



**BİM**

BİRLEŞİK MAĞAZALAR A.Ş.

ANNUAL REPORT

**2005**



## BİM'S SERVICE PHILOSOPHY

**BİM** believes that the interests of its customers are more important than high, short-term profits.

**BİM** offers high-quality goods at the best possible prices.

**BİM** customers know they can return any purchase that they're not completely satisfied with.

**BİM** has high-quality private-label goods specially manufactured for its customers.

**BİM** customers pay for goods and not for labels or packaging.

**BİM** displays goods in their original cartons as a way of cutting out unnecessary store costs.

**BİM** rents its stores under the most economical terms and in locations best suited to its customers.

**BİM** avoids excessive advertising costs so it doesn't have to pass them on to its customers.

**BİM** stores are decorated as sparingly as possible.

**BİM** employs just enough personnel in its stores to ensure that essential service is provided.

BİM has grown steadily since its inception and seen its sales volume increase 43.8% over the last two years.

### KEY HIGHLIGHTS

(YTL million)

	2003	2004	2005
Net Sales	1,176	1,456	1,691
Private Label Product Sales	459	635	769
Total Assets	216	264	327
Net Profit	14	25	30
Number of Stores	921	1,075	1,194



### GREAT SUCCESS IN PRIVATE LABEL PRODUCTS



## MILESTONES FROM BİM'S HISTORY

**1995**

BİM is founded and opens 21 stores the same year.

**1996**

50th store is opened.

**1997**

BİM's first private-label product, Dost milk, is offered to customers.

**1997**

100th store is opened.

**1997**

BİM opens its first self-owned warehouse in the Samandıra district of İstanbul.

**1999**

The Operations Committee, the next most senior organ of the company after the Board of Directors, is formed.

**1999**

Spot products go on BİM store shelves for the first time.

**1999**

Merrill Lynch Global Emerging Markets Partnership LP and BankAmerica International Investment Co acquire stakes in BİM.

**2000**

BİM opens its 500th store.

**2001**

Despite severe economic crisis, BİM successfully opens 87 new stores.

**2001**

Jos Simons joins BİM as Chief Operating Officer (COO).

**2002**

Credit cards are accepted in BİM stores.

**2003**

Net sales exceed YTL 1 billion.

**2004**

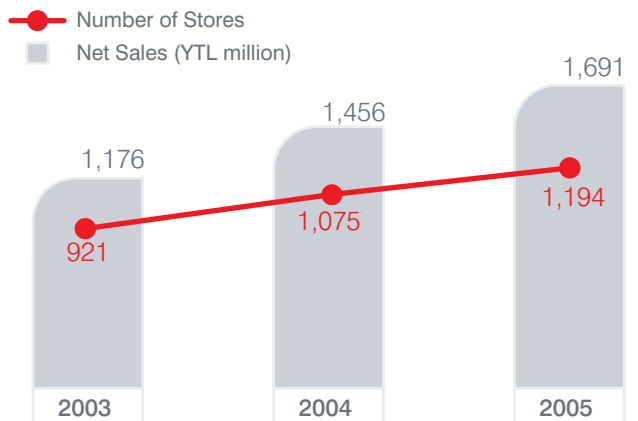
BİM opens its 1,000th store.

**2005**

BİM makes an initial public offering of 44.12% of its shares.

## BİM IS TURKEY'S FIRST HARD-DISCOUNT SUPERMARKET CHAIN.

### NUMBER OF STORES AND NET SALES



## A DECADE OF STEADY GROWTH AND DEVELOPMENT...

Since it was founded in 1995, BİM has specialized in offering customers high-quality goods at low prices. In just a decade, an experienced management team and strict adherence to cost control have made BİM one of Turkey's leading retailers with 1,194 stores in 13 regions of the country.

BİM ranks first among food retailers in Turkey with the most extensive network of stores. The principles that form the foundations of its business and drive growth are customer satisfaction, perfection in service, good relations with suppliers, and a corporate culture that is understood and identified with by all employees.

Because BİM is where smart shoppers go...



**1,194 STORES**  
IN 13 REGIONS  
ALL OVER THE COUNTRY

**ABOUT 600 PRODUCTS**  
MEETING 80% OF A FAMILY'S  
BASIC NEEDS



welcome

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## MESSAGE FROM THE CEO



Jos Simons  
CEO

Dear shareholders,

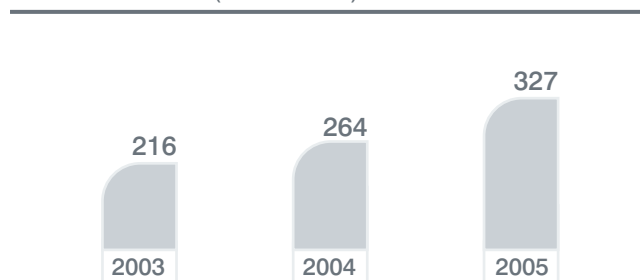
In 2005, BIM continued to achieve successful results and to grow. In this, our first published annual report, it gives us pleasure to share with you our business model and corporate strategies as well as the impact that they have on our operational and financial performance. In the pages of this report, you will have opportunities to become more closely acquainted with BIM and with its record of achievements over the last ten years.



### A major buyer

BİM's status as a major buyer gives it considerable competitive muscle and the ability to obtain goods at lower prices from its suppliers.

### TOTAL ASSETS (YTL million)



BİM's total assets were up 23.8% year-on-year in 2005

### Public offering

Our initial public offering made 2005 a watershed year for BİM.

Having committed itself to the principle of transparent management and to a process of institutionalization conforming to global criteria and norms, our Company made a historical decision to go public. BİM's shares began trading on the İstanbul Stock Exchange on 15 July 2005. The offering, which attracted considerable interest on the part of both national and international investors, consisted of a 44.12% block of the Company's shares.

The strong interest in BİM's shares confirmed the validity of our decision to go public as well as its timing. The efforts made by the whole BİM team in this project and the success that was achieved are a source of pride for us all.

### Economic stability

The economic crisis of 2001 was a sobering experience for the Turkish economy, which has managed to achieve more than four years of consistent and solid growth since then. In 2005 negotiations for the country's EU accession began and inflation continued to subside. As the wheels of the national economy spun better, the positive economic outlook became increasingly more sustainable while also encouraging foreign investment inflows. With the recovery in the economy, there were significant improvements on the employment front as well as in the consumer purchasing power.

Current estimates put GNP growth in 2005 at about 5.2%. The twelve-month rises in consumer and producer prices were 7.72% and 2.66% respectively. The stability and growth achieved in the economy had a positive impact on all sectors in Turkey and most certainly on the food retailing industry.

### The food retailing sector in Turkey

According to figures published by Planet Retail, an independent source of reference research on grocery retailers and retail markets, the food retailing sector in Turkey has a business volume worth about USD 71 billion a year. According to that company's country report for Turkey, the sector averaged growth rates of 10.5% a year between 1999 and 2004. Small, independent grocers and local outdoor markets account for the biggest share of the sector's volume, with organized food retailers accounting for about a USD 30 billion share. The Turkish food retailing sector is highly fragmented and no single player commands a market share greater than 3%.

BİM ranks first among Turkey's organized food retailers in terms of number of stores and second in terms of total net sales.

### The key to BİM's success

BİM is Turkey's most successful representative of the hard-discount retailing approach, examples of which are to be found all over the world. In the decade since its founding, BİM has become one of the most important brands in the food retailing market as a result of its steadily rising marketshare.

Underlying this success is our business model and service concept. Effective cost management ensures that we are able to offer our customers low-price high-quality goods.

### The BİM concept: Simplicity and transparency

BİM stores sell a limited range of goods. Our customers are offered six hundred products that have been carefully selected so as to be of the best quality and lowest price possible.

Although our stores stock only a limited number of different

## MESSAGE FROM THE CEO



### Effective logistics

BİM's fleet of 103 vehicles equips the Company with a highly effective logistical infrastructure.



### Only top-quality

BİM's principle is to maintain a high level of customer satisfaction by only offering top-quality goods.



### Spot products

Spot products play an important role in attracting new customers to BİM. Spot products accounted for a 7.3% share of total turnover in 2005.

Although our stores stock only a limited number of different goods, the large number of those stores means that we are able to buy those goods from suppliers in bulk quantities. This gives BİM a strong competitive advantage in its procurements and enables it to purchase goods from suppliers at the lowest prices on offer. The result of this is that BİM sells goods to customers at shelf prices that are lower than what is normally available on the market.

This underlying feature of our business model plays a very important role in our service concept, which may be summarized as "maintain a high level of customer satisfaction by always offering best-quality products".

### Relations with suppliers

Another very important issue for our Company is our dealings with our suppliers, with which we develop and maintain good, long-term business relationships that are based on mutual trust. We work very closely with our suppliers to have them produce private-label goods that we in turn can sell more cheaply. The number of private-label goods in BİM's portfolio has been increasing steadily over the years and in 2005 such goods were responsible for approximately 46% of our total sales.

The advantageous prices that we are able to charge our customers in line with our business model apply across the board to all our items in stock without any distinctions being made as to brand or length of time. We are firmly committed to taking this strategy further by obtaining even deeper discounts from our suppliers in order to achieve our objective of selling our customers "the best possible goods at the lowest possible prices".

