BİM Birleşik Mağazalar Anonim Şirketi

Financial Statements
March 31, 2007

BİM BİRLEŞİK MAĞAZALAR A.Ş.

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BALANCE SHEET
As at March 31, 2007
(Currency – Thousands of New Turkish Lira (YTL))

	Notes	March 31, 2007	December 31, 2006
ASSETS			
Current assets			
Cash and cash equivalents	3	**93,195**	81,085
Trade receivables, net	4, 9	**77,828**	66,437
Inventories, net	5, 9	**148,524**	149,154
Prepayments and other current assets	6	**7,539**	6,167
Total current assets		**327,086**	302,843
Property and equipment	7	**188,171**	170,176
Intangibles, net	8	**1,257**	1,303
Other non-current assets		**1,263**	773
Total non-current assets		**190,691**	172,252
Total assets		**517,777**	475,095
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, net	9	**309,554**	295,283
Income tax payable	11	**5,829**	3,368
Other payables and accrued liabilities	9, 10	**16,658**	13,341
Total current liabilities		**332,041**	311,992
Reserve for long-term defined employee benefit plan	12	**4,688**	4,307
Deferred tax liability	11	**8,538**	8,641
Other non-current liabilities	10	**400**	700
Total non-current liabilities		**13,626**	13,648
Equity			
Share capital	13	**33,721**	33,721
Revaluation surplus	7	**12,776**	12,776
Legal reserves and retained earnings	22	**125,613**	102,958
Total equity		**172,110**	149,455
Total liabilities and equity		**517,777**	475,095

The accompanying policies and explanatory notes on pages 5 through 29 form an integral part of the financial statements.

STATEMENT OF INCOME
For the three-months period ended March 31, 2007
(Currency – Thousands of New Turkish Lira (YTL))

	Notes	March 31, 2007	March 31, 2006
Net sales		**648,973**	474,337
Cost of sales	9, 15	**(535,390)**	(387,688)
Gross profit		**113,583**	86,649
Selling and marketing expenses	9, 16,18	**(75,529)**	(57,034)
General and administrative expenses	9, 17,18	**(13,525)**	(11,452)
Other operating income / (expense), net	20	**2,274**	786
Financial income	9, 19	**1,738**	1,364
Financial expense	9, 19	**(160)**	(147)
Profit before tax		**28,381**	20,166
Tax charge			
- Current	11	**(5,829)**	(6,169)
- Deferred	11	**103**	(370)
Taxes on income		**(5,726)**	(6,539)
Net profit		**22,655**	13,627
Weighted average number of shares (1 YTL par value each)		**25,300,00**	25,300,000
Basic and fully diluted earnings per share (full YTL)	21	**0.895**	0.539

The accompanying policies and explanatory notes on 5 through 29 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the three-months period ended March 31, 2007
(Currency – Thousands of New Turkish Lira (YTL))

	Share Capital	Revaluation Surplus	Legal Reserves	Retained Earnings	Total
At January 1, 2006	**33,721**	**5,316**	**3,042**	**53,436**	**95,515**
Net profit for the period	-	-	-	13,627	13,627
At March 31, 2006	**33,721**	**5,316**	**3,042**	**67,063**	**109,142**
At January 1, 2007	**33,721**	**12,776**	**7,894**	**95,064**	**149,455**
Net profit for the period	-	-	-	22,655	22,655
At March 31, 2007	**33,721**	**12,776**	**7,894**	**117,719**	**172,110**

The accompanying policies and explanatory notes on pages 5 through 29 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the three-months period ended March 31, 2007
(Currency – Thousands of New Turkish Lira (YTL))

