**CELEBİ HAVA SERVISI A.S.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2011 AND INDEPENDENT AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the Board of Directors of Çelebi Hava Servisi Anonim Şirketi

*Introduction*

1. We have reviewed the accompanying consolidated balance sheet of Çelebi Hava Servisi Anonim Şirketi, its Subsidiaries and Joint Ventures (collectively referred to as the "Group") as of 30 June 2011, and the related consolidated statement of income, consolidated statements of comprehensive income, consolidated changes in shareholders' equity and consolidated cash flows for the six-month period then ended. The Group management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

*Scope of review*

2. We conducted our review in accordance with the principles and standards on the review of interim financial statements as set out in "Section 34 of the Communique No: X-22 on the auditing standards issued by the Capital Markets Board". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with independent auditing standards issued by the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an independent audit opinion.

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers*
*BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey*
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

*Basis for qualified conclusion*

3. Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo"), the subsidiary of the Group, established in New Delhi India, signed a concession agreement on 6 May 2009 with Delhi International Airport Private Limited ("DIAL") for development, modernization and operating of the cargo terminal at the airport in the city of New Delhi for 25 years. Based on this service concession contract, total expenditure of 2011 modernization activities has reached INR 118,169,448 (TL 4,307,276) as of 30 June 2011. Related investment should be accounted in the scope of International Financial Reporting Interpretations Committee 12 ("IFRIC 12") Service Concession Agreement. As of 30 June 2011, technical studies required by IFRIC 12 regarding capacity increase of terminal and future income flow with respect to this capacity increase could not be completed.

*Qualified conclusion*

4. Based on our review, except for the possible adjustments that we might have become aware of had the technical studies described in paragraph 3 been completed, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2011, and of its financial performance and its cash flows for the six month period then ended in accordance with financial reporting standards issued by the Capital Markets Board (Note 2).

*Emphasis of matter*

Without qualifying our conclusion we draw your attention to the following matter:

5. As explained in Note 31 to the consolidated interim financial statements, the Cargo building of Çelebi Hava Servisi A.Ş. (the "Company") located in Atatürk Airport Terminal C in which the Company carries out its cargo-warehouse operations was damaged due to a fire broke out on 24 May 2006. As a result of the fire, goods belonging to third parties located in the cargo building during the fire were damaged. Some of the owners of the goods, insurance companies and airline transportation companies have applied to the Company and its insurance company for the compensation of their losses by filing lawsuit against the Company and through enforcement proceedings. The Company granted its approval for the utilization of its insurance policy amounting to 10.000.000 US Dollar in the fund established by the Company, Devlet Hava Meydanları İşletmeleri ("DHMİ") and the other warehouse management company to settle the claims within the terms defined in the "Sharing Agreement" which is signed between the same parties. In this context, the management of the Company foresees that the probability of being liable for the losses is remote because it was not found to be responsible for the fire and was therefore not considered legally responsible for the losses of the third parties. The ultimate result of the compensation claims which could not be settled amicably, enforcement proceedings and law suits against the Company could not be determined and no provision has been accounted for in the accompanying consolidated interim financial statements as of 30 June 2011.

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*Additional paragraph for convenience translation into English*

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

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Baki Erdal, SMMM
Partner

Istanbul, 26 August 2011

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CELEBİ HAVA SERVISI A.S.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 JUNE 2011**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CELEBİ HAVA SERVISI A.S.**

**CONSOLIDATED BALANCE SHEETS**
**AT 30 JUNE 2011 AND 31 DECEMBER 2010**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 30 June 2011 | 31 December 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 51,374,039 | 74,299,694 |
| Trade receivables | 8 | 53,388,604 | 26,680,690 |
| Due from related parties | 27 | 480,427 | 1,921,067 |
| Other receivables | 9 | 4,293,914 | 3,343,009 |
| Inventories | 10 | 5,081,701 | 4,501,809 |
| Other current assets | 16 | 16,139,556 | 10,354,283 |
| **Total current assets** | | **130,758,241** | **121,100,552** |
| **Non-current assets** | | | |
| Financial investments | 6 | 1,541,866 | 26,286 |
| Other non-current receivables | 9 | 13,912,858 | 10,952,105 |
| Property, plant and equipment | 11 | 169,529,329 | 147,824,704 |
| Intangible assets | 12 | 63,708,491 | 62,115,400 |
| Goodwill | 13 | 20,677,529 | 17,242,957 |
| Other non-current assets | 16 | 737,951 | 19,831 |
| **Total non-current assets** | | **270,108,024** | **238,181,283** |
| **Total assets** | | **400,866,265** | **359,281,835** |

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**CELEBİ HAVA SERVISI A.S.**

**CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2011 AND 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 30 June 2011 | 31 December 2010 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Financial liabilities | 7 | 72,954,367 | 28,666,079 |
| Trade payables | 8 | 16,881,251 | 15,960,633 |
| Due to related parties | 27 | 2,436,241 | 2,497,009 |
| Other payables | 9 | 3,725,585 | 7,493,141 |
| Provisions | 14 | 17,641,571 | 11,586,739 |
| Provision for employee benefits | 15 | - | 900,492 |
| Current tax liabilities | 24 | 203,991 | 1,507,408 |
| Other current liabilities | 16 | 18,019,754 | 14,292,844 |
| **Total current liabilities** | | **131,862,760** | **82,904,345** |
| **Non-current liabilities** | | | |
| Financial liabilities | 7 | 151,400,888 | 129,425,555 |
| Derivative financial instruments | 28 | 2,634,441 | 4,555,792 |
| Other non-current payables | 9 | 1,161,292 | 977,029 |
| Deferred income tax liabilities | 24 | 3,785,822 | 3,950,655 |
| Provision for employee benefits | 15 | 7,636,552 | 6,610,155 |
| Other non-current liabilities | 16 | 2,445,300 | 2,349,136 |
| **Total non-current liabilities** | | **169,064,295** | **147,868,322** |
| **Total liabilities** | | **300,927,055** | **230,772,667** |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | **80,501,473** | **112,027,591** |
| Capital | 17 | 24,300,000 | 24,300,000 |
| Restricted reserves | 17 | 26,573,455 | 22,962,009 |
| Foreign currency translation differences | | 7,678,892 | 4,041,133 |
| Additonal contribution to shareholders' equity related to merger | | (545,407) | (545,407) |
| Retained earnings | 17 | 20,328,950 | 34,650,353 |
| Net income for the period | 17 | 2,165,583 | 26,619,503 |
| **Non-controlling interest** | | **19,437,737** | **16,481,577** |
| **Total equity** | | **99,939,210** | **128,509,168** |
| **Total liabilities and equity** | | **400,866,265** | **359,281,835** |
| Contingent assets and liabilities | 14 | | |

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

## CELEBİ HAVA SERVISI A.S.

## CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2011 AND 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| Revenue - net | 18 | 193,557,649 | 115,916,622 | 151,841,560 | 89,581,844 |
| Cost of sales (-) | 18 | (138,712,753) | (78,163,099) | (103,416,608) | (56,428,116) |
| **GROSS PROFIT** | **18** | **54,844,896** | **37,753,523** | **48,424,952** | **33,153,728** |
| General administrative expenses (-) | 20 | (38,434,082) | (20,305,772) | (27,752,545) | (14,909,804) |
| Other operating income | 21 | 1,947,138 | 1,460,726 | 1,132,160 | 245,088 |
| Other operating expense (-) | 21 | (3,406,853) | (3,000,198) | (5,570,567) | (1,748,708) |
| **OPERATING INCOME** | | **14,951,099** | **15,908,279** | **16,234,000** | **16,740,304** |
| Financial income | 22 | 12,128,958 | 4,987,420 | 11,395,261 | 4,058,775 |
| Financial expense (-) | 23 | (18,323,176) | (11,434,580) | (17,379,558) | (10,162,678) |
| **INCOME BEFORE TAX** | | **8,756,881** | **9,461,119** | **10,249,703** | **10,636,401** |
| **Income tax expense** | | **(4,693,668)** | **(2,126,035)** | **(5,672,665)** | **(4,060,487)** |
| Current tax expense | 24 | (4,878,379) | (2,408,929) | (5,842,317) | (3,368,669) |
| Deferred tax income / (expense) | 24 | 184,711 | 282,894 | 169,652 | (691,818) |
| **NET INCOME** | | **4,063,213** | **7,335,084** | **4,577,038** | **6,575,914** |
| **Net income attributable to** | | | | | |
| Non-controlling interest | | 1,897,630 | 273,443 | 765,804 | (598,372) |
| Equity holders of the parent | | 2,165,583 | 7,061,641 | 3,811,234 | 7,174,286 |
| | | **4,063,213** | **7,335,084** | **4,577,038** | **6,575,914** |
| Earnings per share (Kr) | 25 | 0.001 | 0.003 | 0.002 | 0.003 |

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 30 JUNE 2011 AND 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|---|
| **Net income for the period** | | **4,063,213** | **7,335,084** | **4,577,038** | **6,575,914** |
| **Other comprehensive income:** | | | | | |
| Currency translation differences | | 4,696,189 | 3,904,325 | 3,118,981 | 34,283 |
| **Other comprehensive income** | | **4,696,189** | **3,904,325** | **3,118,981** | **34,283** |
| **Total comprehensive income** | | **8,759,402** | **11,239,409** | **7,696,019** | **6,610,197** |
| **Total comprehensive income attributable to:** | | | | | |
| Non-controlling interest | | 2,956,060 | 1,190,346 | 1,536,332 | (579,823) |
| Equity holders of the parent | | 5,803,342 | 10,049,063 | 6,159,687 | 7,190,020 |
| | | **8,759,402** | **11,239,409** | **7,696,019** | **6,610,197** |

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

## CELEBİ HAVA SERVISI A.S.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIOD 1 JANUARY - 30 JUNE 2011 AND 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Capital | Restricted reserves | Foreign currency translation differences | Additional contribution to shareholders' equity related to merger | Retained earnings | Net income for the period | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balances at 1 January 2010** | **17** | **24,300,000** | **19,322,144** | **915,353** | **-** | **47,471,772** | **27,782,633** | **304,637** | **120,096,539** |
| Transfers to retained earnings | | - | - | - | - | 27,782,633 | (27,782,633) | - | - |
| Increase in non-controlling interest due to consolidation of subsidiary | | - | - | - | - | - | - | 5,867,246 | 5,867,246 |
| Transfers to reserves | | - | 3,006,702 | - | - | (3,006,702) | - | - | - |
| Dividends paid | | - | - | - | - | (31,282,015) | - | (112,077) | (31,394,092) |
| Transactions with non-controlling interest | | - | - | - | - | (5,329,116) | - | 5,329,116 | - |
| Total comprehensive income | | - | - | 2,348,453 | - | - | 3,811,234 | 1,536,332 | 7,696,019 |
| **Balances at 30 June 2010** | | **24,300,000** | **22,328,846** | **3,263,806** | **-** | **35,636,572** | **3,811,234** | **12,925,254** | **102,265,712** |
| **Balances at 1 January 2011** | **17** | **24,300,000** | **22,962,009** | **4,041,133** | **(545,407)** | **34,650,353** | **26,619,503** | **16,481,577** | **128,509,168** |
| Transfers to retained earnings | | - | - | - | - | 26,619,503 | (26,619,503) | - | - |
| Capital increase in subsidiaries due to consolidation of subsidiary | | - | - | - | - | - | - | 100 | 100 |
| Transfers to reserves | 17 | - | 3,611,446 | - | - | (3,611,446) | - | - | - |
| Dividends paid | | - | - | - | - | (37,329,460) | - | - | (37,329,460) |
| Total comprehensive income | 17 | - | - | 3,637,759 | - | - | 2,165,583 | 2,956,060 | 8,759,402 |
| **Balances at 30 June 2011** | | **24,300,000** | **26,573,455** | **7,678,892** | **(545,407)** | **20,328,950** | **2,165,583** | **19,437,737** | **99,939,210** |