### Increasing volume in spot products

Spot products, which are goods that are offered to customers on a weekly basis are important from the standpoints of product diversification and of attracting new customers. In 2005 spot products accounted for a highly satisfying 7.3% share of total turnover.

### Our regional organization and sales force

Each of BİM's thirteen regions is run by its own general manager with its own staff and serves as a central warehouse for its own territory. This decentralized structure is a crucial element of BİM's business model and service concept. A new region is planned to go into operation in Şanlıurfa around the middle of 2006.

An effective stock, logistic, and information sharing network links all of BİM's regions and stores. One of the fundamental elements of the Company's success is an extraordinary ability to coordinate the activities of this dispersed structure.

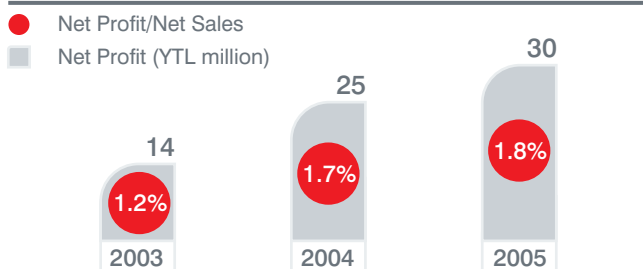
Decentralization and delegation are not the only sources of BİM's strength of course: an extensive service network of 1,194 stores, high quality standards in the products we sell, and insightful and innovative managers who are experienced in discount store operations are all fundamental reasons why shoppers prefer BİM.

### BİM and the future

Pursuing stable development as it extends its chain of stores throughout the country, BİM is a company that has formulated a unique growth model by means of a fine-tuned organizational structure and a commitment to accurate planning and disciplined work.



## NET SALES AND RATIO OF PROFIT TO SALES



BİM's net profit was up 19.2% in 2005 while the ratio of profit to sales reached 1.8%.



### New and different products

A desire to offer customers new and different products is an important motivational force for BİM.

We do not envisage any changes in BİM's strategy for the foreseeable future. Our strategy is sound and completely in step with the roadmap of BİM's growth. Changes did take place, however, in BİM's senior management in 2005 and we had the pleasure of embarking upon 2006 with a new and strong management team. We have full confidence in the ability of our new management to take BİM even further ahead with its existing strategies.

We expect to be increasing the number of our stores faster in 2006 than was the case in previous years. As we continue to expand our physical delivery channels, we will also be keeping our operational processes and infrastructure up to date. This updating will not only contribute to the greater effectiveness of our growing organization but will also strengthen our ability to keep our cost base under control.

A desire to offer our customers new and different products is always an important motivational force for us. BİM will continue to make every effort to ensure the sustainability of its strong market position while always remaining faithful to its customer-focused approach.

### A final word and thanks

I first want to thank all our investors for the strong interest that they took in BİM's public offering. In a very real sense, BİM belongs to people: it serves people while also being an excellent vehicle for people to invest their savings in.

Your investment in BİM was a wise decision and most certainly a profitable one in the short, medium, and long terms. BİM will respond to your confidence and to what we believe will be your continued support by creating added value for each and every one of you.

Next I extend my sincerest thanks to our customers for their confidence in us and for their loyalty to our brand. Our customers most appreciate our efforts to provide them with best-quality products at the lowest possible prices and they may be assured that we will continue to do so.

My unbounded thanks are due as well to all of BİM's employees for their dedicated and superior contributions to our performance, for their outstanding motivation, and for their efforts in carrying out the Company's public offering. The story of BİM's success could never have been written without its employees.

Finally I thank the members of the Operation Committee for contributing so much to our success by fulfilling the responsibilities they have undertaken. My thanks also go out to all our management team, our regional general managers and to all our regional personnel for levels of performance of which we can all be proud.

BİM has been the author of many new and different approaches and practices in the Turkish retailing industry. Our Company will continue to act in line with its customers' expectations and to earn their loyalty, to maintain excellent relations with its suppliers, and to remain a high-yield investment tool for its shareholders.

Sincerely yours,

Jos Simons  
CEO

BİM aims to provide its customers with high-quality products at the lowest possible prices within the framework of its "hard discount" concept. BİM believes that it must never sacrifice either quality or price in order to earn and maintain customer loyalty.



**growing  
steadily...**

## ABOUT BİM



### Private label products

BİM private label products appeal to customers because of the high-quality yet low price.



### Low operational costs

The economies that BİM achieves by minimizing its operational costs are passed on to customers in the form of lower prices.

### BİM's hard discount concept

The basic elements making up BİM's hard discount concept are these:

- Minimize decision making and implementation processes and thus be a more dynamic enterprise by means of a decentralized organizational structure.
- Cut costs to the absolute minimum and avoid expenditures that might have an adverse impact on product prices while never sacrificing quality.
- Keep quality standards under control by working with a product portfolio limited to about 600 items that are offered for sale at the lowest prices possible.

In the case of many of the products that it sells, BİM is in the position of being one of the biggest buyers in Turkey. This situation is what enables BİM to procure goods from suppliers at lower prices. In addition to this, BİM's operational costs are also reduced to the absolute minimum in such areas as store layout, product selection, pricing, personnel hiring, distribution, and management. All of the economies that BİM achieves in these and other ways are passed on to customers in the form of lower prices.

### Cost management at BİM

BİM employs a business model that is based on the principle of effective cost management. Reductions in its costs are reflected in its product prices. Adherence to this

model gives BİM its most important competitive advantage in the food retailing sector.

The principles to which BİM adheres in cost management are summarized below.

1. Rent store premises rather than own them.
2. Avoid high-cost premises on main streets in favor of less expensive locations on side streets in the same district.
3. Avoid employing more people than absolutely necessary. Manage human resources requirements effectively and use part-time personnel for as much of the workload as is feasible.
4. Minimize store decoration expenditures.
5. Minimize advertising and promotion expenditures.
6. Employ the Company's own logistic network in product distribution.
7. Maximize bargaining power in procurements by maintaining a limited product portfolio.
8. Give emphasis to private label products in the portfolio wherever possible.
9. Monitor costs on a day-to-day basis and take corrective action immediately when necessary.
10. Seek out new ways to economize and put them into practice.

**BİM OWES ITS SUCCESS AND PROFITABILITY TO A SYSTEM OF DISCIPLINED AND ORGANIZED COST MANAGEMENT THAT IS UNIQUE IN TURKEY.**



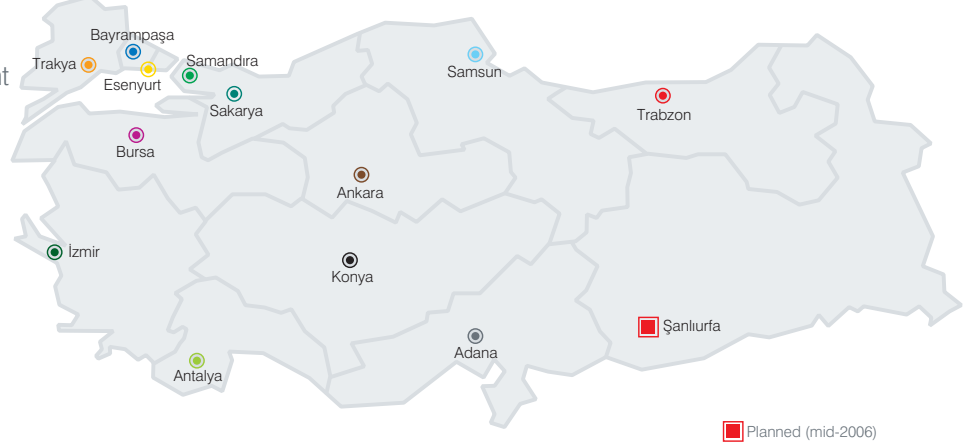
## ABOUT BİM

### DECENTRALIZED STRUCTURE

Each of BİM's thirteen regional organizations is run by its own general manager and serves as a central warehouse for its own territory. This decentralization is an important element of BİM's organizational structure.

#### BREAKDOWN OF STORES BY REGION

Samandıra	174	Sakarya	91
Bayrampaşa	110	Ankara	103
Esenyurt	127	Samsun	86
Trakya	62	Antalya	61
Bursa	85	Adana	75
İzmir	118	Konya	45
		Trabzon	57



■ Planned (mid-2006)

#### Stock management at BİM

Another underlying reason for BİM's success is effective stock management. The goods that go on BİM's shelves are managed in a centralized system by means of an SAP stock program that is widely used around the world in stock management. Thanks to this program, BİM is able to keep track of the movements of all its merchandise from entry into its warehouses, to the shelves of its stores, into the hands of its customers, and out the door.

In addition to automatic stock control by means of the SAP program, inventories are conducted at monthly and quarterly intervals in all stores and warehouses and the results of these inventory counts are cross-checked against SAP program data.

#### What BİM offers its customers

At BİM stores, priority is always given to items that will meet the day-to-day needs of its customers. The goods on the shelves of BİM stores are delicately chosen to meet 80% of a family's basic needs.

In addition to the high-quality private label items, BİM's product portfolio also contains strong popular brands that rank high among consumers' choices.

The goods that BİM offers its customers fall into four basic categories.

**Private label products** are high-quality goods whose labels and compositions are determined by BİM and which BİM has manufactured by carefully selected suppliers. The most important feature of private label products is that they can be sold 15-45% cheaper than similar goods of the same quality.