	Notes	March 31, 2007	March 31, 2006
Cash flows from operating activities			
Net income before monetary gain and tax charge		**28,381**	20,166
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization	7, 8	**7,640**	6,288
Reserve for long-term defined employee benefit plan	12, 16, 17	**485**	373
Financial expense of long-term defined employee benefit plan	12, 19	**113**	82
Profit share income from deposit accounts	19	**(1,692)**	(1,264)
Allowance for inventories		**1,064**	-
Loss / (gain) on sale of property and equipment and intangibles	7, 8, 20	**70**	121
		36,061	25,766
Changes in working capital			
Trade receivables	4, 9	**(11,394)**	(1,258)
Inventories	5	**(434)**	(9,077)
Prepayments and other current assets	6	**(1,369)**	(2,737)
Other non-current assets		**(490)**	-
Trade payables	9	**13,904**	12,839
Other payables and accrued liabilities	10	**3,679**	(158)
Other non-current liabilities		**(517)**	-
Profit share received from deposit account	19	**1,692**	1,264
Taxes paid	11	**(3,368)**	(4,397)
Net cash generated by operating activities		**37,764**	22,242
Cash flows from investing activities:			
Purchase of property and equipment and intangibles	7, 8	**(26,246)**	(10,023)
Proceeds from sale of property and equipment and intangibles	7, 8	**592**	417
Net cash used in investing activities		**(25,654)**	(9,606)
Net effect of monetary loss on cash and cash transactions		**-**	-
Increase in cash and cash equivalents		**12,110**	12,636
Cash and cash equivalents at the beginning of the period	3	**81,085**	60,335
Cash and cash equivalents at the end of the period	3	**93,195**	72,971

The accompanying policies and explanatory notes on pages 5 through 29 form an integral part of the financial statements.

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 April 30, 2007 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 March 31, 2007, the Company operated through 14 warehouses (December 31, 2006 - 14) in various cities in Turkey. As of March 31, 2007, the number of stores is 1,537 (December 31, 2006 - 1,454).

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) in accordance with Turkish Commercial Code and Tax Legislation and the generally accepted accounting principles issued by the Turkish Capital Market 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 (until December 31, 2005), provision for inventories, deferred taxation, employee termination benefits, revaluation of land and building.

2.2 Changes in Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as *IFRIC 4, Determining Whether an Arrangement Contains a Lease*. Adoption of this new interpretation did not have any effect on the financial statements of the Company. It did however have rise to additional disclosure. The other new and amended IFRS and IFRIC interpretations did not have any effect on the financial statements and explanatory notes of the Company.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 31 March 2007 or later periods but which the Company has not early adopted, as follows:

- *IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for financial years beginning on or after 1 January 2007)*

2.2 Changes in Accounting Policies (continued)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital.

- *IFRS 8, Operating Segments (effective for financial years beginning on or after 1 January 2009)*

  IFRS 8 replaces IAS 14 *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company is in the process of assessing the impact this new standard will have on its financial statements.

- *IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for financial years beginning on or after 1 March 2006)*

  IFRIC 7 requires entities to apply *IAS 29 Financial Reporting in Hyper-inflationary Economies* in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Company's operations.

- *IFRIC 8, Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).*

  IFRIC 8 clarifies that IFRS 2 *Share-based payment* will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less that the fair value of the instruments given. IFRIC 8 is not relevant to the Company's operations.

- *IFRIC 9, Reassessment of Embedded Derivatives (effective for financial years beginning on or after 1 June 2006)*

  IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Company's operations.

- *IFRIC 10, Interim Financial Reporting and Impairment (effective for financial years beginning on or after 1 November 2006).*

  This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

2.2 Changes in Accounting Policies (continued)

- *IFRIC 11, IFRS 2-Company and Treasury Share Transactions (effective for financial years beginning on or after 1 March 2007)*

  This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Company's operations.

- *IFRIC 12, Service Concession Arrangements (effective for financial years beginning on or after 1 January 2008)*

  The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator not to account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Company's operations.

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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts liabilities within the next financial year and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections of Note 2.4 and 2.5, below, which are mainly related with the application of IAS 29, accounting of employee termination benefits, provision for inventories, revaluation of land and buildings, assessment of economic useful lives of property and equipment and intangibles, impairment of assets and adequacy of provision for income taxes.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.4 Functional and Presentation Currency

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%. As of March 31, 2007, the three-year cumulative rate has been 27.0% (December 31, 2006 – 32.8%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Based on the current trends and developments and since the positive trends are confirmed as "other than temporary", Turkey came of hyperinflationary status effective from January 1, 2006. Therefore, application of the inflation accounting has ceased effective from January 1, 2006.

Index and conversion factors for the three-year period ended December 31, 2005 as they are applied for IAS 29 restatement until December 31, 2005 (based on the Turkish Countrywide Wholesale Price Index - WPI - published by the SIS) are provided below:

Dates	Index	Conversion Factors
December 31, 2005	8,785.7	1,0000
December 31, 2004	8,403.8	1,0454
December 31, 2003	7,382.1	1,1901

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

- the inflation adjusted share capital was derived by indexing cash contributions from the date they were contributed through December 31, 2005.

