30 April 2009 and the merger had been legally recognised on that date. As a result of the merger, Moonlight's trade name has been changed as Migros Ticaret A.Ş. (Note 30).

The Company will be mentioned as the "Group" together with its subsidiaries. The parent company of the Group is MH Perakendecilik ve Ticaret A.Ş. ("MH Perakendecilik"). Its shareholding in Migros Ticaret A.Ş is 80,51% (31 December: 2010: 97,92%). The Group sold its subsidiary Ramstore Azerbaijan of which they had 100% of shares, on 17 February 2011 and sold its subsidiary Şok Marketler Ticaret A.Ş. of which they had 99,6% of shares, to a third party on the date 25 August 2011.

As of 31 December 2011, the Group employed 16.778 people (31 December 2010:20.272) on average.

The Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods through its Migros, 5M, Tansaş and Macrocenter banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet. The Company also rents floor space in the shopping malls to other trading companies. As of 31 December 2011, the Group operates in 745 stores (31 December 2010: 1.932) with a net retail space of 797.761 (31 December 2010: 977.301) square meters. Retail is the main business segment of the Group and constitutes almost 96,4% of gross sales (31 December 2010: 97,2%).

The address of the registered office is as follows:

Migros Ticaret A.Ş.
Turgut Özal Caddesi No:12
34758 Ataşehir İstanbul

These consolidated financial statements have been approved for issue by the Board of Directors "(BOD)" on 10 April 2012 and signed by Ö. Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. The owners of the Company have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Subsidiaries:

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and for the purpose of the condensed consolidated interim financial statements, their respective geographical segments are as follows:

Subsidiary	Country of incorporation	Geographical segment	Nature of business	31 December 2011 %	31 December 2010 %
Ramstore Mahdud Mesuliyyetli Cemiyeti ("Ramstore Azerbaijan") (***)	Azerbaijan	Azerbaijan	Retailing	-	100,0
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Ramstore Bishkek LLC ("Ramstore Bishkek")	Kyrgyzstan	Kyrgyzstan	(**) Liquidation	-	100,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	Turkey	(*)	Trade	100,0	100,0
Şok Marketler Ticaret A.Ş. ("Şok Marketler") (****)	Turkey	(*)	Trade	-	99,6

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

(**) Ramstore Bishkek LLC's operations were discontinued beginning of 2010, subsequent to the closure of the only store in the country. The Company has been liquidated as of 28 April 2011.

(***) On 17 February 2011, The Group sold 100% shares of subsidiary, Ramstore Azerbaijan, to a third party. The gain from the sale of subsidiary and cash flow are shown in Note 31.

(****) On 25 August 2011, The Group transfered 99,6% of its shares in Şok Marketler Ticaret A.Ş to a third party. The gain from the sale of subsidiary and cash flow are shown in Note 31.

On 31 May 2011, Amaç Gıda San. ve Tic. A.Ş., Ades Gıda San. ve Tic. A.Ş. and Egeden Gıda Tüketim Malları Tic. ve San. A.Ş. have merged with Migros Ticaret A.Ş.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

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

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB those numbered 2008/16, 2008/18, 2009/2, 2009/4 and 2009/40. As per CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 28).

Migros Ticaret maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the "Institution") was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the 'Basis of The Preparation of Financial Statements" Note disclosed in the accompanying financial statements as of the reporting date.

The consolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values.

2.1.1 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TL, which are the functional currency of Migros Ticaret and the presentation currency of the Group.

The Group prepared its consolidated financial statements in accordance with the going concern assumption.

2.1.2 Translation of Financial Statements of Foreign Subsidiaries

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the group's accounting policies. The significant assumptions and estimates applied in the preparation of the consolidated financial statements are disclosed in Note 2.7.

2.2 Adoption of new and revised standards

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material impact on the financial statements are set out in further sections.

(a) New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.

(b) New and Revised IFRSs affecting the reported financial performance and/or financial position

None.

(c) New and Revised IFRSs applied with no material effect on the consolidated financial statements

IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities.

Amendments to IFRS 3 Business Combinations

As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

Amendments to IAS 32 *Classification of Rights Issues*	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010	Except for the amendments to IAS 1 described earlier in section (a), the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

(d) New and Revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*
Amendments to IAS 12	*Deferred Taxes – Recovery of Underlying Assets*
IAS 19 (as revised in 2011)	*Employee Benefits*
IAS 27 (as revised in 2011)	*Separate Financial Statement*
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Amendments to IAS 32	*Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The group management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognized in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

2.3 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Migros Ticaret, and its Subsidiaries on the basis set out in sections (b), to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies over which Migros Ticaret has capability to control the financial and operating policies for the benefit of Migros Ticaret, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself having the power to exercise control over the financial and operating policies.

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

	Direct and indirect shareholding by Migros and its Subsidiaries (%)	
Subsidiary	**2011**	**2010**
Ramstore Azerbaijan (1)	-	100,00
Ramstore Bulgaria (1), (2)	100,00	100,00
Ramstore Kazakhstan (1)	100,00	100,00
Ramstore Macedonia (1)	99,00	99,00
Ramstore Bishkek	-	100,00
Sanal Merkez (3)	100,00	100,00

(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 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 equity and income for the period, respectively.

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

(2) Ramstore Bulgaria closed down its three stores and ceased its retail operations as of March 2007.

(3) Sanal Merkez are excluded from the scope of consolidation on the grounds of materiality. These subsidiaries have been classified and accounted for as financial assets in the consolidated financial statements (Note 6).

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

d) The minority shareholders' share in the net assets and results for the period for Subsidiaries are separately classified in the consolidated balance sheet and statement of income as minority interest and income or loss attributable to minority interest, respectively.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.4 Changes in the Accounting Policies and Errors

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. There are no important changes in the accounting policies for the period of 1 January - 31 December 2011.

2.5 Changes in the Accounting Estimates

The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.6 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized below. These accounting policies are applied on a consistent basis for the comparative balances and results, unless otherwise indicated.

a) Revenue

(a) Sales of goods - Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when a group entity sells a product to a customer. Retail sales are usually made against a cash or credit card payment.

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

(b) Sales of goods - Wholesale

Revenue from the sales of goods is recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products were shipped to the specified location, the risks of obsolescence and loss were transferred to the wholesaler, the wholesaler accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance are satisfied. Sales are recorded based on the price specified in the sales contracts, net of the discounts if available and returns at the time of sale.

(c) Other Revenue

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

Rent and royalty income - on accruals basis

Interest income - according to the effective interest method

Dividend income - when the right to receive payment is established.

b) Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost is determined by the most recent purchase method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

c) Property, plant and equipment

Property, plant and equipment obtained before 1 January 2005 are carried at the cost restated to the equivalent purchasing power at 31 December 2004 and the acquisition value of current period additions less accumulated depreciation and, if any, impairment (Note 12). Depreciation is provided over the economic useful lives for property, plant and equipment on a straight-line basis. Since land does not have definite useful lives, land is not depreciated.

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

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

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

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

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred.

d) Intangible assets (excluding goodwill)

Intangible assets are comprised of acquired brands, rent agreements, trademarks, patents and computer software (Note 13).

a) Brands

Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value in the consolidated financial statements.

The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount when the carrying amount of the brand exceeds its recoverable amount.

b) Rent Agreements and other intangible assets

Rent agreements are designated as intangible assets by the Group and consist of taken over rent agreements of the stores that purchased. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

c) Computer software (Rights)

Rights arising on computer software are recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years.

d) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

e) Business combinations and goodwill

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under the caption associates.

f) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognised in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment loss and shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

g) Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings.

International Accounting Standard 23 ("Borrowing Costs") was revised on 29 March 2007 by the IASB. Besides, the revised IAS 23 is effective at 1 January 2009, yet voluntary early transition to the application right is reserved. The Group opted for early adoption and changed its accounting policy, choosing the policy envisaged in IAS 23 related to borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred.

h) Financial instruments

Trade receivables

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

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

Financial assets

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value- is removed from "Financial Assets Fair Value Reserve" in equity and the remained amount recognized as loss in the comprehensive income statement of the period.

The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in "Financial Assets Fair Value Reserve" in equity. Gains and losses previously recognized in "Financial Assets Fair Value Reserve" are transferred to the statement of income when such available-for-sale financial assets are derecognised.

Available-for-sale assets that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, the fair value of these assets are determined by using valuation techniques. These valuation techniques include taking as a basis the current transactions compatible with market conditions and other similar investment tools and the discount cash flow analyses considering the conditions specific for the company invested in.

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

i) Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

j) Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

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

k) Subsequent events

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data.

The Group restates its consolidated financial statements if such subsequent events arise.

l) Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Leases

(1) The Group as the lessee

Finance leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged as expense to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

Operational leases

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

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognised on a straight-line basis over the lease term.

n) Related parties

Shareholders who have control or common control on the Group, the companies or affiliates controlled by or affiliated to the shareholders, key management personnel and members of the board of directors, their families, the companies or affiliates controlled by or affiliated to them are deemed related parties in accordance with the aim of these consolidated financial statements (Note 26).

o) Segment reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorised to make decisions regarding the activities of the Group. The organs and persons authorised to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on a geographical basis (Note 4).

p) Government incentives and grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

q) Investment property

Buildings held for rental yields 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". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives that until 50 years (Note 11).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the recognised of this investment property or fair value less cost to sell.

r) Current and deferred income tax

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly. Deferred tax assets and liabilities are classified as long-term assets and liabilities at the consolidated financial statements.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

s) Employee termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value according to actuarial estimations is calculated by using estimated liability method. All actuarial gains and losses are recognised in consolidated statements of income (Note 16).

t) Statement of cash flows

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

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

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 5).

u) Discontinued operations

According to International Financial Reporting Standard 5 ("IFRS 5") "Non-current Assets Held for Sale and Discontinued Operations", the discontinued operation is the part of an entity which either is classified as held-for-sale or has been disposed of and whose activities and cash flows can be treated as separable from the entity's activities and cash flows. Discontinued operations represent separate business or geographical segments, which are part of a plan to sell or dispose, or is a subsidiary acquired for selling.

