

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The company has diligently adhered to Corporate Governance Principles published by the Capital Markets Board; efforts to eliminate any shortcomings in this regard are ongoing.

CHAPTER I - SHAREHOLDERS

2. Investor Relations Unit

BİM has set up an Investor Relations Unit within the Finance Department to set up relationships between the company's management and its shareholders. It was established to provide information to shareholders and stakeholders as swiftly, efficiently and completely as possible.

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The main tasks of this unit include providing information to the public in accordance with applicable legislation, ensuring rapid response to questions from shareholders or analysts from various organizations within the context of information disclosed to the public and preparing annual reports. During the reporting period, the unit has participated in nine investor conferences organized by brokerage firms. Investors and shareholders were provided information during these conferences and during more than 100 meetings held at BİM's Headquarters.

3. Shareholders exercise of their right to obtain information

Shareholder questions about financial data, dividend payments and general shareholders' meetings have been duly answered. All publicly disclosed information is available and easily accessible to shareholders on the company's website (www.bim.com.tr) in the *Investor Relations* section. Other information was disseminated to persons and enterprises in BİM's database via e-mail. Moreover, requests for information from shareholders and brokerage houses during the year were responded to via various communication channels including conference calls and one-on-one meetings. Additionally, at each quarterly financial period, conference calls are set up with the investors where the details of the calls are announced via e-mail to the investors that are available in the company's database.

The company's Articles of Incorporation do not grant shareholders the right to request the appointment of a special auditor and no such request was made during the reporting period.

4. General Shareholders' Meeting

The Ordinary Annual General Meeting of BİM Birleşik Mağazalar A.Ş. was held on April 4, 2006 at the Grand Cevahir Hotel on Darülaceze Caddesi, No:9 Şişli /Istanbul under the supervision of the Ministry of Industry and the Commercial Commissioner Demir İnal, officially authorized by the Istanbul Provincial Industry and Trade Directorate's letter No. 14319 and dated April 3, 2006. Participation in the annual general meeting was made through letters of invitation and newspaper advertisement. No specific deadline was stipulated for

registration in the share ledger to allow owners of registered shares to attend the annual general meeting. According to the list of attendants, of the 25,300,000 shares, 5,844,043 were represented in person and 9,815,554 by proxy. During the annual general meeting, no motion was put forward by shareholders that would necessitate an amendment to the Articles of Incorporation. Questions raised at the meeting were responded to orally. The minutes were published in the Commercial Registry Journal of Turkey No. 6536 and dated April 14, 2006. The Turkish and English texts of the minutes are available in the Investor Relations section of the company's website. The minutes have also been made freely available to shareholders at the Headquarters.

5. Voting Rights and Minority Rights

All company shares are bearer's shares that do not contain any privileges concerning voting rights. Shareholders of the company and their proxies are entitled to one vote for each share of stock they hold at both ordinary and extraordinary general meetings. Shareholders may be represented by a proxy at general meetings. Voting by proxy is subject to the regulations of the Capital Markets Board. Although the Articles of Incorporation do not provide for cumulative voting, minority shareholders are not represented in management.

6. Dividend Payment Policy and Timing

BİM's dividend policy is defined in the Articles of Incorporation. Since these Articles do not contain any privileges regarding voting rights, no privileges exist concerning distribution of dividends. The timing of dividend distribution is determined by the Annual General Meeting upon the proposal of the Board of Directors in accordance with the provisions of the Turkish Commercial Code and capital markets legislation.

7. Transfer of Shares

Shares are transferred in accordance with the provisions of the Turkish Commercial Code and other relevant legislation.

CHAPTER II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The company makes public disclosures on issues specified in Communiqué No. 39, Series VIII, of the Capital Markets Board (SPK) dealing with public disclosure about special circumstances. Moreover, the Investor Relations Unit makes replies to shareholders' questions correctly, fully and equally. Article 2 of this report specifies the names and contact information of persons responsible for the implementation of the disclosure policy.