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

# CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## CELEBİ HAVA SERVISI A.S.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2011 AND 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 30 June 2011 | 30 June 2010 |
|---|---|---|---|
| **Cash flow provided from operating activities** | | | |
| Income before tax | | 8,756,881 | 10,249,703 |
| **Adjustments to reconcile income before tax to net cash provided by operating activities:** | | | |
| Depreciation and amortization | 19 | 15,541,833 | 11,459,249 |
| Provision for impairment of property, plant and equipment | 11 | (1,981,778) | - |
| Provision for employment termination benefits | 15 | 1,970,618 | 1,997,362 |
| Provision for investment consultancy | 14 | - | 2,912,886 |
| Provision for unused vacation | 14 | 672,317 | 582,556 |
| Provision for sales commissions | 14 | 447,040 | 1,861,490 |
| Provision for cargo subcontractor commission | 14 | 1,491,215 | - |
| Expense accrual for DHMI | 14 | 12,382,790 | 8,916,848 |
| Provision for litigation | 14 | 230,704 | 454,863 |
| Other provisions | 14 | 7,382,953 | 2,136,313 |
| Provision for doubtful receivable | 8 | 92,973 | 184,817 |
| Change in derivative financial instruments | 28 | (2,649,180) | (250,188) |
| Interest income | 22 | (1,629,326) | (1,597,430) |
| Interest expense | 23 | 6,967,747 | 5,417,154 |
| (Losses) / Gains from sales of property plant and equipment, net | 21 | (327,103) | 70,645 |
| Unrecognized foreign exchange differences (income) / expense | | 987,539 | 3,305,050 |
| Net profit belongs to non-controlling interest | | 1,897,630 | 765,804 |
| Capital increase in subsidiaries due to consolidation of subsidiary | | 100 | 5,867,246 |
| **Cash flow provided before changes in assets and liabilities** | | **52,234,953** | **54,334,368** |
| Trade receivables | | (26,800,887) | (19,831,892) |
| Due from related parties | | 1,440,640 | 9,512,887 |
| Inventories | | (579,892) | (272,963) |
| Income taxes paid | 24 | (6,181,796) | (3,902,818) |
| Other receivables | | (950,905) | (4,078,601) |
| Other current assets | | (5,785,273) | (6,014,470) |
| Other non-current assets | | (12,892,833) | (2,173,055) |
| Trade payables | | 920,618 | 1,698,867 |
| Due to related parties | | (60,768) | 9,926,880 |
| Other payables | | (4,618,492) | (12,937,075) |
| Other current liabilities | | 3,726,910 | 2,750,338 |
| Other non-current liabilities | | 96,164 | (77,024) |
| Doubtful receivable collections | 8 | 478,743 | 7,189 |
| Employment termination benefits paid | 15 | (1,852,581) | (1,367,640) |
| Vacation benefits paid | 14 | (113,032) | (113,893) |
| DHMI Expense accrual paid | 14 | (9,909,509) | (6,104,598) |
| Cargo subcontractor commission provision paid | 14 | (1,035,199) | - |
| Sales commission's provisions paid | 14 | (1,210,711) | (480,348) |
| Litigation provisions paid | 14 | (21,201) | (112,503) |
| Investment consultancy expenses paid | 14 | (466,292) | (3,064,451) |
| Other compensations paid | 14 | (4,061,336) | (1,514,610) |
| **Net cash (used in) / generated from operating activities** | | **(17,642,679)** | **16,184,588** |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | 11 | (30,949,187) | (25,609,052) |
| Purchase of intangible assets | 12 | (723,004) | (9,114,576) |
| Interest received | | 1,631,474 | 1,566,386 |
| Changes in financial assets | 6 | (1,515,580) | (20,525) |
| Proceeds from sale of property, plant and equipment | | 920,911 | 411,957 |
| **Net cash used in investing activities** | | **(30,635,386)** | **(32,765,810)** |
| **Cash flow provided from financing activities** | | | |
| Change in borrowings | | 56,506,040 | 20,884,644 |
| Change in short-term finance lease obligations | | 923,660 | (40,057) |
| Change in long-term finance lease obligations | | 6,966,207 | 31,956 |
| Dividends paid | 26 | (37,329,460) | (31,394,092) |
| Interest paid | | (5,100,033) | (3,395,625) |
| **Net cash (used in) / generated from financing activities** | | **21,966,414** | **(13,913,174)** |
| Increase in restricted cash and cash equivalents | 5 | 115,766 | 1,011,088 |
| Cumulative translation adjustment | | 3,388,144 | (996,500) |
| **Net increase in cash and cash equivalents** | | **(22,807,741)** | **(30,479,808)** |
| **Cash and cash equivalents at the beginning of the period** | **5** | **66,688,989** | **87,092,961** |
| **Cash and cash equivalents at the end of the period** | **5** | **43,881,248** | **56,613,153** |

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

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Celebi Hava Servisi A.S. (collectively referred to as the "Company" or "Celebi Hava") established in 1958 was the first private ground handling service company in the Turkish aviation sector. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc) and fuel supplies to domestic and foreign airlines and private cargo companies. The Company operates in Istanbul Ataturk, Izmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Corlu, Bursa Yenisehir, Diyarbakir, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaras, Isparta, Erzincan and Balikesir Edremit airports, which are under the control of the State Airports Administration ("DHMI") and Istanbul Sabiha Gokcen airport which is under the control of the Airport Administration and Aviation Industries A.S. ("HEAS"). The company is registered in Capital Markets Board "CMB" and has been listed in Istanbul Stock Exchange "ISE" since 18 November 1996.