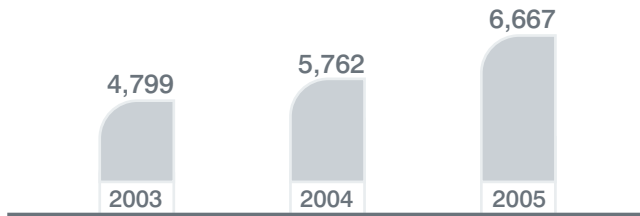
**Spot products** are food and non-food items with long shelf lives that are not kept continuously in stock and are offered to customers for only one or two weeks at a time. Spot products are important because they attract customers to the store with the end result of increasing sales of regularly stocked items as well.

**Exclusive products** are goods bearing the brand of another manufacturer that are offered in packages or combinations designed according to BİM's specifications. Exclusive products have been available on BİM's shelves since 1998 and are preferred by customers because they are more economical.

**Branded products** are items which are widely available on the market and which consumers are known to trust or to seek out. Branded products are sold more cheaply than their market prices at BİM and this has the effect of attracting new customers into BİM stores. Research shows that regular customers eventually end up changing over to BİM's private label products. BİM's goal is to further reduce the sale of branded products over time.



## TOTAL NUMBER OF EMPLOYEES

**Young and dynamic human resources**

BİM provides its employees with a working environment in which they can develop themselves while also training the senior managers and entrepreneurs of the future.

**The BİM team**

BİM's human resources are youthful and dynamic. BİM offers its employees a work environment whose keynotes are mutual respect and assistance and in which they are able to train and advance themselves professionally.

The members of BİM's senior management are chosen for their superior management skills and have years of experience and proven track records in food retailing. Many of BİM's senior managers have been with the Company since its inception and their knowledge and experience are important elements of BİM's steady rise and success.

BİM takes a distinctive approach to the development and career progression of its employees, especially those who will serve as its store and warehouse managers. Because decentralization is a key element of the Company's management style, it is important that young managers be given a working environment in which they can exercise

initiative in decision making and develop their human relations and management skills. In many ways, BİM is a school that prepares the senior managers and entrepreneurs of the future.

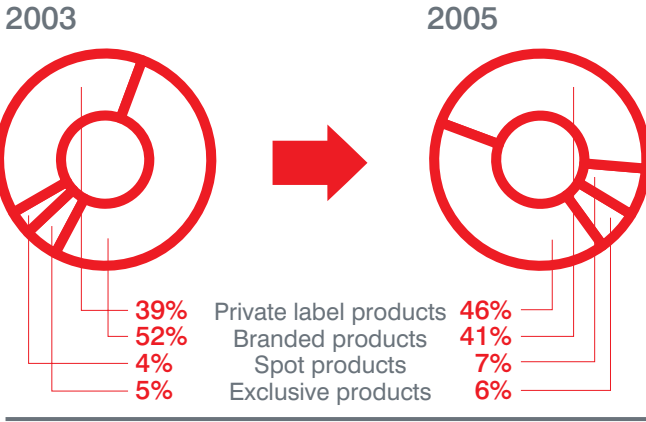
An important element of the Company's successful cost management is to be found in the area of human resources. BİM gives great attention to its human resources planning and management. Its stores are staffed with just enough personnel necessary to provide the service that customers would expect of them. BİM stores are also well-known for the part-time employment opportunities they provide on days and at times when customer traffic is heavier than usual.

THE MEMBERS OF BİM'S SENIOR MANAGEMENT ARE CHOSEN FOR THEIR SUPERIOR MANAGEMENT SKILLS AND HAVE YEARS OF EXPERIENCE AND PROVEN TRACK RECORDS IN FOOD RETAILING.



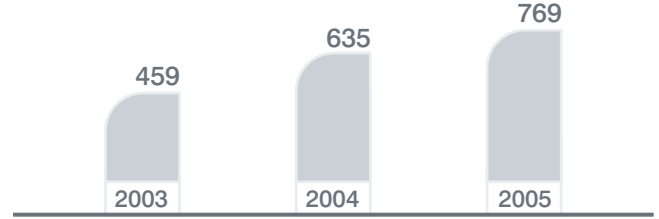
## REVIEW OF THE YEAR 2005

### BREAKDOWN OF NET SALES



### PRIVATE-LABEL PRODUCT SALES

(YTL million)



BİM's private label products performed very successfully in terms of sales and increased 21.1% year-on in 2005.

### During 2005, BİM once again continued to grow and be a profitable company.

BİM has grown steadily since its inception and seen its sales volume increase 43.8% over the last two years. In 2005 total sales amounted to YTL 1,690.9 million, which corresponds to a year-on rise of 16.1%. The most important factors underlying this stable, sustainable growth are:

- A steady but regular increase in the number of stores
- Bigger shopping cart volumes and greater customer numbers in existing stores
- Favorable macroeconomic conditions prevailing in Turkey.

Gross profit rose to 17.8% in 2005. The most important factors contributing to the rise in gross profit last year were the increasing impact of economies of scale on procurements from suppliers, pricing policies, and greater weight given to high-margin private label goods.

Paralleling increases in store numbers and net sales, BİM's total assets were up 23.8% year-on-year in 2005. The Company's profitable growth remains firmly on course.

AS A RESULT OF ECONOMIES OF SCALE ON PROCUREMENTS FROM SUPPLIERS, PRICING POLICIES, AND GREATER WEIGHT GIVEN TO HIGH-MARGIN PRIVATE LABEL GOODS, GROSS PROFIT ROSE TO 17.8% IN 2005.





#### Perfection in service

The cheerful and perfect service that BİM employees provide creates an enjoyable shopping experience for customers.



#### Store concept

Providing shopping opportunities for customers at locations closest to them through an extensive, nationwide chain, BİM stores are decorated as sparingly as possible to help reduce costs.

The successful financial results of the Company as it pursues profitable growth are the outcome of effective cost control, low overheads, greater economies of scale (brought on by expansion of store numbers), and the absence of financial borrowings.

High stock turnover rates and the absence of seasonal fluctuations contribute to a negative working capital position. At the same time, the Company has a positive cash flow due to minimal investment expenditure; even though such investments are financed with the cash generated by its normal retailing operations.



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT





# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. Statement of compliance with corporate governance principles

Our Company exercises all due care in the application of the corporate governance principles published by the Capital Markets Board.

## PART I: SHAREHOLDERS

### 2. Investor Relations Unit

BİM has set up a investor relations unit whose duties are to provide communication between company management and shareholders and to keep shareholders and all stakeholders informed in a truthful, complete, timely, and effective manner. The unit became operational when the Company went public on 15 July 2005.

Detailed contact information about the investor Relations Unit is available on the Company's website at [www.bim.com.tr](http://www.bim.com.tr). Oral and written questions directed to the unit are responded to as quickly as possible within the framework of the public disclosure of information.

### 3. Shareholders' exercise of their right to obtain information

All publicly disclosed information about the Company is available and easily accessible to shareholders in the Investor Relations section of the Company's website at [www.bim.com.tr](http://www.bim.com.tr). In addition, efforts were made during the year to respond to shareholders' and brokerage analysts' requests for information by taking advantage of every possible opportunity to communicate such as telephone, e-mail, meetings, teleconferences, and face-to-face discussions. At the ends of balance sheet periods, press releases were issued to inform shareholders and teleconferences were organized. Information about the conferences was provided in the Investor Relations section of our corporate website and was also sent out by e-mail to all the addresses in the Company's database.

A request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation. No request for the appointment of a special auditor was made during the reporting period.

### 4. Information about general meetings

Ordinary and extraordinary general meetings were held prior to the Company's initial public offering, which took place on 15 July 2005.

An ordinary general meeting of BİM Birleşik Mağazalar AŞ was held at 11:00 on 14 April 2005 at the address of Ebubekir Caddesi No: 289 Samandıra-İstanbul under the supervision, a Ministry of Industry and Commerce commissioner appointed by letter number 19084 dated 13 April 2005 from the İstanbul Provincial Directorate of Industry and Commerce. The meeting was called by means of letters of invitation and newspaper announcements. An examination of the attendance roster showed that 25,300,000 shares corresponding to the Company's total capitalization amounting to YTL 25,300,000 were present, 8,758,552 of them in person and 16,541,448 in proxy. There was no attendance from the media at the meeting. The minutes of the meeting were published in issue 6303 of Turkish Trade Registry Gazette on 13 May 2005.

An extraordinary general meeting of BİM Birleşik Mağazalar AŞ was held at 11:00 on 24 June 2005 at the address of Ebubekir Caddesi No: 289 Samandıra-İstanbul under the supervision, a Ministry of Industry and Commerce commissioner appointed by letter number 38216 dated 23 June 2005 from the İstanbul Provincial Directorate of Industry and Commerce. The meeting was called by means of letters of invitation. An examination of the attendance roster showed that 25,300,000 shares corresponding to the Company's total capitalization amounting to YTL 25,300,000 were present, 17,613,552 of them in person and 7,686,448 in proxy. The minutes of the meeting were published in issue 6336 of Turkish Trade Registry Gazette on 30 June 2005.

The minutes of these meetings were made available for the examination of shareholders at the Company's headquarters.