Net assets of discontinued operations are measured at fair value less cost to sell. An analysis of the revenue, expenses and pre-tax profit or loss of discontinued operations, income tax expense of discontinued operations and the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed in the notes to the consolidated financial statements. Besides, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are separately disclosed either in the notes or on the face of consolidated financial statements.

v) Offsetting

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

w) Derivative financial instruments and hedging activities

Derivatives are initially recognised at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate collar agreements, cap options and corridor options.

The fair value of financial instruments that are not traded in an active market (for example, forward contracts, interest rate collar contracts, cap options and corridor options) is determined by using valuation techniques. The Company is utilizing observable market data at the valuation process.

x) Dividends

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). As a part of distribution of dividends, dividend liabilities are reflected to consolidated financial statements as liabilities, on the period of declaration.

y) Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

z) Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 18).

aa) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ab) Deferred finance income/charges

Deferred finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses.

ac) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 5).

ad) Comparative Information and Restatement of Prior Period Financial Statements

The significant accounting policies used in the preparation of the condensed consolidated interim financial statements together with the explanations of annual consolidated financial statements for the period 1 January - 31 December 2010 are consistent except for the point indicated below:

The Group performed classifications over its prior period statement of income which are detailed in Note 31 in accordance with the Turkish Financial Reporting Standards 5 "Assets Classified As Held For Sale" ("TFRS 5").

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

The accounting principles described in Note 2.6 "Summary of Significant Accounting Policies" from (a) to (ad) to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.7 Critical Accounting Estimates and Assumptions

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

(a) Goodwill impairment tests

As explained in Note 2.6.f, the Group performs impairment tests on goodwill annually at 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group's eight-year business plans. Those projections are calculated in terms of TL and the growth rate expected to be realized after eight years is assumed to be nil. Discount rate used to calculate the present value of net cash flows is 8,29% annually, after tax, and includes the Group's specific risk factors as well (Note 14).

(b) Impairment on leasehold improvements

As explained in Note 2.6.c, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements on stores by considering the continuity of each store (Note 12).

(c) Impairment on intangible assets

As explained in Note 2.6.d, intangible assets such as trademarks and other intangible assets with indefinite useful lives are not amortised. Instead, those assets are tested whether there is impairment on the carrying amount of them. The Group performs this test for intangible assets by comparing the brand's carrying amount to the discounted cash flow projections of the assets which are calculated on the basis of Group's five year business plans. The Group has performed an impairment test on intangible assets at 31 December 2011 and has not identified any impairment as a result of this test (Note 13).

(d) Provisions

As explained in Note 2.6.l, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the legal proceedings and damage claims raised against in courts as at 31 December 2011 and for the ones where the Group estimates more than 50% probability of losing the cases in courts, necessary provisions are accounted for in the consolidated financial statements (Note 15).

(e) Taxes on income

As explained in Note 2.6.r, a provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date. Tax legislations in the Group's subsidiaries' operating countries are subject to different manners of interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of subsidiaries in foreign countries by the tax authorities may differ from the interpretation of the management. Consequently, the Group may encounter additional taxes, penalties and interests (Note 15.d). As of 31 December 2011, the Group has evaluated the possibility of any tax exposure that may arise in foreign subsidiaries and has not identified any necessity to recognize a provision.

(f) Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognised at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts, cap options, corridor options and interest rate swap.

The fair value of financial instruments that are not traded in an active market (for example, forward contracts, interest rate swap contracts, cap options and corridor options) is determined by using valuation techniques. The Company is utilizing observable market data at the valuation process.

NOTE 3 - BUSINESS COMBINATION

a) Business acquisition:

2010	Main Operations	Acquisition Date	Acquired share ratio	Acquisition Cost
Ades Gıda San. ve Tic. A.Ş.	Retail	31 July 2010	100%	10.894
Amaç Gıda Tic. ve San. A.Ş.	Retail	31 July 2010	100%	1.363
Egeden Gıda Tüketim Malları Tic. ve San. A.Ş.	Retail	31 July 2010	100%	2.629

b) Net assets acquired

On 31 July 2010, company acquired 99,996% of the shares of Ades Gıda San. ve Tic. A.Ş. by TL 10.894. Related transactions were accounted by acquisition method.

Net assets acquired by the acquisition are as follows:

	Book Value Before Combinations	Fair Value Adjustments	Fair Value
Current Assets	11.824	-	11.824
Property, plant and equipment	5.954	(1.259)	4.695
Deferred tax assets	-	252	252
Payables and expense accruals	(17.562)	-	(17.562)
Net Assets	216	(1.007)	(791)
Total consideration			100%
Net Assets Acquired			(791)
Satisfied by receivables and payables			10.894
Goodwill			11.685
Cash and cash equivalents consideration			171
			171

Ades Gıda San. ve Tic. A.Ş is a retail company. The main business of the company is purchasing/selling staple food, grocery and frozen food through its franchise agreement with Migros Ticaret A.Ş ("Migros"). Ades Gıda San. ve Tic. A.Ş was consolidated by considering its portion in Group's assets, liabilities, income and expenses.

On 31 July 2010, Company acquired 99,9996% of the shares of Amaç Gıda San. ve Tic. A.Ş. by TL 1.363. Related transactions were accounted by acquisition method.

Net assets acquired by the acquisition are as follows:

	Book Value Before Combinations	Fair Value Adjustments	Fair Value
Current Assets	4.714	-	4.714
Property, plant and equipment	316	563	879
Deferred tax liability	-	(109)	(109)
Payables and expense accruals	(4.264)	-	(4.264)
Net Assets Acquired	766	454	1.220
Total consideration			100%
Net Assets			1.220
Satisfied by receivables and payables			1.363
Goodwill			143
Cash and cash equivalents consideration			61
			61

Amaç Gıda San. ve Tic. A.Ş is a retail company. The main business of the company is purchasing/selling staple food, grocery and frozen food through its franchise agreement with Migros Ticaret A.Ş ("Migros"). Amaç Gıda San. ve Tic. A.Ş was consolidated by considering its portion in Group's assets, liabilities, income and expenses.

On 31 July 2010, company acquired 99,998% of the shares of Egeden Gıda Tüketim Malları Tic. A.Ş. by TL 2.629. Related transactions were accounted by acquisition method.

Net assets acquired by the acquisition are as follows:

	Book Value Before Combinations	Fair Value Adjustments	Fair Value
Current Assets	3.310	-	3.310
Property, plant and equipment	1.649	273	1.922
Deferred tax liability	-	(55)	(55)
Payables and expense accruals	(2.937)	-	(2.937)
Net Assets Acquired	2.022	218	2.240
Total consideration			100%
Net Assets			2.240
Satisfied by receivables			2.629
Goodwill			389
Cash payables			-
Cash and cash equivalents consideration			40
			40

NOTE 4 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed and found effective in strategic decision making by the Board of Directors.

Management assesses the Group's performance on a geographic level as Turkey and other countries since the gross sales of these subsidiaries are below 10% of the Group sales. Reportable operating segment revenue comprises primarily retail sales, rent income and wholesales. Rent income and wholesale revenues are not recognized as reportable segments as they are not stated in detail in the reports provided to the board of directors. The board of directors assesses the performance of the operating segments based on a measure of Earning Before Interest, Tax, Depreciation and Amortisation, "EBITDA".

The segment information provided to the board of directors as of 31 December 2011 is as follows:

a) Segment analysis for the period 1 January - 31 December 2011

	Turkey	Other countries	Combined Total	Inter segment elimination	Total	Discontinued operations
External revenues	5.400.669	352.443	5.753.112	-	5.753.112	678.010
Inter segment revenues	3.417	-	3.417	(3.417)	-	-
Sales revenue	5.404.086	352.443	5.756.529	(3.417)	5.753.112	678.010
Cost of goods sold	(3.994.726)	(267.313)	(4.262.039)	3.417	(4.258.622)	(576.761)
Gross profit	1.409.360	85.130	1.494.490	-	1.494.490	101.249
Selling and marketing expenses	(985.065)	(45.619)	(1.030.684)	-	(1.030.684)	(156.441)
General administrative expenses	(183.395)	(27.744)	(211.139)	-	(211.139)	(10.943)
Addition: Depreciation and amortization	106.950	16.794	123.744	-	123.744	6.302
Addition: Employment termination benefits	806	-	806	-	806	(21)
Addition: Unused vacation provision	8.792	-	8.792	-	8.792	707
Addition: One-off costs due to Şok stores concept change	-	-	-	-	-	8.400
EBITDA	**357.448**	**28.561**	**386.009**	**-**	**386.009**	**(50.747)**

b) Segment analysis for the period 1 January – 31 December 2010

	Turkey	Other countries	Combined Total	Inter segment elimination	Total	Discontinued operations
External revenues	4.889.303	270.404	5.159.707	-	5.159.707	1.205.417
Inter segment revenues	9.342	-	9.342	(9.342)	-	-
Sales revenue	4.898.645	270.404	5.169.049	(9.342)	5.159.707	1.205.417
Cost of goods sold	(3.641.162)	(203.285)	(3.844.447)	9.342	(3.835.105)	(946.298)
Gross profit	1.257.483	67.119	1.324.602	-	1.324.602	259.119
Selling and marketing expenses	(863.194)	(32.928)	(896.122)	-	(896.122)	(243.395)
General administrative expenses	(176.745)	(25.794)	(202.539)	-	(202.539)	(15.797)
Addition: Depreciation and amortization	105.971	15.461	121.432	-	121.432	8.101
Addition: Employment termination benefits	(3.867)	-	(3.867)	-	(3.867)	(47)
Addition: Unused vacation provision	4.022	-	4.022	-	4.022	1.934
EBITDA	**323.670**	**23.858**	**347.528**	**-**	**347.528**	**9.915**

A reconciliation of EBITDA figure to income before tax is provided as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
EBITDA, reported segments	386.009	347.528
Depreciation and amortisation	(123.744)	(121.432)
Employment termination benefits	(806)	3.867
Unused vacation provision	(8.792)	(4.022)
Other operating income	8.955	10.574
Other operating expenses (-)	(29.210)	(18.145)
Operating profit	**232.412**	**218.370**
Financial income	176.935	192.982
Financial expense (-)	(725.205)	(320.336)
(Loss)/Income before tax	**(315.858)**	**91.016**

Segment Assets and Liabilities

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	31 December 2011	31 December 2010
Turkey	4.617.056	4.835.244
Other countries	347.105	354.303
Segment assets (*)	**4.964.161**	**5.189.547**
Unallocated assets (*)	594.261	499.894
Less: inter segment elimination	(77.458)	(122.096)
Total assets as per consolidated financial statements	**5.480.964**	**5.567.345**

(*) Segment assets are generally formed of assets that are related with operations and do not include income tax assets, time deposits, derivative instruments and available-for-sale financial assets generating interest income.