9. Special Circumstance Announcements

During 2006, BİM made 56 special circumstance announcements. In addition to the announcement related with the minutes of the 2005 general meeting, the Istanbul Stock Exchange requested an additional disclosure, which was made on April 4, 2006 on time. No special circumstance announcements were delayed beyond the specified timeframe.

The disclosures are also available on the company's website (www.bim.com.tr).

10. Company website and its contents

Information concerning shareholders is provided in the Investor Relations section of the website (www.bim.com.tr) together with their English translations, under the following headings;

- Company Name
- Shareholding Structure
- Board of Directors and Executive Management
- Corporate Governance Principles Compliance Report
- Financial Reports
- Istanbul Stock Exchange Filings
- Financial Calendar
- Annual General Assembly
- Investor Relations Contact

11. Ultimate Controlling Shareholders

The partnership structure of the company shown below was publicly disclosed both on the company's website and in quarterly financial reports. Individuals own all shares except for those that are publicly traded.

Shareholder	Shares	Ratio (%)
Mustafa Latif Topbaş	5.564.416	21,99
Abdulrahman A. El Khereji	4.952.100	19,57
Zuhair Fayaz	998.275	3,95
Ahmet Afif Topbaş	1.138.500	4,5
İbrahim Halit Çizmeci	665.266	2,63
Other (Publicly-traded)	11.981.443	47,36
Total	25.300.000	100,00

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

Members of the Board of Directors, auditors and senior managers are listed below and have been publicly disclosed on the company's website.

Board of Directors

Mustafa Latif Topbaş	Chairman
Mehmet Fatih Saraç	Vice Chairman
Ekrem Pakdemirli	Member
Mahmut P. K. Merali	Member
Ömer Hulusi Topbaş	Member
Zeki Ziya Sözen	Member

Auditors

Prof. Selahattin Tuncer	Auditor
Prof. Arif Ateş Vuran	Auditor

Top Management

Jos Simons	Chief Executive Officer
Galip Aykaç	Operations Committee Member.
Ürfet Naçar	Operations Committee Member.
Bülent Pehlivan	Operations Committee Member.
Haluk Dortluoğlu	Operations Committee Member and Chief Financial Officer
Ünsal Çetinkaya	General Purchasing Manager

CHAPTER III –STAKEHOLDERS

13. Keeping stakeholders informed

In accordance with applicable legislation, stakeholders are informed about all relevant issues using appropriate channels of communication, provided that these are not commercial secrets.

14. Stakeholders' participation in management

Meetings are held with employees and other stakeholders to improve efficiency. Senior management periodically evaluates the proposals obtained from these meetings.

15. Human Resources Policy

As specified in *BİM Organization Objectives*, company objectives rely almost totally on the performance of our employees. BİM Personnel Regulations stipulate that work at BİM should be organized in accordance with these goals and that the general principles of personnel rights and working conditions should be arranged accordingly. Relationships with employees are managed by personnel and administrative staff located at the 14 regional warehouses and the Headquarters.

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.
- 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 employee success by acknowledging 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 regarding relationships with customers and suppliers is set in BİM organization objectives and is mentioned in the CEO's message on Page 5.

17. Social responsibility

The company is not involved in any manufacturing activity. Plastic and cardboard waste is carefully collected from stores and brought to warehouses to minimize environmental impact. It is sold to certain companies on a contractual basis.

In an effort to supervise the quality of its product portfolio, BİM coordinates with the Turkish Quality Control Laboratory and the TUBITAK Research Institute. TUBITAK undertakes chemical and biological testing on products sold by BİM and subjects their places of

manufacture to stringent quality control.

Additionally, in both the Istanbul head office and other regional organizations, goods are randomly sampled and subject to quality control tests. When a new product is placed on the market, quality and popularity tests are performed. Similar tests are undertaken for equivalent products and products of competitors and the results are compared.

CHAPTER IV – THE BOARD OF DIRECTORS

18. The Structure and Formation of the Board of Directors; non-executive directors.

The Board of Directors is responsible for the management and representation of the company. The board consists of six members elected at the General Shareholders' Meeting in accordance with provisions of the Turkish Commercial Code. Members' names are listed in Article 12 of this report. One member serves as an independent director as described in the corporate governance guide of the Capital Markets Board (SPK) and none of the Board members has an executive position at the company.