### 5. Voting rights and minority rights

Since the initial public offering on 15 July 2005, all of the Company's shares have been bearer shares. None of our Company's shares incorporate special voting rights. Company shareholders and their proxies are

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

entitled to one vote for each share of stock they hold at both ordinary and extraordinary general meetings. Every shareholder has the right to send one representative to cast votes on his behalf at general meetings. Proxy voting takes place in accordance with the rules of the Capital Markets Board.

### 6. Dividend payment policy and timing

The Company's dividend payment policy is set forth in the Company's articles of incorporation. Just as there are no special voting rights provided in the Company's articles of incorporation, neither are there any special rights concerning the distribution of its profits. The timing of dividend payments is proposed by the Board of Directors and voted on at a general meeting in accordance with the requirements of the Turkish Commercial Code and capital market laws, regulations, and administrative provisions.

The Company's authorized bodies have not adopted any decision as yet on a profit distribution plan in 2006 or the years that follow.

### 7. Transferring shares

According to article 8 of the Company's articles of incorporation, shares of stock in the Company are to be transferred or assigned in accordance with the requirements of the Turkish Commercial Code and other applicable laws and regulations.

## PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company disclosure policy

The issues governed by Capital Markets Board communique VIII: 39 concerning principles pertaining to special circumstance announcements are publicly disclosed. In addition, the Investor Relations Unit responds endeavors to respond to shareholders' questions in a truthful, complete, and equitable manner.

### 9. Special circumstance announcements

During 2005 the Company made a total of 37 special circumstance announcements. There were no special circumstance announcements that were not made in a timely manner.

Public announcements in Turkish and English are put up on the Company's website at [www.bim.com.tr](http://www.bim.com.tr).

### 10. The internet site and its content

The address of the Company's corporate website is [www.bim.com.tr](http://www.bim.com.tr). In the Investor Relations section of the Company website, information is made available to shareholders under the following headings:

- Legal name
- Shareholder structure
- Company management
- Financial reports
- Special circumstance announcements
- Financial calendar
- Information about general meetings
- Contacts

### 11. Disclosure of ultimate non-corporate controlling shareholders

The shareholder structure of the Company is shown below.

Shareholder	Number of shares	% shareholding interest
Mustafa Latif Topbaş	6,702,916	26.49
Abdulrahman A. El Khereji	5,205,100	20.57
Zuhair Fayaz	1,301,275	5.14
Ibrahim Halit Çizmeci	744,766	2.94
Dieter Brandes	989	0.00
Gregson Limited	182,318	0.72
Other (publicly held)	11,162,635	44.12
<b>Total</b>	<b>25,300,000</b>	<b>100.00</b>

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 12. Public disclosure of those who may have access to insider information

The names and duties of the Company's directors, statutory auditors, and senior managers are presented below.

#### Executive Committee

Mustafa Latif Topbaş	Chairman
Mehmet Fatih Saraç	Vice Chairman
Prof. Dr. Ekrem Pakdemirli	Director
Hasan Hasip Buldanlıoğlu	Director
Mahmut Mirali	
Kassamali Merali	Director
Ömer Hulusi Topbaş	Director
Geylan Abdülaziz Zapsu	Director

#### Internal Auditors

Prof. Dr. Selahattin Tuncer	Auditor
Prof. Dr. Arif Ateş Vuran	Auditor

#### Senior Management

Jos Simons	CEO
Galip Aykaç	Operations Committee Member
Ürfet Naçar	Operations Committee Member
Bülent Pehlivan	Operations Committee Member
Haluk Dortluoğlu	Chief Financial Officer
Ünsal Çetinkaya	General Manager for Procurements

## PART III: STAKEHOLDERS

### 13. Keeping stakeholders informed

In situations that are not governed by laws and regulations, the Company protects the interests of stakeholders within the framework of the rules of good faith.

### 14. Stakeholder participation in management

The Company's board of directors consists of seven members, five of whom are elected to represent shareholders and two of whom are independents. Employees and other stakeholders are informed about

issues that are of concern to them through meetings with them.

### 15. Human resources policy

As set forth in BİM Organizational Objectives, the Company believes that it can achieve its aims only thanks to its employees. According to BİM's personnel regulations, BİM ensures that its work places are managed and that employees' rights and working conditions are arranged so as to achieve these aims.

#### What we offer our employees:

- A job that is reasonable, demands responsibility, and has specific objectives.
- A working environment based on mutual assistance and respect.
- An attitude that mistakes may be made in the effort to achieve the Company's objectives but that nobody makes mistakes knowingly or deliberately.
- A technologically comfortable working environment, to the degree that the Company's means permit.
- Opportunities to advance themselves professionally through training and development.

#### What we expect of our employees:

- Every employee of ours should be able to think on his own in the conduct of his job in line with the Company's objectives and to make decisions out of an awareness of his responsibilities and in coordination with fellow employees.
- Every employee of ours should be prepared to serve well and to learn in line with the Company's objectives.
- Every employee of ours should be able to make suggestions so that the Company may be better organized and managed in order to achieve its objectives.
- Every employee of ours should have the courage to make decisions.
- Every employee of ours should work with and have confidence in other employees so that the Company is able to achieve better results.

#### What we expect of our managers:

- Our managers are people who like people and who find it easy to interact with them.
- Our managers should try to manage by laying down as few rules as possible.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Our managers should assign duties, authorities, and responsibilities to employees who are knowledgeable about the matters involved.
- All our managers should encourage employees to think, to speak their minds, and to make decisions.
- All our managers should allow employees to determine how to perform their own jobs within the framework of company rules.
- Every manager of ours should focus on employees' results.
- Every manager of ours should encourage employees' successes by acknowledging them and supporting their personal and professional development.
- Our managers should identify problems and come up with solutions together with employees rather than discover mistakes and then blame and punish people for them.
- Our managers should listen to employees patiently and make an effort to understand them. Managers and employees should work together on every issue in order to come up with a solution.
- Our managers should refrain from personal and abusive criticism.
- Our managers' most important duty is to make employees successful.

### 16. Relations with customers and suppliers

The Company's approach when dealing with customers and suppliers is set forth in BİM Organizational Objectives and is presented in the annual report on page 1 under the heading "A Decade of Steady Growth and Development" and on page 4 in the Message from the CEO.

### 17. Social responsibility

The Company does not engage in any manufacturing activities whatsoever. Plastic and cardboard waste is systematically stored in such a way as not to cause any harm to the environment and subsequently sold to companies under contractual agreements with them.

The goods in BİM's product portfolio are quality-controlled in coordination with the Turkish Quality Control Laboratory and the TÜBİTAK Research Institute. TÜBİTAK performs chemical and biological tests on the goods sold by BİM and subjects their places of manufacture to stringent quality control as well.

In both our İstanbul head office and our other regional organizations, goods are sampled at random and subjected to quality control tests. Whenever a new item is to be put on sale, it is first put through quality control and customer appeal tests. Similar tests are also performed on equivalent and competing items and the results of the tests are compared with each other.

### Part IV: The Board of Directors

#### 18. Structure and formation of the Board of Directors; non-executive directors

The Board of Directors is responsible for the Company's administration and its representation before other parties. The board consists of seven members who are elected by the shareholders at a general meeting in accordance with the provisions of the Turkish Commercial Code. Two boardmembers are independent directors as defined in the Capital Markets Board's corporate governance handbook.

#### 19. Qualifications of company directors

The members of the Company's board of directors are knowledgeable and experienced individuals who possess the qualifications spelled out in the Capital Markets Board's corporate governance principles. No other stipulations are made in the Company's articles of incorporation concerning the minimum qualifications required to be elected a company director.

#### 20. Mission, vision, and strategic goals of the Company

The Company's objectives are to achieve a high degree of productivity in the localities where it provides service in the discount food retailing sector and to venture into other parts of Turkey and, in the future, into other countries where this concept is feasible and serve customers in those places as well. Improving productivity, increasing the weight of private-label goods in its discount price product portfolio, and achieving greater cost-effectiveness by enhancing its bargaining power when dealing with suppliers are among the Company's other objectives.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In the longer term:

- BİM will account for the biggest share of the Turkish food retailing sector's total turnover.
- BİM will have the highest number of stores in the Turkish food retailing sector.
- BİM will have a product portfolio of about 600 items.
- Honesty, trustworthiness, and fairness will remain BİM's fundamental principles.
- It is an inherent responsibility of BİM to treat every employee of the Company equally irrespective of religion, language, or ethnicity. We will be tolerant of every employee's lifestyle so long as he refrains from offending others and causing the Company harm and also avoids excesses that annoy customers.

### 21. Risk management and internal control mechanisms

The Company has an audit committee, an internal control system, and an in-house reporting system that is based on routinely-made performance comparisons.

### 22. Authorities and responsibilities of company directors and executives

The Board of Directors fulfills the duties incumbent upon them as provided for by law and the Company's articles of incorporation. The Company is administered and represented by the Board of Directors. The Board of Directors is authorized to perform, on the Company's behalf, any and all business, legal, financial, and technical transactions falling within the Company's object and scope and it has the exclusive right to make use of the Company's legal name.