	31 December 2011	31 December 2010
Turkey	1.488.599	1.555.126
Other countries	67.286	64.827
Segment Liabilities (**)	**1.555.885**	**1.619.953**
Unallocated liabilities (**)	2.731.353	2.603.832
Less: inter segment elimination	(1.981)	(3.593)
Total liabilities as per consolidated financial statements	**4.285.257**	**4.220.192**

(**) Segment liabilities are generally formed of liabilities that are related with operations and do not include tax provision, deferred income tax liabilities, derivative instruments and borrowings.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash	37.070	40.959
Banks		
- demand deposits	89.437	82.700
- time deposits	592.523	469.994
Cheques in collection	751	234
Receivables on credit card slips	290.474	290.293
	1.010.255	**884.180**

Weighted average effective interest rates on TL, EURO and USD denominated time deposits at 31 December 2011 are 11,38% (31 December 2010: 8,50%) and 5,08% (31 December 2010: 3,85%) and 5,25% (31 December 2010: 3,50%), respectively.

Credit card receivables with a maturity of less than one month are discounted at 31 December 2011 with annual rate of 10,59% (31 December 2010: 6,59%).

The maturity analysis of time deposits at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
1 - 30 days	592.523	469.994
	592.523	**469.994**

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2011	31 December 2010
Long-term available-for-sale investments financial assets - (Unlisted financial assets)	1.695	2.215
Long-term financial assets	**1.695**	**2.215**

Unlisted financial assets:

	31 December 2011		31 December 2010	
	Share	Amount	Share	Amount
Sanal Merkez Ticaret A.Ş.	100%	1.695	100%	1.695
Şok Marketler Ticaret A.Ş.(*)	-	-	99,6%	520
		1.695		**2.215**

(*) On the meeting of Board of Directors dated on 7 June 2011, the Group decided to sold 99,60% shares of subsidiary, Şok Marketler Ticaret A.Ş., to a third party. Accordingly, sale process of Şok Marketler Ticaret A.Ş. has been initiated following the signature of share transfer agreement on 7 June 2011. The necessary permit from Competition Board was obtained on 17 August 2011 and as of 25 August 2011 share transfer was completed. In addition, on 1 August 2011, the Group transferred assets and liabilities allocated to operations held under the Şok Brand to Şok Marketler Ticaret A.Ş.

Sanal Merkez is the subsidiary that is not included in the scope of consolidation on the grounds of materiality due to the insignificance of its impact on the consolidated net worth, financial position and results of Migros. It is accounted for under long-term available-for-sale investment at cost restated at 31 December 2004 as it is not quoted in any active market.

NOTE 7 - FINANCIAL LIABILITIES

	31 December 2011			
	Weighted average interest rate	USD	Euro	Total TL equivalent
Short-term financial liabilities				
Current portion of long-term bank borrowings				
-with fixed interest rates	2,00%	-	124	303
-with floating interest rates	5,66%	-	5.382	13.153
Other financial borrowings		179	-	340
Total short-term financial borrowings		**179**	**5.506**	**13.796**
Long-term bank borrowings				
-with fixed interest rates	2,00%	-	496	1.212
-with floating interest rates	5,66%	-	1.052.681	2.572.542
Long-term bank borrowings		**-**	**1.053.177**	**2.573.754**
Total financial liabilities		**179**	**1.058.683**	**2.587.550**

The redemption schedule of long-term bank borrowings with TL equivalents at 31 December 2011 is as follows

	Euro	TL
2013	58.106	141.999
2014	163.957	400.678
2015	199.064	486.472
2016	234.171	572.267
2017	257.452	629.160
2018	140.427	343.178
	1.053.177	**2.573.754**

Within the context of the "Facilities Agreement" signed with various financial institutions on 13 February 2008, considering the current market conditions and future plans, on 5 September 2011, the Group made an early payment of 100 Million Euro and its accrued interest, which reduced the remaining instalments in chronological order of the remaining loan of 1.152,7 Million Euro with 10 years maturity as of 30 June 2011. The outstanding capital payable regarding the mentioned "Facilities Agreement" as of 31 December 2011 is 1.052,7 Million Euro. The current portion of the long-term bank borrowings with floating interest rates in the table above only includes interest accruals.

	31 December 2010			
	Weighted average interest rate	USD	Euro	Total TL equivalent
Short-term financial liabilities				
Current portion of long-term bank borrowings				
-with fixed interest rates	2,00%	-	124	254
-with floating interest rates	5,21%	-	28.860	59.137
Other financial borrowings		1.120	-	1.731
Total short-term financial borrowings		**1.120**	**28.984**	**61.122**
Long-term bank borrowings				
-with fixed interest rates	2,00%	-	620	1.270
-with floating interest rates	5,21%	-	1.135.128	2.325.991
Long-term bank borrowings			**1.135.748**	**2.327.261**
Total financial liabilities		**1.120**	**1.164.732**	**2.388.383**

The redemption schedule of long-term bank borrowings with TL equivalents at 31 December 2010 is as follows:

	Euro	TL
2012	46.933	96.170
2013	93.743	192.089
2014	163.957	335.964
2015	199.064	407.902
2016	234.171	479.840
2017 and over	397.880	815.296
	1.135.748	**2.327.261**

The fair value of bank borrowings at 31 December 2011 is TL 2.557.576 (31 December 2010: TL 2.358.130).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 December 2011	31 December 2010
Receivables from tenants and wholesale activities	61.871	45.475
Doubtful receivables	14.454	12.939
Notes receivable	5.276	4.221
Due from related parties (Note 26)	10	23
	81.611	**62.658**
Less: Provision for doubtful receivables	(14.109)	(12.589)
Unearned finance income on term sales	(328)	(149)
Short-term trade receivables, net	**67.174**	**49.920**

The maturities of trade receivables are generally less than one month at 31 December 2011 and they were discounted with the annual rate of 10,59% (31 December 2010: 6,59%).

Movement of provision for doubtful receivables is as follows:

	2010
1 January	**11.100**
Current year charge (Note 21)	2.456
Collections and reversals	(854)
Cumulative translation adjustment	(113)
31 December	**12.589**

	2011
1 January	**12.589**
Current year charge (Note 21)	1.639
Collections and reversals	(1.180)
Cumulative translation adjustment	1.061
31 December	**14.109**

	31 December 2011	31 December 2010
Supplier current accounts	1.401.376	1.470.826
Due to related parties (Note 26)	1.365	2.260
Less: Unincurred finance cost on term purchases	(15.699)	(9.540)
Short-term trade payables, net	**1.387.042**	**1.463.546**

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 10,59% as of 31 December 2011 (31 December 2010: 6,59%).

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other Receivables:

	31 December 2011	31 December 2010
Tax receivables (Note 24)	-	23.057
Receivables from personnel	1.037	1.584
Short-term other receivables	**1.037**	**24.641**

	31 December 2011	31 December 2010
Deposits and guarantees given	1.165	1.475
Long-term other receivables	**1.165**	**1.475**

Other Payables:

-

	31 December 2011	31 December 2010
Prior periods tax payable (Note 24)	-	11.164
Credit card bills collection amount (*)	684	5.005
Short-term other payables	**684**	**16.169**

	31 December 2011	31 December 2010
Deposits and guarantees taken	3.602	3.811
Long-term other payables	**3.602**	**3.811**

(*) As of 31 December 2011, payable consists of credit card bill collections made in the stores. The collections have the maturity of less than one month.

NOTE 10 - INVENTORIES

	31 December 2011	31 December 2010
Raw materials	1.589	1.740
Work in progress	5.919	8.666
Merchandise stocks	667.851	733.129
Other	3.641	3.055
	679.000	**746.590**

Cost of the inventory included in the cost of sales for the period 1 January - 31 December 2011 amounts to TL 4.226.328 (1 January - 31 December 2010: TL 3.789.287).

NOTE 11 - INVESTMENT PROPERTY

	Opening 1 January 2011	Additions	Transfers (Note 12)	Cumulative translation differences	Closing 31 December 2011
Cost					
Land and buildings	67.229	253	-	4.497	71.979
Accumulated depreciation					
Land and buildings	(15.036)	(4.967)	-	(611)	(20.614)
Net book value	**52.193**				**51.365**

	Opening 1 January 2010	Additions	Transfers (Note 12)	Cumulative translation differences	Closing 31 December 2010
Cost					
Land and buildings	66.534	461	915	(681)	67.229
Accumulated depreciation					
Land and buildings	(9.593)	(5.416)	(84)	57	(15.036)
Net book value	**56.941**				**52.193**

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

Investment properties of the Group consist of space rented to other retailers in Samal shopping mall and Tastak store in Kazakhstan and Skopje shopping mall in Macedonia. At 31 December 2011, total investment property of Kazakhstan and Macedonia are 8.410 and 9.131 square meters respectively (31 December 2010: Kazakhstan 7.551 square meters, Macedonia 9.082 square meters).