- 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 through December 31, 2005.

- all items in the income statement for the period ended March 31, 2007 are presented with their historical values with the exception of depreciation, amortization, gain or loss an disposal of non-monetary assets which have been calculated based on the restated gross book values and accumulated depreciation / amortization until December 31, 2005.

- the amount of non-monetary assets, liabilities and components of equity expressed in the measuring unit current at the end of December 31, 2005 are treated as the basis for the carrying amounts of these items in the financial statements as of March 31, 2007 without further restatement in 2006 and 2007.

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 statement of cash flows, 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 original maturities of three months or less.

Trade Receivables

Trade receivables, which generally have an average of 10 day term (December 31, 2006 - 10 days) 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.

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 are 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:

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

2.5 Summary of Significant Accounting Policies (continued)

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 are 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.

Intangible assets with indefinite useful lives are not amortized, 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.

2.5 Summary of Significant Accounting Policies (continued)

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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.

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);

(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 50 day term (December 31, 2006 – 49 day) 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.

2.5 Summary of Significant Accounting Policies (continued)

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.

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 wit IAS 19 “Employee Benefits” and is based on an independent actuarial study.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 discount 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 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.

Foreign currency translation rates used by the Company as of December 31, 2006 are as follows:

Dates	USD / YTL (full)	EUR / YTL (full)
March 31, 2007	1,3801	1,8383
December 31, 2006	1,4056	1,8515

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.

Profit share income

Revenue is recognised as profit share 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.

2.5 Summary of Significant Accounting Policies (continued)

Subsequent Events

Post year/period-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/period-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 or 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/period-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.

Loans and Receivables

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

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 one country, there is no basis for segment reporting.

3. Cash and Cash Equivalents

	March 31, 2007	December 31, 2006
Cash on hand	**13,156**	17,761
Cash at banks (demand deposits)	**53,988**	7,742
Cash at banks (time deposits) (*)	**14,933**	38,547
Cash in transit	**11,118**	17,035
	93,195	81,085

(*) Time deposits are profit/loss participation accounts in New Turkish Lira and foreign currency are opened on the basis of profit/loss participation whereby the funds invested are directly used in interest – free financing of trade and industry. Profit share amounts are collected at maturity. Profit share rate of YTL and foreign currency time deposits at March 31, 2007 is 13.4% and 4.9% per annum, respectively (December 31, 2006 – 13.6% for YTL; none for FC) and maturity of time deposits is 30 days (December 31, 2006 - 30 days).

There is no restricted cash as of March 31, 2007 and December 31, 2006.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

4. Trade Receivables

	March 31, 2007	December 31, 2006
Credit card receivables	**76,147**	65,531
Trade receivables	**1,315**	1,007
Advances given	**518**	112
Other receivables	**372**	311
Provision for doubtful receivables	**(524)**	(524)
	77,828	66,437

As of March 31, 2007 and December 31, 2006, the average term of trade receivables is 10 days respectively.

5. Inventories, net

	March 31, 2007	December 31, 2006
Trade goods	**127,863**	138,524
Advances given	**2,465**	9,629
Other stocks	**18,196**	1,001
	148,524	149,154

As of March 31, 2007, allowance provided for net realizable value and slow moving of trade goods amounted to YTL 1,064 (December 31, 2006 – 1,307).

6. Prepayments and Other Current Assets

As of March 31, 2007, prepayments and other current assets mainly include prepaid rent, prepaid insurance premiums and due from personnel totaling to YTL 7,539 (December 31, 2006 - YTL 6,167).

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

7. Property and Equipment

The movements of property and equipment and the related accumulated depreciation and impairment losses for the periods ended March 31, 2007 and Deecember 31, 2006 are as follows:

	December 31, 2006	Additions	Disposals	**March 31, 2007**
Cost or revalued amount				
Land	14,961	1,061	-	**16,022**
Land improvements	353	-	-	**353**
Building	17,598	118	-	**17,716**
Machinery and equipment	130,131	5,607	(162)	**135,576**
Vehicles	24,618	2,423	(1,153)	**25,888**
Furniture and fixtures	56,017	4,171	(25)	**60,163**
Leasehold improvements	67,588	6,927	(380)	**74,135**
Construction in progress	34	236	-	**270**
Advances given	4,597	5,616	-	**10,213**
	315,897	26,159	(1,720)	**340,336**
Accumulated depreciation				
Land improvements	181	12	-	**193**
Building	-	177	-	**177**
Machinery and equipment	73,256	2,629	(88)	**75,797**
Vehicles	8,818	1,201	(822)	**9,197**
Furniture and fixtures	37,740	1,842	(15)	**39,567**
Leasehold improvements	25,726	1,646	(138)	**27,234**
	145,721	7,507	(1,063)	**152,165**
Net book value	170,176			**188,171**