### 23. Operating principles of the Board of Directors

As stipulated in the Company's articles of incorporation, the Board of Directors convenes upon the invitation of the chairman as the Company's business and transactions may require except that the board must convene at least once every three months. The chairman is required to set a date for a meeting of the board at the request of any member and if he does not do so within ten business days of the date of the request, the vice chairman may do so instead. Meetings' invitations and agendas must be sent out to each member by registered mail, in person, by fax, or by telex so as to reach the recipients at least fifteen days before the meeting date. Meetings may be held at

the Company's headquarters or elsewhere in Turkey or, with the unanimous consent of the members of the board, in a location outside the country.

The Board of Directors convened in actual session seven times during 2005 and also took thirteen decisions by consent of its members without a meeting being held in accordance with article 330/2 of the Turkish Commercial Code. At one of the meetings, one member, and at another, six members voted against an item on the meeting's agenda.

### 24. Prohibition on doing business or competing with the Company

Members of the Board of Directors are not permitted to engage in the transactions set forth in articles 334 and 335 of the Turkish Commercial Code without permission being given to them by shareholders at a general meeting.

### 25. Rules of ethics

Every employee of the Company receives a copy of BİM Organizational Objectives in which the Company's expectations of its personnel, managers, and suppliers in the achievement of the Company's goals are clearly spelled out. In-house procedures that must be followed on general and specific issues have been formulated. These are strictly complied with and are revised when need be.

### 26. Number, structure, and independence of committees established by the Board of Directors

Separate "Subsidiary Company and Related Party", "Audit and Compensation", and "Service Procurements" committees have been set up within the Board of Directors. These committees have been created so as to ensure that the Board of Directors satisfactorily fulfills its duties and responsibilities in line with the circumstances and needs that the Company may find itself in.

### 27. Financial benefits provided to the Board of Directors

Members of the Board of Directors are paid an honorarium for attending meetings. Following the Company's IPO, company directors are not provided any benefits in the form of loans, credit, or in any other way.

# INDEPENDENT AUDITORS' REPORT



**BİM BİRLEŞİK MAĞAZALAR A.Ş.****Financial Statements Together With Report of Independent Auditors December 31, 2005**

## REPORT OF INDEPENDENT AUDITORS

To the Shareholders of  
BİM Birleşik Mağazalar Anonim Şirketi

We have audited the accompanying financial statements of BİM Birleşik Mağazalar Anonim Şirketi (the Company) which comprise the balance sheet as of December 31, 2005 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



March 9, 2006  
Istanbul, Turkey

## BİM BİRLEŞİK MAĞAZALAR A.Ş. BALANCE SHEET as at December 31, 2005

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)

ASSETS	Notes	2005	2004
Current assets			
Cash and cash equivalents	3, 24	60,335	17,511
Trade receivables, net	4, 9, 24	41,682	36,608
Inventories, net	5, 9	105,632	92,957
Prepayments and other current assets	6, 9	4,439	2,293
<b>Total current assets</b>		<b>212,088</b>	<b>149,369</b>
Property and equipment, net	7	112,763	112,737
Intangibles, net	8	1,608	1,593
Other non-current assets		605	514
<b>Total non-current assets</b>		<b>114,976</b>	<b>114,844</b>
<b>Total assets</b>		<b>327,064</b>	<b>264,213</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables, net	9	202,512	154,933
Income tax payable	11	4,397	2,263
Other payables and accrued liabilities	10	9,926	7,490
<b>Total current liabilities</b>		<b>216,835</b>	<b>164,686</b>
Reserve for long-term defined employee benefit plan	12	3,239	2,470
Deferred tax liability	11	11,475	10,674
<b>Total non-current liabilities</b>		<b>14,714</b>	<b>13,144</b>
Equity			
Share capital	13	33,721	33,721
Revaluation surplus	7	5,316	5,316
Legal reserves and retained earnings	21	56,478	47,346
<b>Total equity</b>		<b>95,515</b>	<b>86,383</b>
<b>Total liabilities and equity</b>		<b>327,064</b>	<b>264,213</b>

The accompanying policies and explanatory notes on pages 20 through 48 form an integral part of the financial statements.



**BİM BİRLEŞİK MAĞAZALAR A.Ş.****STATEMENT OF INCOME for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)

	Notes	2005	2004
Net sales		1,690,960	1,456,477
Cost of sales	9, 15	(1,390,685)	(1,211,086)
<b>Gross profit</b>		<b>300,275</b>	<b>245,391</b>
Selling and marketing expenses	9, 16,18	(213,037)	(186,496)
General and administrative expenses	9, 17,18	(40,177)	(37,545)
Other operating expense, net	20	(10,123)	(40)
Financial income, net	9, 19	755	323
Gain on net monetary position		5,426	16,530
<b>Profit before tax</b>		<b>43,119</b>	<b>38,163</b>
Tax charge			
- Current	11	(11,673)	(12,353)
- Deferred	11	(1,265)	(495)
<b>Taxes on income</b>		<b>(12,938)</b>	<b>(12,848)</b>
<b>Net profit</b>		<b>30,181</b>	<b>25,315</b>
Weighted average number of shares (1 YTL par value each)		25,300,000	25,300,000
Basic and fully diluted earnings per share (full YTL)	21	1.193	1.001

The accompanying policies and explanatory notes on 20 through 48 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**  
**STATEMENT OF CHANGES IN EQUITY for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)

	Share Capital	Revaluation Surplus	Legal Reserves	Retained Earnings	Total
<b>At January 1, 2004</b>	<b>33,721</b>	<b>5,316</b>	<b>-</b>	<b>22,031</b>	<b>61,068</b>
Net profit for the year	-	-	-	25,315	25,315
<b>At December 31, 2004</b>	<b>33,721</b>	<b>5,316</b>	<b>-</b>	<b>47,346</b>	<b>86,383</b>
Dividends paid (note 21)	-	-	-	(21,049)	(21,049)
Transfer to legal reserves	-	-	3,042	(3,042)	-
Net profit for the year	-	-	-	30,181	30,181
<b>At December 31, 2005</b>	<b>33,721</b>	<b>5,316</b>	<b>3,042</b>	<b>53,436</b>	<b>95,515</b>

The accompanying policies and explanatory notes on 20 through 48 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****STATEMENT OF CASH FLOWS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)

	Notes	2005	2004
<b>Cash flows from operating activities</b>			
Net income before monetary gain and tax charge		37,693	21,633
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortisation	7, 8	24,984	24,038
Reserve for long-term defined employee benefit plan	12, 16, 17, 18	661	767
Interest expense	12, 19	227	155
Interest income	19	(885)	(113)
Loss/(gain) on sale of property and equipment and intangibles	7, 8, 20	(114)	443
		<b>62,566</b>	<b>46,923</b>
<b>Changes in working capital</b>			
Trade receivables	4, 9	(6,748)	(18,646)
Inventories	5	(12,675)	(22,707)
Prepayments and other current, non-current assets and other payables and accrued liabilities	6, 10	407	3,954
Trade payables	9	54,988	37,492
Interest received	19	885	113
Taxes paid	11	(9,539)	(10,090)
Interest paid		-	(8)
		<b>89,884</b>	<b>37,031</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment and intangibles	7, 8	(27,172)	(35,908)
Proceeds from sale of property and equipment and intangibles	7, 8	2,271	2,248
		<b>(24,901)</b>	<b>(33,660)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	21	(21,049)	-
		<b>(21,049)</b>	<b>-</b>
Net effect of monetary loss on cash and cash transactions		(1,110)	(2,718)
Increase in cash and cash equivalents	3	42,824	653
Cash and cash equivalents at the beginning of the year	3	17,511	16,858
	<b>3</b>	<b>60,335</b>	<b>17,511</b>

The accompanying policies and explanatory notes on 24 through 48 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

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**1. Corporate Information****General**

BİM Birleşik Mağazalar Anonim Şirketi (a Turkish joint stock company - the Company) was established on May 31, 1995 and commenced its operations in September 1995. The registered address of the Company is Samandıra Ebubekir Cad. No. 289 Kartal, İstanbul.

The financial statements prepared in accordance with International Financial Reporting Standards (IFRS) were authorized for issue on March 9, 2006 by the Board of Directors of the Company. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

**Nature of activities of the Company**

The Company is engaged in operating retail stores of fast moving basic consumer goods through its retail shops throughout Turkey, which sell an assortment of approximately 600 items, including a number of private labels. As of December 31, 2005, the Company operated through 13 warehouses (2004 - 13) in various cities. As of December 31, 2005, the number of stores is 1,194 (2004 - 1,075).

**2.1 Basis of Preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for land and building which are carried at fair value.

The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira (YTL) (December 31, 2004 - TL) in accordance with Turkish Commercial Code and Tax Legislation and the generally accepted accounting principles issued by the Turkish Capital Markets Board (CMB). These financial statements have been prepared from the statutory financial statements of the Company with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL, deferred taxation, employee termination benefits and accounting for leasing transactions.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**2.2 Changes in Accounting Policies**

Effective January 1, 2005, the following represent the revised International Accounting Standards and other new standards in the IFRS series:

- IAS 1 "Presentation of Financial Statements,"
- IAS 2 "Inventories,"
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors,"
- IAS 10 "Events after the Balance Sheet Date,"
- IAS 16 "Property, Plant and Equipment,"
- IAS 17 "Leases,"
- IAS 21 "The Effects of Changes in Foreign Exchange Rates,"
- IAS 24 "Related Party Disclosures,"
- IAS 27 "Consolidated and Separate Financial Statements,"
- IAS 28 "Investments in Associates,"
- IAS 31 "Interests in Joint Ventures,"
- IAS 32 "Financial Instruments: Disclosures and Presentations"
- IAS 33 "Earnings per Share," and
- IAS 39 "Financial Instruments: Recognition and Measurement"
- IAS 40 "Investment Property."
- IFRS 2 "Share-based payment"
- IFRS 4 "Insurance Contracts"
- IFRS 5 "Non-current assets held for sale and discontinued operations"

There was no impact on opening retained earnings of the Company at January 1, 2005 from the adoption of any of the above mentioned standards.