Fair value of the investment properties in Kazakhstan and Macedonia are TL 74.065 and TL 70.438 respectively (31 December 2010: TL 67.780 and TL 63.649 respectively). This value has been calculated with discounted cash flow approach.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Opening 1 January 2011	Additions	Addition from subsidiary acquisition	Disposals
Cost				
Land and buildings	471.028	1.383	-	-
Leasehold improvements	454.066	35.546	-	(2.184)
Machinery and equipments	345.138	46.840	-	(9.402)
Vehicles	2.778	111	-	(62)
Furniture and fixture	157.248	21.494	-	(2.752)
Construction in progress	8.110	56.518	-	-
	1.438.368	**161.892**	**-**	**(14.400)**
Accumulated depreciation				
Buildings	(26.170)	(8.641)	-	-
Leasehold improvements	(119.063)	(45.465)	-	1.108
Machinery and equipments	(65.931)	(41.229)	-	6.470
Vehicles	(463)	(478)	-	-
Furniture and fixture	(32.850)	(16.531)	-	2.142
	(244.477)	**(112.344)**	**-**	**9.720**
	1.193.891			

(*) Impairment loss amounting to net TL 8.941 consists of leasehold improvements of the stores closed in 2011.

At 31 December 2011 and 2010 there were no mortgages on property, plant and equipment.

	Opening 1 January 2010	Additions	Addition from subsidiary acquisition	Disposals
Cost				
Land and buildings	466.224	3.611	-	(643)
Leasehold improvements	383.862	51.587	3.970	-
Machinery and equipments	251.638	79.556	-	(14.177)
Vehicles	529	1.230	-	(21)
Furniture and fixture	125.542	21.821	3.526	(566)
Construction in progress	2.981	67.753	-	(115)
	1.230.776	**225.558**	**7.496**	**(15.522)**
Accumulated depreciation				
Buildings	(16.262)	(9.927)	-	107
Leasehold improvements	(75.847)	(47.976)	-	-
Machinery and equipments	(40.609)	(38.248)	-	13.154
Vehicles	(199)	(260)	-	-
Furniture and fixture	(18.165)	(15.101)	-	436
	(151.082)	**(111.512)**	**-**	**13.697**
	1.079.694			

(*) Impairment loss amounting to net TL 5.130 consists of leasehold improvements of the stores closed in 2010.

Impairment loss (*)	Transfers	Disposals from sale of a subsidiary	Transfers to investments properties (Note 11)	Cumulative translation differences	Closing 31 December 2011
-	64	(25.978)	-	9.250	455.747
(23.973)	22.029	(63.314)	-	3.500	425.670
-	30.922	(87.359)	-	4.482	330.621
-	1	(188)	-	96	2.736
-	8.343	(17.468)	-	3.188	170.053
-	(61.359)	(76)	-	17	3.210
			-		
(23.973)	**-**	**(194.383)**	**-**	**20.533**	**1.388.037**
-	-	5.171	-	(278)	(29.918)
15.032	-	28.878	-	(2.705)	(122.215)
-	-	28.906	-	(2.291)	(74.075)
-	-	101	-	(38)	(878)
-	-	7.099	-	(1.930)	(42.070)
15.032	**-**	**70.155**	**-**	**(7.242)**	**(269.156)**
					1.118.881

Impairment loss (*)	Transfers	Disposals from sale of a subsidiary	Transfers to investments properties (Note:11)	Cumulative translation differences	Closing 31 December 2010
-	2.447	-	(915)	304	471.028
(9.947)	24.297	-	-	297	454.066
-	27.832	-	-	289	345.138
-	1.049	-	-	(9)	2.778
-	6.885	-	-	40	157.248
-	(62.510)	-	-	1	8.110
(9.947)	**-**	**-**	**(915)**	**922**	**1.438.368**
-	-	-	84	(172)	(26.170)
4.817	-	-	-	(57)	(119.063)
-	-	-	-	(228)	(65.931)
-	-	-	-	(4)	(463)
-	-	-	-	(20)	(32.850)
4.817	**-**	**-**	**84**	**(481)**	**(244.477)**
					1.193.891

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

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

	31 December 2011	31 December 2010
Net book value	-	394

NOTE 13 - INTANGIBLE ASSETS

	Opening 1 January 2011	Additions	Disposals	Disposals from sale of subsidiary	Cumulative translation differences	Closing 31 December 2011
Cost						
Trademark(*)	253.068	-	-	(50.893)	-	202.175
Rent agreements (**)	32.982	-	-	-	-	32.982
Rights	20.975	9.964	(306)	(1.519)	(9)	29.105
Other intangible assets (***)	28.783	-	-	-	-	28.783
	335.808	**9.964**	**(306)**	**(52.412)**	**(9)**	**293.045**
Accumulated amortisation						
Rent agreements	(15.626)	(4.508)	-	-	-	(20.134)
Rights	(9.007)	(5.522)	302	553	127	(13.547)
Other intangible assets	(6.389)	(2.705)	-	-	-	(9.094)
	(31.022)	**(12.735)**	**302**	**553**	**127**	**(42.775)**
Net book value	**304.786**					**250.270**

Trademark impairment test:

Trademark was tested for impairment using the release from royalty method as of 31 December 2011. Sales forecasts which are based on financial budgets approved by the board of directors covering a five year period were considered in the determination of the brand value. The growth rate expected to be realized after five years is assumed to be nil. The estimated royalty income is calculated by applying the expected 1,5%. The royalty income calculated with the stated method have been discounted with 8,29%.

	Opening 1 January 2010	Additions	Disposals	Disposals from sale of subsidiary	Cumulative translation differences	Closing 31 December 2010
Cost						
Trademark (*)	253.068	-	-	-	-	253.068
Rent agreements (**)	32.982	-	-	-	-	32.982
Rights	15.359	5.438	(32)	-	210	20.975
Other intangible assets (***)	28.783	-	-	-	-	28.783
	330.192	**5.438**	**(32)**	**-**	**210**	**335.808**
Accumulated amortisation						
Rent agreements	(10.131)	(5.495)	-	-	-	(15.626)
Rights	(5.441)	(3.602)	16	-	20	(9.007)
Other intangible assets	(2.881)	(3.508)	-	-	-	(6.389)
	(18.453)	**(12.605)**	**16**	**-**	**20**	**(31.022)**
Net book value	**311.739**					**304.786**

(*) IFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date.

The fair value of Tansaş trademark which was considered as an identifiable intangible asset by the Group was determined by the relief from royalties method and estimated the fair value of the trademarks in the amount of TL 202.175 at the acquisition date 30 May 2008. This amount has been accounted for as an intangible asset in the consolidated financial statements. Since the trademark does not have a definite useful life and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful life and therefore has not been amortised. Additionally, Migros assesses the intangible assets with indefinite useful lives annually for any indication of impairment.

(**) The Group determined the value of the benefit derived from the lease contracts of MMM and Maxi stores, which were designated as intangible assets, at an amount of TL 32.982 and was accounted for under the intangible assets in the consolidated financial statements. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

(***) On 24 July 2008 the Group purchased all of the furniture and fixtures of local retail chain Maxi Market's Silivri, Tekirdağ and Çengelköy stores, with a total sales area of 13.000 square meters, from Hamoğlu Yönetim Organizasyonu Personel Taşımacılık ve Yemek Üretim Hizmetleri İsletmecilik A.Ş. and also took over the rent agreements of the mentioned stores. The purchase cost in the amount of TL 10.297 which exceeds the fair value of the purchased furniture and fixtures has been accounted for as an intangible asset and has been amortised over the rent agreement period.

On 10 March 2009, the Group purchased all of the furniture and fixtures of 7 stores belonging to Mak Gıda Pazarlama San. ve Tic. A.Ş., ("Mak Gıda") a local retail chain operating in Gaziantep region, with a total sales area of 9.592 square meters and on 12 February 2009 the Group purchased all of the furniture and fixtures of 21 stores belonging to Yonca Marketçilik ve İnş. Hiz. San. ve Tic. A.Ş. ("Yonca"), a local retail chain mainly operating in Adana region, with a total sales area of 17.480 square meters and also took over the rent agreements of the mentioned stores. The excess amount of the consideration given over the fair value of acquired assets in the total amount of TL 18.486, TL 601 for the Mak Gıda and TL 17.885 for Yonca, respectively- was accounted for under other intangible assets and has been amortised over the rent agreement period.

NOTE 14 - GOODWILL

Movement of goodwill is as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Opening balance	**2.251.427**	**2.239.210 (*)**
Additions due to acquisition of subsidiary (**)		
- Ades (Note 3)	-	11.685
- Amaç (Note 3)	-	143
- Egeden (Note 3)	-	389
Closing balance	**2.251.427**	**2.251.427**

(*) On 30 May 2008, Moonlight acquired 50,83259% of the shares of Migros, which operates in the retail sector, from Koç Holding. Moonlight Capital SA signed a share transfer agreement regarding this acquisition in February 2008 on behalf of Moonlight. Dividends paid to Koç Holding by Migros amounting to TL 53.626 were deducted from the sales price determined on the share transfer agreement and the consideration determined as TL 1.923.740 was paid in cash on the closing date. The transfer of the shares of Migros to Moonlight succeeding Moonlight Capital SA has been completed on 30 May 2008 for TL 1.923.740. As a result of the price adjustment defined in share transfer agreement, price difference amounting to TL 1.300 has been realised on behalf of Moonlight and this amount has been paid in August 2008.

Pursuant to Communiqué Serial IV No. 8 on Principles Regarding Proxy Voting at Shareholders' Meetings of Publicly Held Joint Stock Corporations Exercising Proxy Solicitation and Tender Offers, the Company purchased 30,76% of the shares of Migros in consideration of the sum of TL 1.148.553 from other shareholders of Migros in August 2008, prior to the call for tender realised between 6 October and 20 October 2008; and between those dates, in compliance with the call liability, purchased 16,31% of shares in Migros in consideration of the sum of TL 637.212.

Acquisitions mentioned above have been collectively considered in goodwill calculation. The fair values of plant property and equipment acquired as a result of the acquisition of Migros Türk shares, have been determined through the best estimate of the management and included in the consolidated financial statements.