The address of the Company is as follows:

Anel Is Merkezi Saray Mahallesi Site Yolu Sokak No: 5 Kat: 9
34768 Umraniye / Istanbul

The Company has consolidated Celebi IC Antalya Havalimani Terminal Yatirim ve Isletme A.S. ("Celebi IC Yatirim") with 49.99% of shares using the joint-venture consolidation method as of 30 June 2011. The other main shareholder of Celebi IC Yatirim is Ictas Insaat Sanayi ve Ticaret A.S. with 49.99% of shares. The capital of Celebi IC Yatirim has been decreased from TL 44,004,280 to TL 50,000 according to the general assembly resolution dated 22 July 2010.

The Company has also consolidated Celebi Guvenlik Sistemleri ve Danismanlik A.S. ("Celebi Guvenlik") in which it holds 94.8% of shares. Celebi Guvenlik maintains security at the Terminal and provides security services to the airline companies.

The Company has also participated in a tender offer as of 7 August 2006 called by the Budapest Airport Budapest Ferihegy Nemzetkozi Repuloter Uzemelteto Zartkoruen Mukodo Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleossegu Tarsasag ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a 100% share. The Company was informed of winning the tender offer on 14 August 2006 and participates in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft") company that was founded on 22 September 2006 as founding shareholder for the realization of the abovementioned share transfer. Celebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Foldi Kiszolgalo Korlatolt Felelossegu Tarsasag ("CGHH"). Celebi Kft has share capital of 2,700,000,000 Hungary Forint ("HUF") in which the Company has a share of HUF 1,890,000,000 (70%). The other shares belong to Celebi Holding A.S which is also the shareholder of the Company. Celebi Kft has been taken over by CGHH with all assets and liabilities and merger transactions have been completed at 31 October 2007 after the completion of the registration, related changes in Articles of Association and General Assembly decisions carried out within the legal framework effective in Hungary Since Celebi Kft owned 100% of CGHH shares before the merger, the Company's share has remained 70% in CGHH share capital which is determined as HUF 900,000,000. The capital of CGHH has been increased to HUF 910,000,000 after the merger. The Capital of CGHH has been increased to HUF 1,000,000,000 from HUF 910,000,000 in 31 December 2009 and the Company has share capital of HUF 700,000,000 (70%) as of 30 June 2009. Remaining part amounted HUF 300,000,000 (30%) is owned by Celebi Havacilik Holding A.S.

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

Within the framework of the tender relating to provide ground handling services for 10 years period in Mumbai Chhatrapati Shivaji International Airport in India which resulted in favor of the consortium in which the Company takes part, a joint venture company has been established on 12 December 2008 with a capital of 100,000,000 Indian Rupee (Indian Rupee: "INR") and the title of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai India to provide ground handling services. The Company, as co-founder, has a 51% stake in Celebi Nas and the capital of the company is amounting to INR 400,000,000. Furthermore, INR 150,600,000 capital advances have been paid by shareholders of Celebi Nas

The Company participated as a co-founders in the company with capital of INR 100,000 under the title Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") to carry out activities relating to the development, modernization and 25-year operation of the existing cargo terminal in the airport ("Brownfield") in New Delhi in India on 6 May 2009, and its capital share in Celebi Delhi Cargo is 74%.The paid capital of the Celebi Delhi Cargo is amounting to 720,000,000 INR.

The equity needed to meet financial requirement of the investments planned and the fulfillment of the requirements arising from the Concession Agreement signed by Celebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), established in 18th November 2009, with a paid-in capital amounting to INR10,700,000 and in which the Company participated at 74%, with the tender authority upon winning the tender opened for the conduct of airport ground handling services in Delhi International Airport for 10 years, was met through a premium capital increase according to the legal legislation in India by paying INR635,364,000 and The Company has a 74% stake in Celebi GH Delhi.

As of 25 March 2010, The Company participated 100% in the company was established in Madrid, Spain under the title "Celebi Ground Handling Europe" ('Celebi Europe') with the capital of EUR 10,000, as a founding partner for the purpose of investing business in foreign countries, especially those in the European Union but Celebi Europe has not started its operations yet.

The Company acquired shares of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş ("Çelebi Kargo"), owning TL 150.000 paid capital, having a nominal value of TL 144.000 from Çelebi Holding A.Ş, with cash amounted to TL 146.880 (1-TL nominal value: 1,02-TL) as of 20 August 2010. Çelebi Kargo was established on 20 November 2008 to provide transporting, freight, cargo storage, and distribution activities. Çelebi Kargo provides cargo storage and handling services in storage and warehouse facilities on rented area with 28.300 m2 closed land in Frankfurt Cargo City Süd by Celebi Cargo Gmbh which is subsidiary of Çelebi Kargo with 100% shares, established in November 2009 located in Frankfurt, Germany. As of 30 June 2011; the capital of Çelebi Kargo has been increased to TL 9.000.000 with TL 8.800.000 paid capital.

The Company participated 16,67% in the company Delhi Aviation Services Private Limited ("DASL") with capital of INR 1.000.000 under the title Celebi GH Delhi to carry out activities relating to the development, modernization and standardization to the international standards of air-conditioning, power generators and water system on passenger bridges on the airport.