**IFRSs and IFRIC Interpretations Not Yet Effective**

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 6 "Exploration for and Evaluation of Mineral Resources"- This Standard does not apply to the activities of the Company.

IFRS 7 "Financial Instruments-Disclosures"- This Standard supersedes IAS 30 and disclosure requirements of IAS 32 and is effective for annual periods beginning on or after January 1, 2007.

IFRIC 4 "Determining Whether an Arrangement Contains a Lease"- This Interpretation is required to be applied for annual periods beginning on or after January 1, 2006 but is not expected to be relevant for the activities of the Company.

IFRIC 5 "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"- This Interpretation is required to be applied for annual periods beginning on or after January 1, 2006 but is not expected to be relevant for the activities of the Company.

The Company expects that adoption of the pronouncements listed above will have no impact on the Company's financial statements in the period of initial application other than presentation of additional disclosures on financial instruments as required by IFRS 7.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**2.3 Significant Accounting Judgments and Estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities within the next financial year. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Estimation**

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts liabilities within the next financial year is discussed below:

**Employee termination benefits:**

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Company uses independent actuaries and also makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2005 is YTL 3,239 (2004 - YTL 2,470).

**2.4 Functional and Presentation Currency**

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted on December 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), as the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 throughout the one year period until complete phase-out of TL. The Company's functional and presentation currency is YTL and financial statements including comparative figures for the prior year are also presented in thousands of YTL.

The restatement for the changes in the general purchasing power of YTL as of December 31, 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous period/year be restated in the same terms. Determining whether an economy is hyperinflationary in accordance with IAS 29 requires judgment as the standard does not establish an absolute rate, instead it considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation: (a) the general population prefers to keep its wealth in non monetary assets or in a relatively stable currency; amounts of local currency held are immediately invested to maintain purchasing power, (b) the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable currency; prices may be quoted in that currency, (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, (d) interest rates, wages and prices are linked to a price index and (e) the cumulative inflation rate over three years is approaching, or exceeds 100%. Although as of December 31, 2005, the three-year cumulative rate has been 35.6% (December 31, 2004 - 69.7%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics, considering the economic characteristics indicated above, IAS 29 is continued to be applied in the preparation of the current period financial statements until the positive trends are confirmed as "other than temporary". This is also consistent with the conclusion of the Internal Practices Task Force of American Institute of Certified Public Accountants (AICPA) for reporting purposes under generally accepted accounting principles in the United States of America. Based on the current trends and developments, Turkey will come of hyperinflationary status effective from January 1, 2006.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

Index and conversion factors for the three-year period ended December 31, 2005 are provided below:

	Dates Index	Conversion Factors
December 31, 2002	6,478.8	1.3561
December 31, 2003	7,382.1	1.1901
December 31, 2004	8,403.8	1.0454
December 31, 2005	8,785.7	1.0000

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

- the financial statements of the prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2005.
- monetary assets and liabilities reported in the balance sheet as of December 31, 2005 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss).
- all items in the income statement are restated by applying appropriate month end conversion factors with the exception of depreciation, amortisation, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortisation).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

**2.5 Summary of Significant Accounting Policies****Cash and Cash Equivalents**

For the purposes of the cash flows statement, cash and cash equivalents comprise cash at banks and on hand and cash in transit. Cash and cash equivalents consist of short-term highly liquid investments including time deposits generally having maturities of three months or less.

**Trade Receivables**

Trade receivables, which generally have an average of 9 day term (2004 - 9 day) are carried at amortized cost less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

**Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first in first out method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**Property and Equipment**

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Increases in the carrying amount arising on revaluation of property is initially credited to revaluation reserve in shareholders' equity net of the related deferred tax.

Depreciation is provided on cost or revalued amount of property on a straight-line basis. The depreciation periods for property and equipment, which approximate the estimated economic useful lives of such assets, are as follows:

	<b>Years</b>
Land improvements	5
Building	25
Machinery and equipment	7, 10
Furniture and fixtures	5
Vehicles	5
Leasehold improvements	10

The useful life and deprecation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

**Intangible Assets**

Intangible assets which mainly comprise software rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.



**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

Intangible asset with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

**Impairment of Assets**

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recorded in income or as a revaluation increase.

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

**Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**Finance Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

**Operating Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

## **BİM BİRLEŞİK MAĞAZALAR A.Ş.**

### **NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

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#### **Related Parties**

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

#### **Trade Payables**

Trade payables which generally have an average of 47 day (2004 - 44 day) term are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### **Income Taxes**

Tax expense is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

#### **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

#### **Deferred tax**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

**Contingent Assets and Liabilities**

Contingent liabilities are not recognised in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

**Long-term Employee Benefits****(a) Defined Benefit Plans:**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

As discussed in Note 12, the reserve for employee termination benefits is provided for in accordance with IAS 19 "Employee Benefits" and is based on an independent actuarial study.

In the financial statements, the Company has recognised a liability using the "Projected Unit Credit Method". Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, in accordance with the valuation made by the qualified actuaries. Actuarial gains and losses are recognized over the average remaining working lives of employees. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate estimate of qualified actuaries.

**(b) Defined Contribution Plans:**

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

**Foreign Currency Transactions**

Transactions in foreign currencies during the period/years have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date. All differences are taken to the income statement.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

Foreign currency translation rates used by the Company as of respective year-ends are as follows:

Dates	USD/YTL (full)	EUR/YTL (full)
December 31, 2004	1.3421	1.8268
December 31, 2005	1.3418	1.5875

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be reliably measured.

**Sale of goods**

Revenue is recognised net of discounts and Value Added Tax (VAT) when delivery has taken place and transfer of risks and rewards has been completed.

**Interest income**

Revenue is recognised as interest accrues.

**Earnings Per Share**

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such Bonus Share distributions are regarded as stock dividends.

**Subsequent Events**

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**Borrowing Costs**

Borrowing costs are expensed as incurred.

**Investments and Other Financial Assets**

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**Loans and Recivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**Derecognition of Financial Assets and Liabilities****Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. As the Company operates in a single business segment and in a single geographic location, there is no basis for segment reporting.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**3. Cash and Cash Equivalents**

	<b>2005</b>	<b>2004</b>
Cash at banks (time deposits)	31,574	-
Cash at banks (demand deposits)	8,915	5,911
Cash on hand	11,112	8,377
Cash in transit	8,734	3,223
	<b>60,335</b>	<b>17,511</b>

**4. Trade Receivables**

	<b>2005</b>	<b>2004</b>
Credit card receivables	40,911	35,217
Trade receivables	967	471
Advances given	308	1,064
Other receivables	178	217
Provision for doubtful receivables	(682)	(361)
	<b>41,682</b>	<b>36,608</b>

As of December 31, 2005 and 2004, the average term of trade receivables is 9 days.

**5. Inventories**

	<b>2005</b>	<b>2004</b>
Trade goods	98,428	82,063
Advances given	6,666	10,248
Other stocks	538	646
	<b>105,632</b>	<b>92,957</b>

**6. Prepayments and Other Current Assets**

As of December 31, 2005, prepayments and other current assets mainly include prepaid rent, prepaid insurance premiums and due from personnel amounting to YTL 4,439 (2004 - YTL 2,293).

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**7. Property and Equipment**

The movements of property and equipment and the related accumulated depreciation and impairment losses for the years ended December 31, 2005 and 2004 are as follows:

	2004	Additions	Disposals	Transfers	2005
Cost or revalued amount					
Land	10,896	280	(156)	-	11,020
Land improvements	180	-	-	-	180
Building	10,442	-	-	-	10,442
Machinery and equipment	100,728	5,025	(607)	3,924	109,070
Vehicles	17,483	4,309	(3,175)	-	18,617
Furniture and fixtures	42,076	3,858	(145)	-	45,789
Leasehold improvements	44,515	8,406	(1,527)	-	51,394
Advances given	644	4,559	-	(3,924)	1,279
	226,964	26,437	(5,610)	-	247,791
Accumulated depreciation					
Land improvements	152	12	-	-	164
Building	2,627	372	-	-	2,999
Machinery and equipment	53,438	9,947	(323)	-	63,062
Vehicles	6,197	3,438	(2,189)	-	7,446
Furniture and fixtures	25,837	5,826	(21)	-	31,642
Leasehold improvements	17,452	4,676	(937)	-	21,191
	105,703	24,271	(3,470)	-	126,504
Reserve for impairment of land and building	(8,524)	-	-	-	(8,524)
Net book value	112,737				112,763

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

	2003	Additions	Disposals	Transfers	2004
Cost or revalued amount					
Land	10,896	-	-	-	10,896
Land improvements	180	-	-	-	180
Building	10,442	-	-	-	10,442
Machinery and equipment	86,646	12,214	(172)	2,040	100,728
Vehicles	14,617	6,143	(3,277)	-	17,483
Furniture and fixtures	35,974	6,338	(79)	(157)	42,076
Leasehold improvements	37,339	8,248	(1,072)	-	44,515
Advances given	1,108	2,088	(669)	(1,883)	644
	197,202	35,031	(5,269)	-	226,964
Accumulated depreciation					
Land improvements	136	16	-	-	152
Building	2,255	372	-	-	2,627
Machinery and equipment	43,724	9,753	(39)	-	53,438
Vehicles	5,049	3,227	(2,079)	-	6,197
Furniture and fixtures	19,897	5,991	(51)	-	25,837
Leasehold improvements	13,789	4,072	(409)	-	17,452
	84,850	23,431	(2,578)	-	105,703
Reserve for impairment of land and building	(8,524)	-	-	-	(8,524)
Net book value	103,828				112,737

Land and building are carried at revalued amounts based on an independent valuation performed in 2002. Valuations for those assets were made in U.S. Dollars on the basis of market value for existing use. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the shareholders' equity. Revaluation surplus is not available for distribution to shareholders.