During the reporting period one independent member resigned; a new member has not yet been appointed to replace him. There are no restrictions in the Articles of Incorporation barring Board members from taking up other duties outside the company.

19. Qualifications of Board Members

Members of the Board of Directors are knowledgeable and experienced individuals who possess the qualifications spelled out in the Capital Markets Board's corporate governance principles. The Articles of Incorporation do not contain any further arrangements concerning the minimum qualifications required of membership candidates.

20. Mission, Vision and Strategic Goals

BİM's goal is to achieve maximum efficiency in the discount food-retailing sector and to expand into other regions in Turkey as well as into other countries where this concept can be implemented. The company also aims to provide high quality products, improve operational efficiency coupled with price cutting, increase the number of private-label products in its product range and reduce costs by increasing bargaining power with suppliers.

In the long term,

- BİM will have the largest revenue share in the food retailing industry in Turkey.
- It will have a product range of around 600 items.
- Honesty, reliability and fairness are our principles. No matter how big we become, we will retain our modesty.
- Regardless of race, religion or language, we will remain unbiased to employees and attempt to always understand their point of view. We will respect the personal lives of each and every one of our employees. We will avoid extremes that might make our customers uncomfortable.

The Board of Directors reviews financial data on a monthly basis to ascertain to what extent company objectives are achieved.

21. Risk Management and Internal Control Mechanism

Auditing Committee that comprised of the two Board members and internal auditing unit are the main elements of company's risk management and internal control environment. The reports that auditing committee prepares are quarterly submitted to Board of Directors.

Moreover, internal management reports prepared monthly is one of the main component of the internal control mechanism.

22. Authorities and responsibilities of company directors and executives

The Board of Directors fulfils duties stipulated by law and BİM's Articles of Incorporation. The Board of Directors is authorized to take any action that is related to the company's goals and undertakes all legal, financial and technical operations on behalf of the company.

23. Operating Principles of the Board of Directors

As indicated in the Articles of Incorporation, the Board of Directors convenes upon the chairman's invitation when company business and activities require. However, the Board of Directors is required to meet routinely every three months. The chairman convenes the Board upon the request of any Board member. If the chairman does not convene the Board within ten business days of said request, the deputy chairman is responsible for convening the Board. The invitation for a meeting and its agenda must be sent to each member by registered mail, hand-delivered or sent by fax or telex at least 15 days prior to the scheduled meeting date. Meetings may be held at the Headquarters or at another location in Turkey or, if unanimously approved by the Board, the meeting can take place at a location abroad. Although Board members have equal voting rights, they do not have the right to cast a negative vote. The Board's agenda is prepared based on emerging requirements.

During 2006, the Board of Directors met nine times and made fifteen decisions without meeting but by obtaining the approval of the members in accordance with article 330/2 of the Turkish Commercial Code (TCC). None of the members voted against the decisions.

24. Prohibition for doing business or competing with the company

Members of the Board are not permitted to engage in the transactions stipulated in Articles 334 and 335 of the Turkish Commercial Code without the approval of the General Shareholders' Meeting.

25. Rules of Ethics

The *Organizational Objectives* document, shared with all employees, clearly specifies the company's expectations of its employees, managers and suppliers. These expectations and rules have not been disclosed to the public. Procedures have been developed for general and specific rules that must be adhered to within the company. These procedures are implemented strictly and are revised when need be.

26. Number, Structure and Independence of Board Committees

The Board of Directors has a *Related Party Committee* and an *Auditing Committee*. These committees submit quarterly reports to the Board enabling the Board to fulfill its duties and responsibilities in a sound manner. Both committee members do not have executive roles in the company and one member sits on both committees and is also an independent member of the Board. The Board of Directors does not have a corporate governance committee.

27. Financial benefits provided to the Board of Directors

Members of the Board of Directors are paid an honorarium for attending meetings. No financial benefits are provided to Board members and managers in the form of loans, credits, etc. No performance-based financial rewards are provided to Board members.