Net assets acquired by Migros and the details of the calculation of goodwill are as follows:

Total acquisition cost	3.708.205
Net assets acquired	(1.468.995)
Goodwill	**2.239.210**

On 27 October 2008 the Group acquired 0,02% shares of Migros Türk from minority interest in consideration of TL 417 thus, the shareholding of the Group in Migros Türk reached 97,92%. The difference between the consideration given and the carrying amount of the shares has been allocated to merger reserves in the statement of changes in equity.

(**) Group acquired the companies Ades Gıda San. ve Tic. A.Ş., Amaç Gıda Tic. ve San A.Ş. and Egeden Gıda Tüketim ve Tic. A.Ş at 31 July 2010. After the acquisition transaction the forementioned goodwill amount was accounted.

Impairment tests for goodwill

The whole amount of goodwill is related to the acquisition of Migros Türk, the Group management considers the synergy to be created by the important domestic market position as the main reason for the goodwill. Accordingly, the Group management allocated the above mentioned goodwill amount to Turkish domestic operations which is the main cash generating unit, considering its market share and importance of the total turnover of the domestic operations in the Group consolidation.

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TL budgets approved by management covering an eight year period. The growth rate expected to be realized after eight years is assumed to be nil and in the preparation of these analysis it has been assumed by the management that existing profitability of the Company will be maintained.

The Group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The discount rate 8,29% used is the after tax discount rate and includes the Group specific risks. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 100 basis points (such as 9,29% or 7,29% instead of 8,29%) causes a decrease/increase of TL 501.532 (31 December 2010: TL 897.797) in the fair value calculations for which sales costs are deducted, as of 31 December 2011.

As a result of the impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 December 2011. Since the sales cost deducted fair value of the said cash generating unit is higher than the book value, the Group management did not make a recoverable value calculation according to the use value.

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 December 2011	31 December 2010
Provision for litigation	19.460	16.632
Provision for unused vacation	34.045	31.565
Total short-term provisions	**53.505**	**48.197**

There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour disputes constitute the majority of these lawsuits. The Group management estimates the outcomes of these lawsuits and estimates their financial impact according to which the necessary provisions are accounted.

Movement of provision for lawsuits is as follows:

1 January 2010	**17.408**
Increase during the period	4.650
Payments during the period	(5.426)
31 December 2010	**16.632**
1 January 2011	**16.632**
Increase during the period	5.314
Payments during the period	(2.486)
31 December 2011	**19.460**

As of 31 December 2011, unused vacation obligation amounted to TL 34.045 (31 December 2010: TL 31.565). The Group management makes an assessment of unused vacation obligations in financial terms which is used in making the necessary provisions in the accounts at the end of each accounting period.

Movement of provision for unused vacation is as follows:

1 January 2010	**25.609**
Increase during the period	19.898
Payments during the period	(13.942)
31 December 2010	**31.565**
1 January 2011	**31.565**
Increase during the period	15.090
Payments during the period	(5.590)
Disposals from sale of subsidiary	(7.020)
31 December 2011	**34.045**

Collaterals, Pledges, Mortgages

The details of collaterals, pledges and mortgages ("CPM") of the Company at 31 December 2011 and 2010 are as follows:

	31 December 2011			
Collaterals, Pledges, Mortgages	**Total TL Equivalent**	**TL**	**USD**	**EURO**
A. CPM given on behalf of the Company's legal personality	56.872	55.919	472	25
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties				
D. Total amount of other CPM	-	-	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	-	-	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	56.872	55.919	472	25
Proportion of other CRMs to equity	0,0%			

	31 December 2010			
Total Collaterals, Pledges, Mortgages	Total TL Equivalent	TL	USD	EURO
A. CPM given on behalf of the Company's legal personality	54.124	53.459	397	25
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	-	-	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	-	-	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total Collaterals, Pledges, Mortgages	54.124	53.459	397	25
Proportion of other CRMs to equity	0,0%			

Contingent assets and liabilities:

a) Guarantees given at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Letters of guarantees given	56.872	54.124

b) Guarantees received at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Guarantees obtained from customers	92.019	83.385
Mortgages obtained from customers	17.072	14.383
	109.091	**97.768**

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

	31 December 2011	31 December 2010
Payable within 1 year	21.688	41.406
Payable in 1 to 5 years	7.977	7.379
5 years and more	3.597	46
	33.262	**48.831**

d) Tax legislations in Kazakhstan is subject to different interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of Ramstore Kazakhstan by the tax authorities may differ from the interpretation of the management. Consequently, Ramstore Kazakhstan may encounter additional taxes, penalties and interests. Tax authorities in Kazakhstan maintain the right to inspect the accounts for five fiscal years.

e) Yeni Gimat İşyerleri İşletmesi A.Ş. ("Yeni Gimat") has filed a lawsuit regarding their claim of rent difference of the immovable rented to Migros Ticaret amounting TL 38.583 which covers the period from 14 June 2001 to the date of trial, 12 June 2009. The Group management has not booked any provision at the 31 December 2011 consolidated financial statements due to the fact that related increases have been made with taking into consideration of rates determined regarding rent increases during the years 2000 and 2001 added as of 16 February 2000 and also as of 31 December 2011 it is seen as a far possibility to be obligated to pay the alleged missing rent payments and overdue interest.

NOTE 16 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2011	31 December 2010
Provision for employee termination benefits	10.516	10.269

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. The amount payable consists of one month's salary limited to a maximum of TL 2.731,85 (31 December 2010: TL 2.517,01) for each year of service at 31 December 2011.

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 employees.

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

	31 December 2011	31 December 2010
Discount rate (%)	4,81	4,66
Turnover rate to estimate the probability of retirement (%)	81,40	82,60

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 2.805,04 effective from 1 January 2012 (1 January 2011: TL 2.623,23) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

	2011	2010
1 January	**10.269**	**13.974**
Acquisition of subsidiary	-	209
Increase during the period	14.837	6.387
Payments during the period	(13.400)	(10.125)
Disposal from sale of a subsidiary	(538)	-
Actuarial loss	(652)	(176)
31 December	**10.516**	**10.269**

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2011	31 December 2010
Prepaid expenses (*)	33.887	30.215
Fixed asset advances	263	926
Deductible taxes and funds	2.335	5.287
Other	3.619	3.585
	40.104	**40.013**

(*) Prepaid expenses mainly consist of insurance premium and store rentals.

Other non-current assets:

	31 December 2011	31 December 2010
Upfront fee expense (long-term)	4.310	5.106
Prepaid expenses	4.238	5.678
	8.548	**10.784**

Other short-term liabilities:

	31 December 2011	31 December 2010
Taxes and funds payable	29.552	24.153
Payables to personnel	19.169	20.793
Various expense accruals (*)	10.377	15.317
Merchandise coupons	9.464	8.657
VAT payable	12.320	7.350
Other	17.673	9.259
	98.555	**85.529**

(*) Expense accruals include accruals for costs such as electricity, water, rent, and communication.

NOTE 18 - EQUITY

The Company's authorised and issued capital consists of 17.803.000.000 shares at 1 shares of Kr1 nominal value as of 31 December 2011 (31 December 2010: 17.803.000.000 shares). All shares are paid-in and no privileges are given to different share groups and shareholders.

The shareholders of the Company and their shareholdings stated at historical amounts at 31 December 2011 and 31 December 2010 are stated below:

	31 December 2011		31 December 2010	
Shareholders	**Share (%)**	**Amount**	**Share (%)**	**Amount**
MH Perakendecilik ve Ticaret A.Ş.	80,51	143.323	97,92	174.323
Other	19,49	34.707	2,08	3.707
Total capital	**100**	**178.030**	**100**	**178.030**

MH Perakendecilik ve Ticaret A.Ş.'s share proportion has fallen to 80,51% within the year 2011, after the share sales made in İstanbul Stock Exchange Market.

Restricted Reserves

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 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 capital. On the other hand, in the event that it is decided to distribute the entire profit for the period as dividends, exclusively for this situation a second legal reserve is set aside at 9% for the portion exceeding 5% of the capital issue/paid from the net distributable profit for the period. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 385.856 as of 31 December 2011 (31 December 2010: TL 385.856).

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

- if the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";

- if the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

It was determined that there is no need to set aside first order legal reserves as the first order legal reserves reached 20% of capital in accordance with Turkish Commercial Code. Additionally, it was decided that there is no need to set aside second order legal reserves since no dividend was distributed in the current period.

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

Dividend requirements applicable to listed companies regulated by CMB are as follows:

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2011, minimum profit distribution will not be applied for the year 2011 (2010: Not compulsory). According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from 2008 operations are required to distribute the initial amount in cash.

In addition, according to the aforementioned Board decision, the entities which are required to prepare consolidated financial statements can provide the necessary amount from their statutory reserves; the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

Dividends Paid

Group decided not to distribute any dividend in 2011 from 2010 profits (2010: At the Annual General Meeting held on 20 May 2010, General Assembly decided to distribute a gross cash dividend of TL 195.833.000 to the shares. Accordingly, a TL 1.10 gross and net cash dividend per share with a nominal value of TL 1 representing a ratio of 110% to institutional shareholders domiciled in Turkey and non-resident foreign institutions, which are tax payers in Turkey through their permanent representative offices or companies. A TL 0,935 net cash dividend per one share with a nominal value of TL 1 to other shareholders, which will be calculated following the deduction of the withholding ratios under tax laws, which represents a ratio of 93,5%. Dividend amounting to TL 31.500.000 was offset from current year income and the remaining TL 164.333.000 was offset from extraordinary reserves excluding inflation adjustment difference. (Amounts are expressed in TL instead of thousands of TL)).

Resources Subject to Dividend Distributions

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. The concerning amount for Migros Ticaret is TL 1.773.941. TL 647.164 portion out of total amount will comprise the inflation effects of statutory equity items that are subject to taxation and gain on the sale of subsidiaries. The Company's reserve that can be subject to dividend distribution in accordance with financial statements prepared in accordance with the accounting principles of CMB Financial Reporting Standards amounts to TL 882.370.