	December 31, 2005	Additions	Disposals	Transfers	Net off	Revaluation reserve	December 31, 2006
Cost or revalued amount							
Land	3,836	6,136	-	-	-	4,989	14,961
Land improvements	180	173	-	-	-	-	353
Building	9,102	599	-	8,581	(3,436)	2,752	17,598
Machinery and equipment	109,070	18,462	(255)	2,854	-	-	130,131
Vehicles	18,617	10,593	(4,686)	94	-	-	24,618
Furniture and fixtures	45,789	10,366	(138)	-	-	-	56,017
Leasehold improvements	51,394	18,027	(1,833)	-	-	-	67,588
Construction in progress	-	8,615	-	(8,581)	-	-	34
Advances given	1,279	6,266	-	(2,948)	-	-	4,597
	239,267	79,237	(6,912)	-	(3,436)	7,741	315,897
Accumulated depreciation							
Land improvements	164	17	-	-	-	-	181
Building	2,999	437	-	-	(3,436)	-	-
Machinery and equipment	63,062	10,280	(86)	-	-	-	73,256
Vehicles	7,446	3,777	(2,405)	-	-	-	8,818
Furniture and fixtures	31,642	6,192	(94)	-	-	-	37,740
Leasehold improvements	21,191	5,404	(869)	-	-	-	25,726
	126,504	26,107	(3,454)	-	(3,436)	-	145,721
Net book value	112,763						170,176

The land and building in Samandıra were revalued based on independent valuation performed in 2002. 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 equity.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

7. Property and Equipment (continued)

A second revaluation was made for the land and the buildings by independent valuers licensed by the CMB in January 2007. The valuation was made on the basis of the market value in YTL as of December 31, 2006. Accumulated depreciation of the revalued land and building has been eliminated against the gross carrying amounts of related assets as of December 31, 2006 and the net amount is restated to the revalued amount. The resulting surplus net of deferred income tax was credited to revaluation surplus in the equity.

The revaluation surplus is not available for distribution to shareholders.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts of land and building that would have been included in the financial statements as of December 31, 2006 and December 31, 2005 respectively are as follows:

	Land and buildings	
	March 31, 2007	December 31, 2006
Cost	**6,959**	6,959
Accumulated depreciation	**(2,426)**	(2,358)

Movements of the revaluation reserve of land and buildings are as follows:

	March 31, 2007	December 31, 2006
Balance at January 1,	**12,776**	4,598
The effect of change in tax rate	**-**	519
Revaluation Surplus (Net of Tax)	**-**	6,941
Balance at the end of the period	**12,776**	**12,776**

As of March 31, 2007 and December 31, 2006, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	March 31, 2007	December 31, 2006
Furniture and fixtures	**22,519**	21,562
Machinery and equipment	**30,111**	29,592
Intangibles and leasehold improvements	**8,297**	8,293
Vehicles	**853**	1,082
Land improvements	**176**	123
	61,956	60,652

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

8. Intangibles

The movements of intangibles and related accumulated amortization for the periods ended March 31, 2007 and Deecember 31, 2006 are as follows:

	December 31, 2005	Additions	Disposals	December 31, 2006	Additions	Disposals	**March 31, 2007**
Cost							
Software licenses	4,527	281	(2)	**4,806**	87	-	**4,893**
Other intangibles	343	-	-	**343**	-	-	**343**
	4,870	**281**	**(2)**	**5,149**	**87**	**-**	**5,236**
Accumulated amortization							
Software licenses	2,926	583	-	**3,509**	133	-	**3,642**
Other intangibles	336	1	-	**337**	-	-	**337**
	3,262	**584**	**-**	**3,846**	**133**		**3,979**
Net book value	**1,608**			**1,303**			**1,257**

The estimated useful lives of intangibles are 5 years.