Had the revalued assets been carried at cost less accumulated depreciation and any accumulated impairment losses, the carrying amounts of land and buildings that would have been included in the financial statements as of December 31, 2005 are as follows:

	Land and buildings	
	2005	2004
Cost	6,959	6,959
Accumulated depreciation	(2,086)	(1,882)



**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

As of December 31, 2005 and 2004, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	<b>2005</b>	<b>2004</b>
Furniture and fixtures	17,223	12,825
Machinery and equipment	859	327
Leased assets	20,638	12,437
Intangibles	4,673	2,238
Vehicles	1,044	1,429
Land improvements	119	119
	<b>44,556</b>	<b>29,375</b>

**8. Intangibles**

The movements of intangibles and related accumulated amortisation for the years ended December 31, 2005 and 2004 are as follows:

<b>Cost</b>	<b>2003</b>	<b>Additions</b>	<b>2004</b>	<b>Additions</b>	<b>Disposals</b>	<b>2005</b>
Software rights	2,929	870	3,799	735	(7)	4,527
Other intangibles	445	7	452	-	(109)	343
	3,374	877	4,251	735	(116)	4,870
Accumulated amortization						
Software rights	1,607	607	2,214	712	-	2,926
Other intangibles	444	-	444	1	(109)	336
	2,051	607	2,658	713	(109)	3,262
Net book value	1,323		1,593			1,608

The estimated useful lives of intangibles is 5 years. Rights mainly comprise software licences.

**9. Related Party Balances and Transactions**

The balances with related parties at December 31, 2005 and 2004 and a summary of the major transactions with them during the years ended December 31, 2005 and 2004 were as follows:

**Balances**

(a) As of December 31, 2005 and 2004, the Company has advances given related to the inventory purchases from Teksu Ticaret A.Ş., included in inventories, (1) amounting to YTL 347 and YTL 559, respectively.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

(b) Amounts due to related parties arising from the purchase of goods, which are included in trade payables comprise the following balances:

	2005	2004
Ak Gıda A.Ş. (Ak Gıda) (1)	17,313	8,484
Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (1)	6,245	3,567
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. (Biskot) (1)	4,085	4,053
Noble Pazarlama Satış ve Dağıtım (Noble) (1)	2,180	1,593
Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (1)	2,136	2,790
Pak Kağıtçılık Sanayi ve Ticaret A.Ş. (Pak Kağıtçılık) (1)	812	-
Oyaş Okyanus Gıda Yatırım Sanayi A.Ş. (Oyaş Gıda) (1)	622	501
Çizmeci Gıda Sanayi ve Ticaret A.Ş. (Çizmeci) (1)	591	254
Plas Plastik ve Ambalaj Sanayi (Plas Plastik) (1)	466	1,853
ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (1)	431	-
ZTH Zincir Mağazalar Tedarik Hizmetleri A.Ş. (ZTH) (2)	52	-
Teksu Ticaret A.Ş. (1)	38	22
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1)	-	13
Nice İç ve Dış Ticaret Limited Şirketi (Nice Ticaret) (1)	-	143
Others	-	2
	<b>34,971</b>	<b>23,275</b>

(1) Companies owned by Shareholders.

(2) Companies owned by the members of Board of Directors.

**Transactions**

a) Major purchases from related parties in the normal course of business are as follows:

	2005	2004
Ak Gıda (1)	139,277	123,879
Nimet (1)	45,832	36,592
Biskot (1)	19,947	17,474
Noble (1)	21,116	11,746
Pak Kağıtçılık (1)	17,020	-
Ahsen (1)	13,625	25,151
Plas Plastik (1)	11,644	11,356
Oyaş Gıda (1)	7,258	8,689
Natura (1)	5,067	3,401
Teksu Ticaret A.Ş. (1)	1,905	3,712
Çizmeci (1)	1,702	2,008
Nice Ticaret (1)	592	134
Bahariye Tekstil Sanayi ve Ticaret A.Ş. (1)	2,212	608
ETM (1)	371	-
Sağlıklı Gıda Ürünleri Sanayi ve Ticaret A.Ş. (2)	-	4,819
Others	70	2,195
	<b>287,638</b>	<b>251,764</b>

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**b) Consultancy services provided by related parties are as follows:**

	<b>2005</b>	<b>2004</b>
ZTH Zincir Mağazalar Tedarik Hizmetleri (2) (*)	694	637

(\*) Consultancy services given to the Company in suppliers' management.

(1) Companies owned by Shareholders

(2) Companies owned by the members of Board of Directors.

(c) For the year ended December 31, 2005, the Company received consultancy services amounting to YTL 142 (2004 - YTL 158) from Dieter Brandes (shareholder).

(d) For the years ended December 31, 2005 and 2004, bonus and payroll expenses of the board members and key management personnel amounted to YTL 11,887 (including the one-time payment amounting to YTL 5,858 see Note 20) and YTL 5,621, respectively.

**10. Other Payables and Accrued Liabilities**

	<b>2005</b>	<b>2004</b>
Payroll withholdings and social security taxes	7,614	4,649
VAT payable	1,222	1,683
Other	1,090	1,158
	<b>9,926</b>	<b>7,490</b>

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

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**11. Taxes****General Information**

In Turkey, the corporation tax rate for the fiscal year ended December 31, 2005 is 30% (2004 - 33%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 30% (2004 - 33%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, taxable income is derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet is not subject to corporation tax, and similarly accumulated deficits arising from such application are not deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. The Ministry of Finance ceased the inflation accounting in statutory books of accounts effective from January 1, 2005.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Effective from April 24, 2003, investment allowances provide for a deduction from the corporate tax base of 40% of the purchase price of brand-new fixed assets exceeding YTL 10,000 (2004 - YTL 6,000) and directly related with the production of goods and services. Investment allowances that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely with indexed amounts.

10% withholding tax applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividends through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to withholding tax. Furthermore, in the event the profit is not distributed or included in equity, no withholding tax shall be applicable.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**Tax Reconciliation**

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended December 31, is as follows:

	2005	2004
Net income before tax	43,119	38,163
Income tax at 30% (2004 - 33%)	(12,936)	(12,594)
Effect of non tax deductible and tax exempt items, net	(1,361)	(254)
Investment incentives used in the current year	1,359	-
Provision for taxes	(12,938)	(12,848)
- current	(11,673)	(12,353)
- deferred	(1,265)	(495)

**Deferred income tax**

Deferred income taxes at December 31, 2005 and 2004 relate to the following:

	Balance Sheet		Income Statement	
	2005	2004	2005	2004
Deferred tax liability				
Restatement effect on non-monetary items	13,474	12,458	(1,016)	914
Deferred tax asset				
Reserve for long term defined employee benefit plan	(972)	(741)	231	209
Tax loss carryforwards	-	-	-	(284)
Fair value decrease on building	(402)	(402)	-	-
Others	(625)	(641)	(16)	72
	11,475	10,674		
Deferred tax income/(expense), including monetary gain			(801)	911

Movement of net deferred tax liability is presented as follows:

	2005	2004
Balance at January 1	10,674	11,585
Deferred tax charge recognized in income statement	1,265	495
Monetary gain	(464)	(1,406)
Balance at the end of period/year	11,475	10,674

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(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**12. Long-term Defined Employee Benefit Plan**

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of historical YTL 1.727 YTL 1.575 (historical YTL) at December 31, 2005 and 2004, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. The cost of providing those benefits is accrued over the employees' service period. The Company accounts for the employee termination benefits in accordance with the provisions of IAS 19 including the application of actuarial methods and assumptions by professional actuaries. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the present value of defined benefit obligations, in accordance with the valuation made by the qualified actuaries. Actuarial gains and losses are recognized over the average remaining working lives of the employees.

As of January 1, 2006, the annual ceiling for employee termination benefits increased to YTL 1,771.