The equity schedules at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Share capital	178.030	178.030
Share premium	678.233	678.233
Other capital reserves	(365)	(365)
Restricted Reserves		
- Legal reserves	385.856	385.856
Cumulative translation differences	18.869	7.040
Additional contribution to equity related to merger	27.312	27.312
Retained earnings	70.541	27.960
Net (loss)/income	(163.245)	42.581
Attributable to the equity holders of the Group	**1.195.231**	**1.346.647**

NOTE 19 - REVENUE AND COST OF SALES

	1 January - 31 December 2011	1 January - 31 December 2010
Domestic sales	5.547.385	5.004.670
Foreign sales	353.347	270.521
	5.900.732	**5.275.191**
Other sales	13.625	9.927
	5.914.357	**5.285.118**
Less: Discounts and returns	(161.245)	(125.411)
Sales revenue -net	**5.753.112**	**5.159.707**
Cost of sales	(4.258.622)	(3.835.105)
Gross Profit	**1.494.490**	**1.324.602**

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

	1 January - 31 December 2011	1 January - 31 December 2010
Retail sales revenue	5.688.854	5.095.626
Rent income	95.022	95.212
Wholesale revenue	116.856	84.353
	5.900.732	**5.275.191**

NOTE 20 - EXPENSES BY NATURE

Total	1 January - 31 December 2011	1 January - 31 December 2010
Staff costs	481.568	408.435
Rent	243.906	199.638
Porterage and cleaning	33.947	36.976
Transportation	57.035	54.761
Depreciation and amortisation	123.744	121.432
Energy	89.265	81.140
Advertising	46.424	40.866
Repair and maintenance	21.807	19.012
Security	15.359	19.484
Warehouse	32.906	30.094
Taxes and other fees	8.595	9.041
Mechanisation	10.673	8.457
Communication	6.741	6.443
Other	69.853	62.882
	1.241.823	**1.098.661**

Marketing, selling and distribution expenses	1 January - 31 December 2011	1 January - 31 December 2010
Staff costs	411.984	346.047
Rent	243.850	199.567
Porterage and cleaning	33.007	36.330
Transportation	56.861	54.503
Energy	88.434	80.273
Advertising	46.424	40.866
Repair and maintenance	21.360	18.734
Security	14.929	19.042
Warehouse	32.906	30.094
Taxes and other fees	7.115	6.640
Mechanisation	8.723	7.259
Communication	5.059	4.734
Other	60.032	52.033
	1.030.684	**896.122**

General administrative expenses	1 January - 31 December 2011	1 January - 31 December 2010
Staff costs	69.584	62.388
Depreciation and amortisation	123.744	121.432
Other	17.811	18.719
	211.139	**202.539**

Expenses by nature in cost of sales for the periods 1 January – 31 December 2011 and 2010 are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Cost of goods sold	4.226.320	3.789.287
Cost of services	32.302	45.818
	4.258.622	**3.835.105**

Cost of trade goods include discounts, and volume rebates obtained from suppliers. Service costs are formed of rent, energy, advertising, cleaning, security and administrative expenses incurred in the Group's shopping malls.

NOTE 21 - OTHER OPERATING INCOME AND EXPENSE

Other operating income:

	1 January - 31 December 2011	1 January - 31 December 2010
Gain on sales of scrap goods	909	1.320
Reversal of provisions	1.180	854
Gain on sales of property, plant and equipment	1.708	3.607
Other	5.158	4.793
	8.955	**10.574**

Other operating expenses:

	1 January - 31 December 2011	1 January - 31 December 2010
Paid law suit and provision expenses	(2.486)	(5.426)
Provision for doubtful receivables (Note 8)	(1.639)	(2.456)
Losses from closed stores	(7.125)	(5.130)
Loss due to subsidiary liquidation	(1.529)	-
Loss on sale of fixed assets	(3.840)	(1.132)
Litigation provisions	(2.828)	-
Prior years' invoices and rent differences	(3.380)	(2.376)
Other	(6.383)	(1.625)
	(29.210)	**(18.145)**

NOTE 22 - FINANCIAL INCOME

	1 January-31 December 2011	1 January-31 December 2010
Interest income on bank deposits	34.489	24.977
Foreign exchange gains	78.123	132.511
Due date charges on term sales	19.288	16.020
Financial income on derivatives	44.754	19.417
Other	281	57
	176.935	**192.982**

NOTE 23 - FINANCIAL EXPENSE

	1 January-31 December 2011	1 January-31 December 2010
Due date difference on term purchases	(71.972)	(60.898)
Foreign exchange losses	(460.719)	(58.245)
Interest expense on bank borrowings	(158.878)	(120.584)
Financial expense on derivatives	(26.336)	(78.760)
Other	(7.300)	(1.849)
	(725.205)	**(320.336)**

NOTE 24 - TAX ASSETS AND LIABILITIES

	31 December 2011	31 December 2010
Taxes and funds payable	115.691	22.893
Less: Prepaid current income taxes (**)	(113.170)	(45.950)
Taxes on income, net (*)	**2.521**	**(23.057)**

(*) The portion of prepaid taxes which exceeds the corporate tax payable as of 31 December 2010 has presented under other current assets (Note 9).

(**) TL 7.126 of tax receivable amounting to TL 23.057 was net off from corporate tax liabilities as of 31 December 2010.

	31 December 2011	31 December 2010
Deferred tax assets	25.558	34.511
Deferred tax liabilities	(130.904)	(152.922)
	(105.346)	**(118.411)**

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

Turkey

In Turkey, corporation tax rate for the year 2011 is 20% (2010: 20%). Corporation tax is applied to the total income of the companies after adjusting for certain disallowable expenses, exempt income, investment and other allowances No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (2010: 20%). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

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

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

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

Domestic participation exemption:

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

Preferential right certificate sales and issued premiums exemption

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

Foreign company participation exemption

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

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

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

Other Geographical Segments

Implied corporation tax rates in Kazakhstan, Bulgaria, Macedonia and Azerbaijan are 20%, 10%, 10% and 22%, respectively (2010: 20%, 10%, 10% and 22%, respectively).

The details of taxation on income is as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Current period tax expense	(46.434)	(22.893)
Prior period tax expense (Note 9) (*)	(1.505)	(11.164)
Period tax expense	**(47.939)**	**(34.057)**
Deferred tax expense	(5.417)	(221)
	(53.356)	**(34.278)**

(*) As a result of the tax review of the company for the year 2009 performed by Ministry of Finance, Account experts Boards, there is a Corporate Tax of TL 14.579, and a fine amounting to TL 31.228 has been levied on 14 January 2011. The company decided to use the amnesty within the scope of the tax amnesty announced, in relation to related tax and fine imposed. The company also decided to increase the 2006 and 2009 corporate tax base, in accordance with the provisions of the law. In accordance with the relevant provisions of the law and as a result of the study, the company decided to pay the 50% of the tax imposed for the year 2009, which is TL 7.290 and the additional amount of TL 3.874 from the increase in the tax bases for the before mentioned years. The total payable of TL 11.164, thus calculated for previous years, is decided to be reflected in the financial tables as at 31 December 2011 as tax expense. In addition to the forementioned amount of TL 11.164, the Group paid 1.505 TL and TL 422 overdue interest, within the scope of the tax amnesty in 2011.

The reconciliation of tax expenses stated in the consolidated income statements is as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
(Loss) / income	(315.858)	91.017
Expected tax expense according to parent company (20%)	63.172	(18.203)
Prior period tax expense	(1.505)	(11.164)
Differences in tax rates of subsidiaries	753	641
Expected tax expense of the Group	**62.420**	**(28.726)**
Tax effect of non deductible expenses	(134.622)	(13.399)
Tax effect of discontinued operations	16.492	4.313
Tax effect of exemptions	105	151
Other differences	2.249	3.383
Tax expense of the Group	**(53.356)**	**(34.278)**

Deferred Income Taxes

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards purposes and its statutory tax financial statements. Deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income as of 31 December 2011 in the coming years under the liability method using a principal tax rate of 20%, 20%, 10%, 22% and 10% for Turkey, Kazakhstan, Bulgaria, Azerbaijan and Macedonia, respectively (2010: 20%, 20%, 10%, 22% and 10%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided as of 31 December 2011 and 2010 using the currently enacted tax rates, is as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Fair value change of derivative instruments	35.936	85.273	7.187	17.054
Expense accruals and other provisions	53.504	48.197	10.701	9.639
Inventories	16.038	12.176	3.208	2.435
Provision for employment termination benefits	10.516	10.060	2.103	2.012
Unincurred interest income	328	149	66	30
Other	11.466	16.703	2.293	3.341
Deferred income tax assets			**25.558**	**34.511**
Fair value change of derivative instruments	43	4.627	9	925
Property, plant and equipment and intangible assets	664.118	774.337	125.360	147.591
Unincurred interest expense	15.699	9.540	3.140	1.908
Other	11.975	12.494	2.395	2.498
Deferred income tax liabilities			130.904	152.922
Total deferred income tax liabilities, net			**(105.346)**	**(118.411)**

	31 December 2011	31 December 2010
Deferred income tax assets:		
Deferred income tax asset to be recovered after more than 12 months	4.772	10.383
Deferred income tax asset to be recovered within 12 months	20.786	24.128
	25.558	34.511
Deferred income tax liabilities:		
Deferred income tax liability to be settled after more than 12 months	(125.369)	(148.516)
Deferred income tax liability to be settled within 12 months	(5.535)	(4.406)
	(130.904)	(152.922)
Deferred tax liabilities (net)	**(105.346)**	**(118.411)**

Movement of deferred income tax assets and liabilities are as follows:

	Deferred income tax liability
31 December 2009	**(116.258)**
Current year deferred tax expense	(221)
Cumulative translation difference	(56)
Transfers to liabilities associated with discontinued operations (Note 31)	(1.876)
31 December 2010	**(118.411)**
Current period deferred tax expense	(5.417)
Disposal from sale of subsidiary (Note 31)	19.030
Cumulative translation difference	(548)
31 December 2011	**(105.346)**