9. Related Party Balances and Transactions

The balances with related parties for the periods ended March 31, 2007 and Deecember 31, 2006 are as follows:

Balances

	March 31, 2007	December 31, 2006
Ak Gıda A.Ş. (Ak Gıda) (1)	**27,365**	21,566
Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (1)	**11,104**	8,040
Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (1)	**4,790**	5,664
Taptaze Gıda San. ve Tic. A.Ş. (Taptaze) (2)	**2,013**	3,386
Noble Pazarlama Satış ve Dağıtım A.Ş. (Noble) (2)	**2,050**	1,814
Plas Plastik ve Ambalaj Sanayi ve Ticaret Ltd. Şti. (Plas Plastik) (1)	**1,628**	1,754
Pak Kağıtçılık San. ve Tic. A.Ş. (Pak Kağıtçılık) (1)	**1,071**	1,309
Baharsu San. ve Tic. A.Ş. (Baharsu) (1)	**-**	1,094
ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (1)	**960**	917
ELK Elektrik ve Elektronik Ev Aletleri (ELK) (2)	**1,390**	439
ZTH Zincir Mağazalar Tedarik Hizmetleri (ZTH) (2)	**177**	129
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (2)	**1,466**	48
Seher Gıda Paz. San. ve Tic. A.Ş. (Seher) (1)	**11**	19
	54,025	46,179

(1) Companies owned by Shareholders,
(2) Companies owned by the members of the Board of Directors,

As of March 31, 2007, the Company has dividends payable to its shareholders amounting to YTL 367, which is included in other payables and accrued liabilities (Notes 10 and 21) (December 31, 2006 - 367). Subsequent to the period, this dividend payable full repaid to the shareholders.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

9. Related Party Balances and Transactions (continued)

Transactions

For the periods ended March 31, 2007 and March 31, 2006, summary of the major transactions with related parties are as follows:

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

	March 31, 2007	March 31, 2006
Ak Gıda (1)	**53,932**	37,729
Nimet (1)	**21,629**	14,895
Ahsen (1)	**6,238**	3,918
Pak Kağıtçılık (1)	**6,727**	4,994
Noble (2)	**3,686**	5,131
ZTH (2)	**1,827**	3,636
Plas Plastik (1)	**3,279**	2,719
Baharsu (1)	**-**	1,451
Taptaze (2)	**4,113**	-
Natura (2)	**1,246**	821
ELK (2)	**1,254**	1,770
ETM (1)	**986**	802
Seher (1)	**18**	13
	104,935	77,879

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

(b) For the periods ended March 31, 2007 and March 31, 2006, bonus and payroll expenses of the board members and key management personnel amounted to YTL 1,971 (33 persons) and YTL 1,616 (32 persons) respectively.

10. Other Payables and Accrued Liabilities

	March 31, 2007	December 31, 2006
Payroll withholdings, social security taxes and other taxes	**10,014**	10,057
VAT payable	**3,078**	370
Other (Notes 9 and 21)	**3,566**	2,914 (*)
	16,658	13,341

(*) The Company has issued notes payable amounting to YTL 1,600 for the purchase of a land in Kayseri. Other liabilities include short term portion of this amount which is YTL 1,200 (December 31, 2006- YTL 1,100). Other non-current liabilities consist of long term portion which amounted to YTL 400 (December 31, 2006- YTL 700) and will mature in 2008.

11. Taxes

General Information

In Turkey, the corporation tax rate for the fiscal year ending December 31, 2005 was 30%. Effective from January 1, 2006 the corporate tax rate was reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% 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, the statutory financial statements from which taxable income is derived are adjusted for inflation. Accumulated earnings arising from the first application of inflation accounting on the December 31, 2003 balance sheet are 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 to 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.

The Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, the Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008. As the Company does not have qualifying capital investments to deduct from corporate income, the corporate tax rate that will be applied to the Company is 20%.

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.

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

11. Taxes (continued)

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 period ended March 31, is as follows:

	March 31, 2007	March 31, 2006
Net income before tax	**28,381**	20,166
Income tax at 20% (March 31, 2006 – 20%)	**(5,676)**	(6,050)
Effect of non tax deductible and tax exempt items, net	**(50)**	(489)
Provision for taxes	**(5,726)**	(6,539)
- current	**(5,829)**	(6,169)
- deferred	**103**	(370)

Deferred income tax

Deferred income taxes at March 31, 2007 and 2006 relate to the following:

	Balance Sheet		Income Statement and Revaluation Surplus	
	March 31, 2007	December 31, 2006	**March 31, 2007**	March 31, 2006
Deferred tax liability				
Restatement effect on non-monetary items	**9,979**	10,207	**(228)**	(131)
Reserve for long term defined employee benefit plan	**(938)**	(861)	**(77)**	(89)
Others	**(503)**	(705)	**202**	590
	8,538	8,641		
Deferred tax income, including monetary gain			**(103)**	370

Movement of net deferred tax liability is presented as follows:

	March 31, 2007	December 31, 2006
Balance at January 1	**8,641**	11,475
Deferred tax (credit) / charge recognized in income statement	**(103)**	(3,115)
Deferred tax credit recognized in revaluation surplus (Note 7)	-	281
Balance at the end of period	**8,538**	8,641

(Currency – Thousands of New Turkish Lira (YTL) 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 1,961 and YTL 1,857 at March 31, 2007 and December 31, 2006, 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.

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

	March 31, 2007	December 31, 2006
Discount rate	**6.5%**	6.5%
Expected rate of salary/limit increases	**4%**	4%

The following tables summarize the components of net benefit expense recognized in the income statement and amounts recognized in the balance sheet:

	March 31, 2007	December 31, 2006
Current service cost	**465**	**1,398**
Financial expense of long-term defined employee benefit plan	**113**	**328**
Actuarial loss recognized in the period	**20**	**90**
Net benefit expense	**598**	**1,816**

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

12. Long-term Defined Employee Benefit Plan (continued)

Benefit Liability:

	March 31, 2007	December 31, 2006
Defined benefit obligation	**7,398**	7,036
Unrecognized actuarial losses	**(2,710)**	(2,729)
Benefit liability	**4,688**	4,307

Changes in the present value of defined benefit obligation are as follows:

	March 31, 2007	December 31, 2006
Defined benefit obligation at January 1	**7,036**	5,092
Financial expense of long-term defined employee benefit plan	**113**	328
Current service cost	**465**	1,398
Benefits paid	**(216)**	(748)
Actuarial gains on obligation	**-**	966
Defined benefit obligation at the end of the period	**7,398**	7,036

13. Share Capital

As of March 31, 2007 and Deecember 31, 2006, the Company's paid in share capital was YTL 25,300 (historical terms) comprising 25,300,000 shares of YTL 1 nominal value each. Each shareholder has voting rights equivalent to their number of shares.

As of March 31, 2007 and December 31, 2006, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

	March 31, 2007		December 31, 2006	
	Historical Amount	**%**	Historical Amount	%
Mustafa Latif Topbaş	**5,564**	**22.0**	5,564	22.0
Abdulrahman A. El Khereiji	**4,852**	**19.2**	4,952	19.6
Ahmet Afif Topbaş	**1,139**	**4.5**	1,139	4.5
Zuhair Fayez	**998**	**3.9**	998	3.9
İbrahim Halit Çizmeci	**300**	**1.2**	665	2.6
Publicly held	**12,447**	**49.2**	11,982	47.4
	25,300	**100.0**	25,300	100.0
Effect of restatement	**8,421**		8,421	
Total	**33,721**		33,721	

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

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.

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.

15. Cost of Sales

Cost of sales for the periods ended March 31, 2007 and 2006 is as follows:

	March 31, 2007	March 31, 2006
Beginning inventory	**138,524**	98,428
Purchases	**524,729**	391,523
Ending inventory	**(127,863)**	(102,263)
	535,900	387,688

16. Selling and Marketing Expenses

The breakdown of selling and marketing expenses for the periods ended March 31, 2007 and 2006 is as follows:

	March 31, 2007	March 31, 2006
Personnel expenses	**30,175**	22,587
Rental expenses	**18,689**	13,958
Depreciation and amortization expenses	**6,723**	5,281
Water, electricity and communication expenses	**4,963**	3,975
Packaging expenses	**4,451**	3,228
Maintenance and repair expenses	**2,109**	1,200
Advertising expenses	**1,540**	1,375
IT expenses	**437**	287
Provision for employee termination benefits	**391**	299
Other	**6,051**	4,844
	75,529	57,034

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

17. General and Administrative Expenses

The breakdown of general and administrative expenses for the periods ended March 31, 2007 and 2006 is as follows:

	March 31, 2007	March 31, 2006
Personnel expenses	**7,557**	5,921
Advertising expenses	**930**	836
Depreciation and amortization expenses	**917**	1,007
Money collection expenses	**643**	483
Motor vehicle expenses	**563**	519
Legal and consultancy expenses	**360**	314
Water, electricity and communication expenses	**222**	257
Office supplies expenses	**100**	65
Provision for employee termination benefits	**94**	74
Other	**2,139**	1,976
	13,525	11,452

18. Personnel Expenses

	March 31, 2007	March 31, 2006
Staff costs		
Wages and salaries	**31,759**	24,002
Provision for employee termination benefits	**485**	373
Cost of defined contribution plan (employer's share of social security premiums)	**5,973**	4,506
	38,217	28,881

Average number of employees for the periods ended March 31, 2007 and 2006 is 8,916 and 7,220, respectively.