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

As of 30 June 2011, the consolidated financial statements of the Company include the Company, Celebi IC Yatirim, CGHH, Celebi Guvenlik, Celebi Nas, Celebi Delhi Cargo, Celebi GH Delhi, Celebi Kargo, Celebi Cargo GmbH and DASL (collectively, referred to as the "Group").

These consolidated financial statements for the period 1 January - 30 June 2011 have been approved for issue by the Board of Directors on 26 August 2011 and signed by Talha Goksel (General Manager) and Ayfer Atli (Financial Affairs Director) on behalf of Board of Directors. The shareholders of the Company have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company. Shareholders have the right of making changes, after the consolidated financial statements are published.

Subsidiaries:

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

| Subsidiary | Country of incorporation | Geographical segment | Nature of business |
|---|---|---|---|
| Celebi Guvenlik | Turkey | Turkey | Aviation and other security services |
| CGHH | Hungary | Hungary | Ground handling services |
| Celebi Delhi Cargo | India | India | Warehouse and cargo services |
| Celebi GH Delhi | India | India | Ground handling services |
| Celebi Europe | Spain | Spain | Ground handling services (inactive) |
| Celebi Kargo | Turkey | Turkey | Warehouse and cargo services |
| Celebi Cargo GmbH | Germany | Germany | Warehouse and cargo services |

Joint ventures:

The Company has the following joint ventures (the "Joint ventures"). The nature of the business of the Joint ventures and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

| Joint ventures | Country of incorporation | Geographical segment | Nature of business |
|---|---|---|---|
| Celebi IC Yatirim | Turkey | Turkey | Airport terminal construction and operating (inactive) |
| Celebi Nas | India | India | Ground handling services |

Affiliates:

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

| Affiliates | Country of incorporation | Geographical segment | Nature of business |
|---|---|---|---|
| DASL | India | India | Ground handling services |

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1. Basis of the Presentation

#### 2.1.1 Financial Reporting Standards

The interim consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards".

CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué").

This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB those dated 14 April 2008, 9 January 2009 and 25 October 2010. As per CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 29).

Until the differences between the International Financial Reporting Standards ("IAS/IFRS") as endorsed by the European Union and the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") have not been declared, the accompanying financial statements and notes are prepared in accordance with IAS/IFRS as declared in the Communiqué Serial: XI, No: 29 with the required formats announced by the CMB on 14 April 2008 and 9 January 2009.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these interim consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with CMB Financial Reporting Standarts and IAS 34 (Interim Financial Reporting Standarts The interim consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB those numbered as 2008/16, 2008/18, 2009/2, 2009/4 and 2009/40. As per CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements.

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion except for the valuation of certain financial assets and liabilities, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

The consolidated financial statements have been prepared in Turkish lira ("TL") which is functional currency of the Group based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

### Adjustments of the Financial Statements During High Inflation Periods

With a resolution passed on 17 March 2005, CMB has announced that inflation accounting will not apply for those companies operating in Turkey and that have drawn up the financial statements in accordance with CMB Accounting Standards as of 1 January 2005. Therefore, effective as of 1 January 2005, the standard number 29 "Financial Reporting in the Economies with High Inflation" (IAS 29) published by IASB have not been implemented.

### Functional and Presentation Currency

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

### Going Concern

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**Translation of Financial Statements of Foreign Subsidiaries and Joint Ventures Operating in Foreign Countries**

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

### 2.1.2 Amendments in International Financial Reporting Standards ("IFRS")

The Group has applied standards, amendments and interpretations to existing standards published by IASB and IFRIC that are effective as at 1 January 2011 and are relevant to the Group's operations. There are no relevant amendments or interpretations for the Group which have been enforced as of 1 January 2011 and in interim periods subsequent to 1 January 2011.

**a) Standards, amendments and interpretations effective for the financial year beginning 1 January 2011 which are relevant to the Company's operations and adopted by the Company:**

- IAS 24 (Revised), "Related party disclosures" supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for annual periods beginning on or after 1 January 2011. This amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It clarifies and simplifies the definition of a related party.
- IFRS 1 (Amendment), "First-time adoption" is effective for annual periods beginning 1 July 2010. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments: Disclosures', regarding comparative information for the new three-level classification disclosures.
- IFRIC 14, "Prepayments of a minimum funding requirement" are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The amendments correct an unintended consequence of IFRIC 14 on IAS 19, "The limit on a defined benefit asset, minimum funding requirements and their interaction".
- Annual improvements 2010 are effective for annual periods beginning 1 January 2011. This set of amendments includes changes to six standards and one IFRIC, namely;

  > IFRS 1 "First-time adoption"
  > IFRS 3 "Business combinations"
  > IFRS 7 "Financial Instruments: Disclosures"
  > IAS 1 "Financial statements presentation"
  > IAS 27 "Consolidated and seperate financial statements"
  > IAS 34 "Interim financial reporting"
  > IFRIC 13 "Customer loyalty programmes"

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**b) Standards, amendments and interpretations effective for the financial year beginning 1 January 2011 which are not relevant to the Company's operations and not adopted by the Company :**

- IFRIC 19, "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.
- IAS 32 (Amendment), "Financial Instruments: Presentation" applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

**c) Standards, amendments and interpretations not yet effective as of 30 June 2011 and not early adopted by the Company:**

- IFRS 7 (Amendment), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 July 2011. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.
- IFRS 1 (Amendment), "First time adoption" is effective for annual periods beginning on or after 1 July 2011. Amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- IAS 12 (Amendment), "Income taxes" is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
- IAS 19 (Amendment), "Employee benefits" is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- IAS 1 (Amendment), "Financial statement presentation" is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI )on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments).
- IFRS 9, "Financial Instruments" is not applicable until 1 January 2013 but is available for early adoption. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets.
- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- IFRS 11, "Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, "Disclosures of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, "Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 27, "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28, "Associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

### (d) Improvements to IFRS:

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various beginning on 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by EU.