NOTE 25 - EARNINGS PER SHARE

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

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

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

	1 January - 31 December 2011	1 January - 31 December 2010
Net (loss)/income attributable to the shareholders	(163.245)	42.581
Kr 1 face value each ('000)	17.803.000	17.803.000
(Loss)/Earnings per share (Kr)	**(0,92)**	**0,24**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Balances with related parties

Due from related parties:	31 December 2011	31 December 2010
Mavi Jeans Giyim Sanayi ve Tic. A.Ş	4	6
Tekin Acar Büyük Mağazacılık T.A.Ş.	6	17
Total due from related parties	**10**	**23**

Due to related parties:	31 December 2011	31 December 2010
Şok Marketler T.A.Ş.	-	645
Sanal Merkez T.A.Ş.	226	449
Other	1.139	1.166
Total due to related parties	**1.365**	**2.260**

(ii) Transactions with related parties:

	1 January - 31 December 2011	1 January - 31 December 2010
Non-current asset purchases:		
Sanal Merkez T.A.Ş.	5	164
	5	**164**
Inventory purchases:		
Sanal Merkez T.A.Ş.	11	-
Şok Marketler Tic. A.Ş.	4.018	5.496
	4.029	**5.496**
Services purchases:		
Sanal Merkez T.A.Ş.	5	261
	5	**261**

Inventory sales:	1 January - 31 December 2011	1 January - 31 December 2010
Sanal Merkez T.A.Ş.	13	7
Pizza Restaurantları A.Ş.	31	-
	44	**7**

(iii) Other transactions with related parties are as follows:

Rent Income	784	1.146
	784	**1.146**

(iv) Dividend paid

MH Perakendicilik A.Ş.	-	191.756
Other	-	4.077
	-	**195.833**

(v) Key management personnel compensation:

The Group has determined key management personnel as chairman of executive board, members, general manager and general manager assistants.

Detail of compensation amounts to key management is as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Short-term benefits provided to employees	11.682	10.688
	11.682	**10.688**

Compensation paid or payable consists of salaries, benefits, SSK and employer shares and Board of Directors attendance fees.

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS

Short-term derivative financial instruments

	31 December 2011	31 December 2010
Short-term liabilities		
Interest rate collar contracts	-	8.378
Forward currency exchange contracts	22.591	35.039
	22.591	**43.417**

Long-term derivative financial instruments

	31 December 2011	31 December 2010
Long-term assets		
Corridor options	40	711
Interest rate swap contracts	-	3.658
CAP options	3	258
	43	**4.627**
Long-term liabilities		
Forward currency exchange contracts	7.554	41.856
Interest rate collar contracts	5.791	-
	13.345	**41.856**

The Group entered into a number of forward currency exchange contracts with banks in order to hedge its exchange rate risk. As at the settlement date, the Group sells TL and purchases Euro at agreed strike prices. The fair values of the foreign exchange contracts as of 31 December 2011 which extend until year 2013 are as follows:

	Euro amount to be purchased	TL amount to be sold	Fair value (TL)
	46.140	151.540	30.145

The Group entered into a number of forward currency exchange contracts with banks in order to hedge its exchange rate risk. As at the settlement date, the Group sells TL and purchases Euro at agreed strike prices. The fair values of the foreign exchange contracts as of 31 December 2010 which extend until year 2013 are as follows:

	Euro amount to be purchased	TL amount to be sold	Fair value (TL)
	98.510	299.745	76.895

The Group entered number of interest collar, cap, corridor and interest rate swap contracts with banks in order to hedge its interest rate risk. The fair values of contracts and details as of 31 December 2011 and 2010 are as follows:

31 December 2011

Long-term assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Corridor	26 August 2009	31 May 2011	30 November 2012	300 million	40
Cap	26 August 2009	31 May 2011	30 November 2012	210 million	3
					43

Long-term liabilities

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Interest rate swap	6 October 2010	30 November 2011	29 November 2013	105 million	1.963
Interest rate swap	6 October 2010	31 May 2011	30 November 2013	105 million	1.711
Interest rate swap	6 October 2010	31 May 2011	29 November 2013	53 million	1.039
Interest rate swap	6 October 2010	30 November 2011	30 November 2013	53 million	1.078
					5.791

31 December 2010

Long-term assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Corridor	26 August 2009	31 May 2011	30 November 2012	300 million	711
Cap	26 August 2009	31 May 2011	30 November 2012	125 million	258
Interest rate swap	6 October 2010	30 November 2011	29 November 2013	105 million	1.328
Interest rate swap	6 October 2010	31 May 2011	30 November 2013	105 million	1.183
Interest rate swap	6 October 2010	31 May 2011	29 November 2013	53 million	574
Interest rate swap	6 October 2010	30 November 2011	30 November 2013	53 million	573
					4.627

Long-term assets

Agreement Type	Transaction Date	Effective Date	Expiration Date	Derivative Instrument Amount (EUR)	Fair Value (TL)
Collar	9 July 2008	27 August 2008	31 May 2011	190 million	5.368
Collar	6 November 2008	27 February 2009	31 May 2011	210 million	3.010
					8.378

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial risk management

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

Individual subsidiaries manage their risk under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short-term investments with the principle of balancing the maturity of the assets and liabilities that are sensitive to the interest rate changes.

The weighted average effective interest rate of Group's financial liabilities that are sensitive to interest is 5,66% (31 December 2010: 5,21%) as of 31 December 2011. If interest rates on TL, USD and Euro denominated borrowings had been 100 base point higher/lower with all other variables held constant, pre-tax profit for the year would have been TL 2.222 (31 December 2010: TL 2.044) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate positions of the Group at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Financial instruments with fixed interest rates		
Time deposits	592.523	469.994
Financial liabilities	1.515	1.524
Financial instruments with floating interest rates		
Financial liabilities	2.586.035	2.386.859

Liquidity and funding risk

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

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2011, the Group's financial debt with a maturity longer than 1 year is TL 2.573.754 (31 December 2010: TL 2.327.261) (Note 7).

The maturity analysis of Group's financial liabilities as of 31 December 2011 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years	5 years and over
Financial liabilities (Non-derivative):						
Financial liabilities	2.587.550	3.232.393	-	144.279	2.059.792	1.028.322
Trade payables	1.387.042	1.402.741	1.116.371	286.370	-	-
Other current liabilities	684	684	684	-	-	-
	3.975.276	**4.635.818**	**1.117.055**	**430.649**	**2.059.792**	**1.028.322**

Derivative-financial instruments	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year- 5 years	5 years and over
Derivative cash inflows	43	43	-	43	-	-
Derivative cash outflows	(35.936)	(39.417)	-	(27.916)	(11.501)	-
Derivative financial liabilities, net	**(35.893)**	**(39.374)**	**-**	**(27.873)**	**(11.501)**	**-**

The maturity analysis of Group's financial liabilities as of 31 December 2010 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year - 5 years	5 years and over
Financial liabilities (Non-derivative):						
Financial liabilities	2.388.383	3.022.961	-	172.563	1.450.850	1.399.548
Trade payables	1.463.546	1.473.085	1.194.906	278.179	-	-
Other current liabilities	16.169	16.169	16.169	-	-	-
	3.868.098	**4.512.215**	**1.211.075**	**450.742**	**1.450.850**	**1.399.548**

Derivative financial instruments

	Carrying value	Contractual cash flows	Up to 3 months	3 months - 12 months	1 year- 5 years	5 years and over
Derivative cash inflows	4.627	4.627	-	-	4.627	-
Derivative cash outflows	(85.273)	(97.888)	-	(40.894)	(56.994)	-
Derivative financial liabilities, net	**(80.646)**	**(93.261)**	**-**	**(40.894)**	**(52.367)**	**-**

Credit risk

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

The risk details of credits and receivables as of 31 December 2011 and 2010 are as follows. Amounts showing the maximum credit risk exposed as of the balance sheet date are disclosed by disregarding guarantees on hand and other factors that increase the credit quality.

	31 December 2011			
	Trade receivables		Other receivables	Deposits
	Related Parties	Other	Other	in Banks
Maximum exposed credit risk				
As of reporting date (A+B+C+D)	**10**	**67.164**	**2.202**	**681.960**
Secured portion of maximum				
Credit risk by guarantees etc.	-	8.446	-	-
A. Net book value of financial assets				
Either are not due or not impaired	10	64.646	2.202	681.960
Secured portion by guarantees etc.	-	8.101	-	-
B. Financial assets with renegotiated conditions				
Secured portion by guarantees etc.	-	-	-	-
C. Net book value of the expired				
or not impaired financial assets	-	2.173	-	-
secured portion by guarantees	-	-	-	-
D. Impaired assets				
Net book value	-	345	-	-
Overdue (Gross book value)	-	14.454	-	-
Impairment (-)	-	(14.109)	-	-
Secured portion of the net value				
By guarantees etc.	-	345	-	-

	31 December 2010			
	Trade receivables		Other receivables	Deposits
	Related Parties	Other	Other	in Banks
Maximum exposed credit risk				
As of reporting date (A+B+C+D)	**23**	**49.897**	**3.059**	**552.694**
Secured portion of maximum				
Credit risk by guarantees etc.	-	10.138	-	-
A. Net book value of financial assets				
Either are not due or not impaired	23	47.547	3.059	552.694
Secured portion by guarantees etc.	-	9.788	-	-
B. Financial assets with renegotiated conditions				
Secured portion by guarantees etc.	-	-	-	-
C. Net book value of the expired				
or not impaired financial assets	-	2.000	-	-
secured portion by guarantees	-	-	-	-
D. Impaired assets				
Net book value	-	350	-	-
Overdue (Gross book value)	-	12.939	-	-
Impairment (-)	-	(12.589)	-	-
Secured portion of the net value				
By guarantees etc.	-	350	-	-

As of today there are no uncollected, overdue, and renegotiated bank deposits nor credit card receivables present at the Group portfolio, thus the Group is in the opinion that there are no credit risks regarding these assets. The Group's past experience in collecting their receivables was taken into account while determining the provisions. Thus, the group does not consider of any further trade receivables risk other than the provision for possible collection losses.

a) Credit quality of financial assets

	31 December 2011	31 December 2010
Group 1	4.330	4.106
Group 2	61.738	45.195
Group 3	790	1.328
	66.858	**50.629**

Group 1 - New customers (Less than 3 months)

Group 2 - Existing customers with no defaults in the past (more than 3 months)

Group 3 - Existing customers with some defaults in the past of which were fully recovered

b) Aging of the receivables which are overdue but not impaired

	31 December 2011	31 December 2010
0-1 month	1.022	751
1-3 months	415	211
3-12 months	627	332
1-5 years	109	706
	2.173	**2.000**

c) Geographical concentration of the trade and other receivables

	31 December 2011	31 December 2010
Turkey	62.044	46.894
Other	7.332	6.085
	69.376	**52.979**

Foreign currency risk

The Group is exposed to foreign exchange risk arising primarily with respect to borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is followed and monitored by the management.