19. Financial Income and Expense

Financial income for the periods ended March 31, 2007 and 2006 can be summarized as follows:

	March 31, 2007	March 31, 2006
Income from deposits	**1,692**	1,264
Foreign exchange gains	**46**	100
	1,738	1,364

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

19. Financial Income and Expense (continued)

Financial expenses for the periods ended March 31, 2007 and 2006 can be summarized as follows:

	March 31, 2007	March 31, 2006
Financial expense of long-term defined employee benefit plan	**(113)**	(82)
Foreign exchange losses	**(31)**	(53)
Other financial expense	**(16)**	(12)
	(160)	(147)

20. Other Income / (Expense), net

The breakdown of other income / (expense), net for the periods ended March 31, 2007 and 2006 is as follows:

	March 31, 2007	March 31, 2006
Gain on sale of scrap materials	**1,062**	465
Gain/(loss) on sale of property and equipment and intangibles	**(70)**	(121)
Other income/(expense), net	**1,282**	442
	2,274	786

21. Earnings Per Share

Basic earnings per share (EPS) are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the year. The basic EPS for the periods ended March 31, 2007 and March 31, 2006 are 0.895 (full YTL) and 0.539 (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 periods ended March 31, 2007 and during the tree-months period ended March 31, 2007.

At Annual General Meeting dated April 19, 2007, the Company has decided to distribute dividend from profit of 2006 to its shareholders amounting to YTL 55,660 (full YTL 2.20 per share).

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 Market Board regulations.

22. Legal Reserves and Retained Earnings (continued)

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

As of March 31, 2007 and December 31, 2006, extraordinary reserves, legal reserves and net profit for the period (as per the statutory financial statements of the Company) are as follows (YTL):

	March 31, 2007	December 31, 2006
Extraordinary reserves	**941**	941
Legal reserves	**6,953**	6,953
Net profit for the period	**22,781**	69,152

23. Contingencies and Commitments

(i) As of March 31, 2007 and December 31, 2006, the total amount of outstanding lawsuits filed against the Company is YTL 698 and YTL 441 in historical terms, respectively, which is recorded as provision and presented in other payables and accrued liabilities.

(ii) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 500 at March 31, 2007 and YTL 515 at December 31, 2006, in historical terms.

(iii) As of March 31, 2007 the Company has operating lease commitments for each of the following periods:

	Thousands of YTL
Not later than one year	467
Later than one year and not later than five years	1,577
Later than five years	43

(iv) As of March 31, 2007 the Company has letters of guarantee amounting to YTL 8,466 received from its supplier firms (December 31, 2006 – YTL 1,671).

(vi) As of March 31, 2007 the total amount of the mortgages obtained from the supplier firms is YTL 16,634 (December 31, 2006 – YTL 12,535).

(vii) 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.

24. Foreign Currency Denominated Assets and Liabilities

As of March 31, 2007 and December 31, 2006, the foreign currency position of the Company is summarized below:

	March 31, 2007						
	USD	Thousands of YTL Equivalent	EUR	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	**2.731.281**	**3.769**	**119.564**	**220**	**1.608**	**4**	**3.993**
Total foreign currency denominated liabilities	**136.271**	**188**	**-**	**-**	**-**	**-**	**188**
Net foreign currency position		**3.581**		**220**		**4**	**3.805**

	December 31, 2006						
	USD	Thousands of YTL Equivalent	EUR	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	**164.708**	**232**	**122.155**	**226**	**1.608**	**5**	**463**
Total foreign currency denominated liabilities	**98.658**	**139**	**-**	**-**	**-**	**-**	**139**
Net foreign currency position		**93**		**226**		**5**	**324**

25. Subsequent Events

At the Annual General Meeting dated April 19, 2007, the Company has decided to distribute dividend from its 2006 profit to the shareholders amounting to YTL 55,660 YTL.