Movements in the reserve for employee termination benefits are as follows:

	<b>2005</b>	<b>2004</b>
Beginning balance	2,470	1,771
Actuarial loss	50	32
Interest cost	227	147
Service cost	1,060	735
Payments	(449)	-
Monetary gain	(119)	(215)
Ending balance	3,239	2,470

The principal actuarial assumptions used at each balance sheet dates are as follows:

Discount rate	6.5%
Expected rate of salary/limit increases	4%

**13. Share Capital**

As of December 31, 2005 and 2004 the Company's paid in share capital was YTL 25,300 (historical terms) comprising 25,300,000 shares of YTL one nominal value each.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

As of December 31, 2005 and 2004, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

	2005		2004	
	Historical	Amount %	Historical	Amount %
Mustafa Latif Topbaş	6,703	26.5	6,703	26.5
World Wide LTD.	-	-	6,689	26.4
Merrill Lynch Global Emerging Markets Partners L.P.	-	-	6,325	25.0
Abdulrahman A. El Khereji	5,205	20.6	-	-
BankAmerica International Investment Corporation	-	-	2,530	10.0
Albaraka Türk Özel Finans Kurumu A.Ş.	-	-	1,455	5.8
Zuhair Fayez	1,301	5.1	-	-
İbrahim Halit Çizmeci	745	2.9	745	2.9
Kuveyt Türk Evkaf Finans Kurumu A.Ş.	-	-	600	2.4
Dieter Brandes	1	-	253	1.0
Gregson Limited	182	0.7	-	-
Publicly held	11,163	44.2	-	-
	<b>25,300</b>	<b>100.0</b>	<b>25,300</b>	<b>100.0</b>

As of December 31, 2004 the Company's share capital consisted of shares of type A through type G with nominal amount of TL one million each and with each share type having different rights. In connection with the Company's shares being listed on the Istanbul Stock Exchange, the General Assembly at an extraordinary meeting on June 24, 2005 decided to change the Company's Articles of Association to the effect that Company's share capital is divided into 25,300,000 shares with equal rights each having a nominal value of YTL one. Some of the Company's shareholders, namely, Merrill Lynch Global Emerging Markets Partners L.P., Bank America International Investment Corporation, Albaraka Türk Özel Finans Kurumu A.Ş., Kuveyt Türk Evkaf Finans Kurumu A.Ş., and Dieter Brandes have decided to sell their shares with total values of YTL 6,325, YTL 2,530, YTL 1,455, YTL 600 and YTL 252 respectively through the IPO process. Accordingly, 44.2% of the Company's shares that belonged to the above-mentioned shareholders have been sold through the IPO and the Company's shares started trading on the Istanbul Stock Exchange as of July 15, 2005.

**14. Risk Management Policy**

The Company's principal financial instruments comprise cash, short-term deposits, trade receivables and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial instruments such as trade debtors and creditors which arise directly from its operations.

The Company's exposure to interest risk is minimal. Since the Company is engaged in the retail sector and transactions are mainly on a cash basis, the exposure to credit and price risk is minimal.

Considering that the foreign currency denominated assets and liabilities are not material, the Company does not enter into derivative or hedging transactions to mitigate its exposure to foreign exchange risk.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**15. Cost of Sales**

Cost of sales for the years ended December 31, 2005 and 2004 is as follows:

	<b>2005</b>	<b>2004</b>
Beginning inventory	82,063	64,726
Purchases	1,407,050	1,228,423
Ending inventory	(98,428)	(82,063)
	<b>1,390,685</b>	<b>1,211,086</b>

**16. Selling and Marketing Expenses**

The breakdown of selling and marketing expenses for the years ended December 31, 2005 and 2004 is as follows:

	<b>2005</b>	<b>2004</b>
Personnel expenses	83,605	71,669
Rental expenses	50,527	44,799
Depreciation and amortisation expenses	21,485	20,913
Water, electricity and communication expenses	15,712	14,382
Packaging expenses	11,133	8,782
Advertising expenses	4,633	3,795
Maintenance and repair expenses	4,873	3,193
IT expenses	1,257	1,920
Provision for employee termination benefits	875	604
Other	18,937	16,439
	<b>213,037</b>	<b>186,496</b>

**17. General and Administrative Expenses**

The breakdown of general and administrative expenses for the years ended December 31, 2005 and 2004 is as follows:

	<b>2005</b>	<b>2004</b>
Personnel expenses	22,265	19,595
Depreciation and amortisation expenses	3,499	3,125
Advertising expenses	3,172	3,949
Motor vehicle expenses	1,962	1,635
Money collection expenses	1,164	1,661
Legal and consultancy expenses	1,133	1,306
Water, electricity and communication expenses	961	1,114
Office supplies expenses	281	752
Provision for employee termination benefits	235	162
Other	5,505	4,246
	<b>40,177</b>	<b>37,545</b>



**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**18. Personnel Expenses**

	2005	2004
Staff costs		
Wages and salaries	89,194	75,151
Provision for employee termination benefits	1,110	766
Cost of defined contribution plan (employer's share of social security premiums)	16,676	16,113
	<b>106,980</b>	<b>92,030</b>

Average number of employees for the years ended December 31, 2005 and 2004 is 6,667 and 5,762, respectively.

**19. Financial Income, net**

Financial income and expenses for the year ended December 31, 2005 and 2004 can be summarized as follows:

	2005	2004
Interest cost of long-term defined employee benefit plan	(227)	(147)
Interest expense relating to finance leases	-	(8)
Income from deposits	861	-
Interest income	24	113
Foreign exchange gains	709	1,889
Foreign exchange losses	(553)	(1,413)
Other financial expense	(59)	(111)
	<b>755</b>	<b>323</b>

**20. Other Operating Expense, net**

The breakdown of other expense, net for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Expenses related to Initial Public Offering (*)	(11,619)	-
Gain on sale of scrap materials	1,759	1,605
Gain/(loss) on sale of property and equipment and intangibles	114	(443)
Other (expense), net	(377)	(1,202)
	<b>(10,123)</b>	<b>(40)</b>

(\*) The amount comprises a one time payment to senior management and other various expenses. The Company has made a one time payment to senior management amounting to YTL 5,858 which was conditioned on the closing of the Initial Public Offering (IPO) and the purchase of shares during the IPO. Remaining YTL 5,761 mainly consists of various expenses such as legal and consultancy expense, advertising expense and other personnel expenses related to IPO process.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**21. Earnings Per Share**

Basic earnings per share (EPS) are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. The basic EPS for the year ended December 31, 2005 and 2004 are 1.193 (full YTL) and 1.001 (full YTL), respectively. There are no dilutive instruments outstanding hence fully diluted earnings per share are the same.

There has not been any change to paid in share capital and the number of shares outstanding during the years ended December 31, 2005 and during the year ended December 31, 2004.

In 2005 the Company has made a dividend distribution to its shareholders amounting to YTL 21,049 (full YTL 0,832 per share) out of its net profit for the year ended December 31, 2004.

**22. Legal Reserves and Retained Earnings****Legal Reserves**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code (TCC). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's restated share capital.

Companies whose shares are quoted on the Istanbul Stock Exchange Market (ISEM) perform their dividend appropriation in accordance with the Turkish Capital Markets Board regulations.

The statutory accumulated profits and statutory current period profit are available for distribution, subject to the reserve requirements referred to above.

As of December 31, 2005 and 2004, retained earnings/(accumulated deficit) and net profit for the years (as per the statutory financial statements of the Company) are as follows (YTL):

	<b>2005</b>	<b>2004</b>
Retained earnings/(Accumulated deficit)	-	(484)
Legal reserves	3,042	-
Net profit for the year	41,833	23,629

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**23. Contingencies and Commitments**

(i) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 533 at December 31, 2005 and YTL 636 at December 31, 2004, in historical terms.

(ii) As of December 31, 2005 the Company has operating lease commitments for each of the following periods:

	Foreign Currency (full)	Thousands of YTL	Equivalent
Not later than one year	EUR	186,883	297
Later than one year and not later than five years	EUR	250,278	397

(iii) As of December 31, 2005 the Company has letters of guarantee amounting to YTL 2,196 received from its supplier firms. (2004 - YTL 2,757 (in historical terms))

(iv) As of December 31, 2005 the total amount of the mortgages obtained from the supplier firms is YTL 10,704 (2004 - YTL 8,844 (in historical terms)).

(v) The tax and other government authorities (Social Security Institution) have the right to inspect the Company's tax returns and accounting records for the past five fiscal years. The Company has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of certainty. The Company's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

**BİM BİRLEŞİK MAĞAZALAR A.Ş.****NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2005**

(Currency - Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

**24. Foreign Currency Denominated Assets and Liabilities**

As of December 31, 2005 and 2004, the foreign currency position of the Company is summarized below:

	2005						
	Thousands of YTL USD Equivalent	Thousands of YTL Equivalent	Euro	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	746,731	1,002	758,437	1,204	1,548	4	2,210
Total foreign currency denominated liabilities	29,270	39	-	-	-	-	39
Net foreign currency position		963		1,204		4	2,171
	2004						
	Thousands of YTL USD Equivalent	Thousands of YTL Equivalent	Euro	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	3,604,381	5,057	150	-	7,440	20	5,077
Total foreign currency denominated liabilities	1,447,990	2,031	632	1	-	-	2,032
Net foreign currency position		3,026		(1)		20	3,045

**25. Subsequent Events**

There is a draft tax legislation announced in the website of Directory of Inland Revenue, which among other changes, foresees the reduction of the corporate tax rate from 30% to 20% effective from January 1, 2006.

## DIRECTORY

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