*The following improvements to IFRS are not expected to have an impact on the financial statements of the Group:*

| | |
|---|---|
| IFRS 3: | Contingent consideration that arose from business combinations with acquisition dates precede the adoption of revised IFRS 3. |
| IFRS 3: | Measurement of non controlling interests. |
| IFRS 3: | Replacement of the acquiree's share-based payment transactions (whether obliged of voluntarily). |
| IAS 1: | Clarification to the statement of changes in equity. |
| IAS 27: | Clarification of the consequential amendments from IAS 27 "Consolidated and separate financial statements" made to IAS 21, IAS 28 and IAS 31. |
| IFRIC 13 | Customer loyalty programmes: The fair value of award credit. |
| IAS 34 | Interim Financial Reporting: Guidance to illustrate how to apply disclosure principles and additional disclosure requirements. |

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

*The impact of the improvement to IFRS below on the financial statements is being assessed by the Group:*

IFRS 7 "Financial Instruments: Disclosures", effective for annual periods beginning on or after 1 January 2011. This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosure and the nature and the extent of risks associated with financial instruments.

*The folllowing amendments to IFRS are not expected to have an impact on the financial statements of the Group:*

IFRS7 "Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities" (Amended), is effective for annual period beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additions disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRS.

IAS 12 "Deferred Tax: Recovery of underlying assets" (Amendment), is mandatory for annual period beginning on or after 30 June 2011. IAS 12 has been updated to include

i) a rebutable presumption that deferred tax on investment property measured using thefair value model in IAS 40 should be determined on the bases that its carrying amount will be recovered through sale and

ii) a requirement that deferred tax on non depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from 1 January 2011. It is expected that the application of the standards and the interpretations above will not have a significant effect on the consolidated financial statements of the Group.

Group's interim consolidated financial statements may also include the seasonality effects. Considiring these potiential effects, interim financial results may not sufficient to reach a conclusion for year end financial results.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.1.3 Basis of Consolidation

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

**b)** Subsidiaries are companies over which parent company has capability to control the financial and operating policies for the benefit of parent company, either through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies. The purchase method of accounting is used to account for business combinations that result in the acquisiton of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of Exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisiton date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses requires recognition in the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

| | Direct and indirect shareholding by Çelebi Hava and its Subsidiaries (%) | |
|---|---|---|
| **Subsidiary** | **30 June 2011** | **31 December 2010** |
| Celebi Guvenlik | 94.8 | 94.8 |
| CGHH | 70.0 | 70.0 |
| Celebi Delhi Cargo | 74.0 | 74.0 |
| Celebi GH Delhi | 74.0 | 74.0 |
| Celebi Europe (1) | 100.0 | 100.0 |
| Celebi Kargo (2) | 99.9 | 99.9 |
| Celebi Cargo GmbH (3) | 100.0 | 100.0 |

(1) As of 30 June 2011 Celebi Europe has directly and indirectly 100% voting right. However Celebi Europe has not been consolidated in consolidated financial statements by reason of being immaterial for the consolidated financial statements and the company operations has not started as of 30 June 2011. Thus Celebi Europe has been accounted in held for sale by using cost method (Note 6).

(2) As of 30 June 2011 Çelebi Kargo has directly and indirectly 99,9% voting right. However between 1 January 2010 and 30 September 2010 Çelebi Kargo has not been consolidated in consolidated financial statements but has been accounted in held for sale by using cost method since the company operations has not started as of 30 September 2010. By reason of taking into consideration increasing of total assets for the first time Çelebi Kargo has been consolidated in consolidated financial statements as of 31 December 2010.

(3) As of 30 June 2011 Celebi Cargo GmBH has directly and indirectly 100,0% voting right. However between 1 January 2010 and 30 September 2010 Celebi Cargo GmBH has not been consolidated in consolidated financial statements but has been accounted in held for sale by using cost method since the company operations has not started as of 30 September 2010. By reason of taking into consideration increasing of total assets for the first time Celebi Cargo GmBH has been consolidated in consolidated financial statements as of 31 December 2010.

**c)** Foreign Subsidiaries' assets and liabilities are translated into TL from the foreign exchange rate at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "cumulative translation differences" under the equity.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**d)** The non-controlling shareholders' share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income. When the losses applicable to the non-controlling exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling interest are charged against the majority interest except to the extent that the non-controlling interest has a binding obligation to, and is able to make good the losses

**e)** Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Celebi Hava Servisi and one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements.

| | Direct and indirect shareholding by Celebi Hava (%) | |
|---|---|---|
| **Joint Ventures** | **30 June 2011** | **31 December 2010** |
| Celebi IC Yatirim | 49.99% | 49.99% |
| Celebi Nas (*) | 51.00% | 51.00% |

(*) As of 30 June 2011, the agreement related to %8 share transfer of Sovika, shareholder of Celebi Nas, has not been finalized.

**f)** For available for sale financial assets under 20% of voting rights or over 20% of voting rights and that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

**g)** In preparing the consolidated financial statements, all balances and unrealized revenues resulting from intercompany transactions have been eliminated. Unrealized revenue transactions with the joint ventures have been eliminated by the rate of the controlling power of the Group over the Affiliate. Dividends from the shares the Company owns have, also been eliminated from the related equity and income statement accounts.