At 31 December 2011, if Euro had appreciated against TL by 5% and all other variables remaining the same, the profit for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been lower by TL 108.176.

	31 December 2011			
		Original Currencies		
	Total TL equivalent	USD	Euro	Other Currency
Assets:				
Cash and cash equivalents	454.204	8.161	174.148	13.206
Trade receivables	4.695	461	29	3.753
Other current assets	3.974	1.643	-	871
Total current assets	**462.873**	**10.265**	**174.177**	**17.830**
Other non-current assets	-	-	-	-
Total non-current assets	**-**	**-**	**-**	**-**
Total assets	**462.873**	**10.265**	**174.177**	**17.830**
Short-term borrowings	13.796	179	5.506	-
Trade payables (net)	7.683	-	777	5.784
Other current liabilities	6.150	2.676	24	1.037
Total current liabilities	**27.629**	**2.855**	**6.307**	**6.821**
Long-term financial liabilities	2.573.754	-	1.053.177	-
Total non-current liabilities	**2.573.754**	**-**	**1.053.177**	**-**
Total liabilities	**2.601.383**	**2.855**	**1.059.484**	**6.821**
Net balance sheet foreign currency position	**(2.138.510)**	**7.410**	**(885.307)**	**11.009**
Net asset/liability position of off-balance sheet derivatives (A-B)	-	-	-	-
A. Total foreign currency amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
Net foreign currency position	**(2.138.510)**	**7.410**	**(885.307)**	**11.009**
Export	-	-	-	-
Import	57.855	35.002	-	-
Fair value of hedged funds of foreign currency	30.145	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	112.757	-	46.140	-

	31 December 2010			
		Original Currencies		
	Total TL equivalent	USD	Euro	Other Currency
Assets:				
Cash and cash equivalents	453.732	5.089	210.652	14.217
Trade receivables	2.763	195	54	2.351
Other current assets	3.484	1.873	-	589
Total current assets	**459.979**	**7.157**	**210.706**	**17.157**
Other non-current assets	61	39	-	-
Total non-current assets	**61**	**39**	**-**	**-**
Total assets	**460.040**	**7.196**	**210.706**	**17.157**
Short-term borrowings	61.122	1.120	28.984	-
Trade payables (net)	4.861	462	551	3.018
Other current liabilities	6.036	3.283	24	912
Total current liabilities	**72.019**	**4.865**	**29.559**	**3.930**
Long-term financial liabilities	2.327.261	-	1.135.748	-
Total non-current liabilities	**2.327.261**	**-**	**1.135.748**	**-**
Total liabilities	**2.399.280**	**4.865**	**1.165.307**	**3.930**
Net balance sheet foreign currency position	**(1.939.240)**	**2.331**	**(954.601)**	**13.227**
Net asset/liability position of off-balance sheet derivatives (A-B)	-	-	-	-
A. Total foreign currency amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
Net foreign currency position	**(1.939.240)**	**2.331**	**(954.601)**	**13.227**
Export	-	-	-	-
Import	48.523	32.104	-	-
Fair value of hedged funds of foreign currency	76.895	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	201.856	-	98.510	-

Foreign currency sensitivity analysis as of 31 December 2011 and 2010 is as follows:

31 December 2011

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset/liability	(108.176)	108.176
Portion secured from Euro risk	-	-
Euro net effect	**(108.176)**	**108.176**

31 December 2010

	Gain/Loss	
	Foreign exchange appreciation	Foreign exchange depreciation
5% change in Euro Exchange rate		
Euro net asset/liability	(97.804)	97.804
Portion secured from Euro risk	-	-
Euro net effect	**(97.804)**	**97.804**

Capital risk management

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

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

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

The ratio of net debt/(equity +net debt) at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
Total liabilities	4.285.257	4.220.192
Less: Cash and cash equivalents	(1.010.255)	(884.180)
Deferred tax liabilities (net)	(105.346)	(118.411)
Net debt	3.169.656	3.217.601
Equity	1.195.231	1.346.647
Equity +net debt	4.364.887	4.564.248
Net debt/(Equity +net debt) ratio	**72,62%**	**70,50%**

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value estimation

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.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In the balance sheet, derivative financial instrument is the only item that is recognised at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2. Apart from that, for disclosure purposes, the borrowings carried at the amortised cost at the balance sheet are presented with their values in Note 7. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate (Libor) that is available to the Group for similar financial instruments that can be classified as level 2. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

NOTE 30 - MERGER OF ENTERPRISES SUBJECT TO COMMON CONTROL

In accordance with the decision adopted during Migros Türk's general assembly held on 28 April 2009, Migros Türk has decided to merge with Moonlight through a takeover of its assets and liabilities as a whole within the framework of Capital Markets Board ("CMB") requirements, Turkish Commercial Code, Law No. 451, and other related articles and Corporate Tax Law No. 19-20. As a result of the mentioned merger, it has been decided to increase Moonlight's capital from TL 174.323.340 to TL 178.030.000 and also in accordance with the merger agreement approved during the General Assembly, merger ratio of 0,97918 and share exchange ratio of 1,00 has been identified. As a result of the merger, registered shares amounting to TL 3.706.660 issued by Moonlight have been distributed to the minority shareholders of Migros Türk in exchange for their Migros Türk shares.

On 30 April 2009 Istanbul Trade Registry Office has announced the registry of Migros Türk's general assembly held on 28 April 2009 and merger agreement on 6 May 2009 dated and 7305 numbered Trade Registry Gazette. As a result of the merger, Moonlight's trade name has been changed to Migros Ticaret A.Ş.

The difference occurred as a result of merger amounting TL 27.312, has been presented as "Additional contribution to shareholders' equity related to merger" under consolidated equity, as there are no related lines present at the financial statement presentation format which is held mandatory by CMB.

NOTE 31 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

1-) On 17 February 2011, The Group sold 100% shares of subsidiary, Ramstore Azerbaijan, to a third party.

Gain from sale of subsidiary

Amount received	21.953
Recorded amount of net assets sold	(26.949)
Currency translation differences reclassification adjustments due to foreign operations disposal	5.989
Gain from sale of subsidiary	993

TL 993 worth of sales income is classified under income statement of discontinued operations.

Net amount from sale of subsidiary

Cash and cash equivalents received	21.953
Less: cash and cash equivalents of sold subsidiary	(7.810)
	14.143

Book value of net assets disposed is as follows:

Current assets	**10.490**
Cash and cash equivalents	7.810
Trade receivables	64
Inventories	2.357
Other current assets	259
Non-current assets	**22.046**
Property, plant and equipment	21.242
Intangible assets	229
Deferred tax assets	514
Other non-current assets	61
Total assets	**32.536**
Current liabilities	**1.968**
Trade payables	1.715
Other current liabilities	253
Non-current liabilities	**3.619**
Deferred tax liabilities	3.619
Total liabilities	**5.587**
Book value of net assets disposed	**26.949**

2-) On the meeting of Board of Directors dated on 7 June 2011, the Group decided to sell 99,60% shares of subsidiary, Şok Marketler Ticaret A.Ş., to a third party. Accordingly, sale process of Şok Marketler Ticaret A.Ş. has been initiated following the signature of Share Transfer Agreement on 7 June 2011. The necessary permit from Competition Board was obtained on 17 August 2011 and as of 25 August 2011 share transfer was completed. In addition, on 1 August 2011, the Group transferred assets and liabilities allocated to operations held under the Şok Brand to Şok Marketler Ticaret A.Ş.

Net Gain from Sale of Subsidiary

Amount received	581.010
Recorded amount of net assets sold	(224.390)
Gain from sale of subsidiary	**356.620**

TL 356.620 worth of sales income is classified under income statement of discontinued operations.

Book value of net assets disposed:

Current assets	**92.735**
Inventories	92.735
Non-current assets	**155.138**
Property, plant and equipment	102.986
Intangible assets	51.631
Financial Investments	521
Total assets	**247.873**
Current liabilities	**7.020**
Unused vacation provision	7.020
Non-current liabilities	**16.463**
Deferred tax liabilities	15.925
Provision for employment termination benefits	538
Total liabilities	**23.483**
Book value of net assets disposed	**224.390**

1 January- 31 December 2011 and 1 January- 31 December 2010 accounting periods, income statement of the discontinued operations are as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
Revenue (net)	678.010	1.205.417
Cost of sales (-)	(576.761)	(946.298)
Marketing, selling and distribution expenses (-)	(156.441)	(243.395)
General administrative expenses (-)	(10.943)	(15.797)
Financial income	2.365	3.988
Financial expense (-)	(10.058)	(16.103)
Other expenses (-)	(8.632)	-
Loss before tax	**(82.460)**	**(12.188)**
Tax income/(loss)	148	(1.876)
Net loss from discontinued operations before the gain from sale of subsidiary	**(82.312)**	**(14.064)**
Gain from sale of subsidiary	357.613	-
Sales profit tax expense	(69.257)	-
Net gain/(loss)	**206.044**	**(14.064)**

NOTE 32 - SUBSEQUENT EVENTS

None.

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