Associates are companies in which the Group has the interest that is more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Equity method is used for accounting of associates.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Unrealized gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

### 2.2. Changes in the Accounting Policies

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. There are no important changes in the accounting policies for the period of 1 January - 30 June 2010.

### 2.3. Changes and Errors in the Accounting Estimates

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

### 2.4. Summary of Significant Accounting Policies

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

### 2.4.1 Cash and Cash Equivalents

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

### 2.4.2 Revenue

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognized on an accrual basis at the time the Group sells a product to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold and services given less sales returns, discount and commissions. Rent income is recorded on an accrual basis, while interest income is recorded on an effective interest yield method basis. Dividend income is recorded as income as of the collection right transfer date.

The fair value of the sales is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as financial income

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

According to the concession agreement signed by Celebi Delhi Cargo and Delhi International Airport Private Limited ("DIAL") on 24 August 2009, 36% of the income is generated from the operation of the cargo terminal in the airport in New Delhi for 25 years, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Delhi Cargo (Note 18).

According to the concession agreement signed by Celebi Nas and Mumbai International Airport Private Limited ("MIAL") on 14 November 2008, 15% of the income is generated from the airport ground services provided in the airport in Mumbai for 11 years, belongs to MIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Nas (Note 18).

According to concession agreement signed by Celebi GH Delhi and Delhi International Airport Private Limited ("DIAL") on 2 June 2010, comparatively higher amount among 15% of the income which is generated from the airport ground services provided in the airport in New Delhi for 10 years or 12,85% of income based on price ceiling determined by DIAL, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Nas (Note 18).

### 2.4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, restated to the equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less depreciation for the items purchased after 1 January 2005. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

| | Useful Lives (Years) |
|---|---|
| Machinery and equipment | 5-20 |
| Motor vehicles | 5 |
| Furniture and fixtures | 5 |
| Leasehold improvements | 15 |

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

Gains or losses on disposals of property, plant and equipment are determined by comparing the carrying amount at financial statements and collected amount and included in the related income or expense accounts, as appropriate.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

### 2.4.4 Intangible Assets

Intangible assets are comprised of trademark licenses, patents, Build-Operate-Transfer investments, customer relations and computer software (Note 12).

*a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included classified in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

*b) Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life (7 Years) and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Where there is any indication that a contractual customer relationships may be impaired, the carrying value of asset is tested for impairment.An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

*c) Computer software (Rights)*

Rights arising on computer software are recognized at its acquisition cost. Computer software is amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

*d) Service Concession Arrangements*

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

**Intangible asset model**

Since the Group has a right to charge to users regarding usage of investment, determined with Service Concession Agreements, Group has applied an intangible asset model described in IFRIC 12 "Service Concession Agreements" for the agreements listed below.

Intangibles arising from service concession agreement classified as build- operate - transfer investment as intangible assets.

**Contractual obligations related to maintenance and modernization**

According to service concession agreements, maintenance and modernization within in the scope of the contractual obligations are accounted in accordance with IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets").

The amortisation of the leasehold improvements related with the construction of the terminal has been conducted using the straight-line method based on the operation period of the terminal.

| | |
|---|---|
| Celebi Nas | 11 years |
| Celebi Delhi Cargo | 25 years |
| Celebi GH Delhi | 10 years |

Borrowing costs that are directly attributable to the build-operate-transfer investment are capitalized as part of the cost of that asset, if the amount of costs can be measured reliably and it is probable that the economic benefits associated with the qualifying asset will flow to the Group.

*Celebi Delhi Cargo*

An Agreement regarding improvement, modernization, financing and 25 years finite operating rights of the airport located in Delhi city of India has been signed on 24 August 2009. INR 1.200.000.000 deposit had been paid.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

*Celebi Nas*

Operating rights agreement regarding ground services of airport in Mumbai, India for 11 years had been signed on 14 November 2008. INR 200.000.000 had been paid as deposit. On 30 June 2011 INR 22.500.000 of the deposit amount had been paid back.

*Celebi GH Delhi*

Ground services agreement for 10 years regarding airport in Delhi city of India has been signed on 2 June 2010. INR 400.000.000 deposit has been paid.

According to these concession agreements, the Group has capitalized the differences between the paid deposit and its today's value as build-operate-transfer investment and amortized them during the periods of concession agreements (Note 12).

### 2.4.5 Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 10).

### 2.4.6 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets

An impairment loss recognized in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.7 Financial Liabilities and Borrowing Costs

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

International Accounting Standard 23 ("Borrowing Costs") was revised on 29 March 2007 by the IASB. Besides, the revised IAS 23 is effective at 1 January 2009. The Group opted for early adoption and changed its accounting policy, choosing the policy envisaged in IAS 23 related to borrowing costs since 1 January 2007. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

### 2.4.8 Financial Instruments

*Trade receivables*

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost (Note 8).

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

*Financial assets*

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

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

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

### 2.4.9 Trade Payables

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

### 2.4.10 Deferred Financial Income/Expense

Deferred financial income/expense represents financial income and expenses on credit sales and purchases. These, income and expenses are recognized using the effective yield method during the due date of the credit sales and purchases and disclosed under financial income and expenses.

### 2.4.11 Business Combinations and Goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with IFRS 3.

The cost of a business combination is allocated by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has been recognized as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. In business combinations, the acquirer recognizes identifiable assets (such as deferred tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. The goodwill previously recognized in the financial statements of the acquiree is not considered as an identifiable asset.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Goodwill recognized as a result of business combinations is not amortized and its carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Provisions for goodwill impairment loss are not cancelled at subsequent periods. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, a statement of income contains the operations that take place after the business combination. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted as "effect of transactions under common control" under "Additional contribution to shareholders' equity related to merger".

Transactions with minority shareholders

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. Regarding the purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded from equity. Gains or losses on disposals to minority interests are also accounted for in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also accounted for in equity.

### 2.4.12 Foreign currency transactions

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

### 2.4.13 Earnings per Share

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

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.14 Subsequent events

The Group adjusts the amounts recognized in the consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influences on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

### 2.4.15 Provisions, contingent liabilities and contingent assets

The conditions which are required to be met in order to recognize a provision in the consolidated financial statements are those that the Group has a present legal or constructive obligation as a result of past events, 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.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Liabilities or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity should not be recognized as liabilities or assets, however they should be disclosed as contingent liabilities or assets.

### 2.4.16 Leases

*Financial leases*

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

*Operational leases*

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

### 2.4.17 Related Parties

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.18 Segment Reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorized to make decisions regarding the activities of the Group. The organs and persons authorized to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on activity basis such as; ground handling services, airport security services, airport terminal operating and cargo and warehouse services (Note 4).

### 2.4.19 Discontinued Operations

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

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

### 2.4.20 Government Incentives and Grants

Government incentives, including non-monetary grants at fair value, are included in the financial statements only if there is reasonable assurance that the Company will fulfill all required conditions and acquire the incentive.

### 2.4.21 Investment Property

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives that until 50 years.

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.22 Taxes on Income

*Current and deferred income tax*

Taxes on income for the period comprise of current tax and the change in the deferred income taxes. Current taxes on income comprise tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted at the balance sheet date and any adjustment in taxes payable for previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 24).

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

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly (Note 24).

### 2.4.23 Employee Benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the joint ventures operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using estimated liability method. All actuarial profits and losses are recognized in consolidated statements of income (Note 15).

### 2.4.24 Statement of Cash Flows

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

Cash flows from main activities represent the cash flows of the Group generated from airport ground handling services, airport construction and operating activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments). Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.25 Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

### 2.4.26 Paid-in Capital

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

### 2.4.27 Derivative financial instruments and hedging activities

Derivative financial instruments are subsequently measured at their fair values. The derivative instruments of the Group mainly consist of interest rate exchange and foreign exchange forward contracts.

The Group presents its income and losses regarding with hedging as "hedge fund" under equity. If a hedged undertaking or a tentative activity transposes to an asset or a liability, the related income and losses are added to the cost or carrying value of aforementioned asset or liability. If the added income or losses affect net profit or loss, they are represented in the consolidated statements of income.

The Group should document the Group's risk management objectives, hedging strategies and the relationship between hedging instrument and hedged item. In addition, the Group should regularly document the valuation of effective balance in changes in hedging instruments' fair value and in changes in cash flows.

Since the Group has not performed aforementioned documentation and activity analysis, financial derivative instruments are accounted as "financial derivative instruments held for trading" and reasonable changes in values are presented in the consolidated statements of income.

Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative in consolidated balance sheets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is utilizing observable market data at the valuation process (Note 28).

### 2.4.28 Comparatives and restatement of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Group at 30 June 2011 has been provided with the comparative financial information of 31 December 2010 and the statement of income, the statement of changes in equity and the statement of cash flows for the period ended 1 January-30 June 2011 have been provided with the comparative financial information, for the year period 1 January-30 June 2010.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4.29 Offsetting

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

### 2.4.30 Share premium

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

### 2.5. Critical Accounting Estimates and Assumptions

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

#### *(a) Goodwill impairment tests*

As explained in Note 2.4.11, the Group performs impairment tests on goodwill annually at 31 December or more frequently if events or changes in circumstances indicate that it might be impaired. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. These calculations include certained estimations and assumptions. As a result of the impairment tests performed with the use of the above assumptions, no impairment was detected in the goodwill amount as of 30 June 2010 (Note 13).

#### *(b) Impairment of intangible assets*

According to the accounting policy stated in Note 2.4.4., the intangible non-current assets are shown with their net value after the deduction of the accumulated depreciation, if any, and the value subtracted from the acquisition costs. As a result of the valuation studies performed at the purchase of 100% of CGHH shares, "Customer Relations" has been considered as an identifiable asset by the Group and shown under the intangible non-current assets. While the terms of the agreements signed by CGHH with its clients are either unlimited or for two to three years, it is seen that the clients continue the agreements for more than two to three years considering the average terms in the sector. The redemption and amortization are determined as seven years according to these estimates; all the important clients of CGHH have continued to work with CGHH since the year it started operations in Budapest and no important level of decrease is expected in the existing market share of CGHH. Thanks to the positive developments in the operations of CGHH, no indicator has been noted relating to whether or not there is a decrease in the registered net book value of the intangible non-current assets which are defined as "Customer Relations" and whose useful life is determined as seven years (Note 12).

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### *(c) Provisions*

As explained in Note 2.4.15, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the law suits and court cases opened against it at 30 June 2011 and for the ones where the Group estimates more than 50% probability of losing them necessary provisions are accounted for in the consolidated financial statements (Note 14 and Note 31).

### *(d) Taxes on income*

As explained in Note 2.4.22, a provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date. Tax legislations in the Group's subsidiaries' and joint ventures' operating countries are subject to different manners of interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of subsidiaries and joint ventures in foreign countries by the tax authorities may differ from the interpretation of the management. Consequently, the Group may encounter additional taxes, penalties and interests.

As of 30 June 2011, the Group has evaluated the possibility of any tax exposure that may arise in foreign subsidiaries and joint ventures and has not identified any necessity to recognize a provision.

### *(e) Accounting of derivative financial instruments and hedging activities*

Derivatives are initially recognized at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of interest rate exchange and foreign exchange forward contracts. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is utilizing observable market data at the valuation process.

### *(f) Unused carry-forward tax losses*

Deferred tax asset is booked where there is a probability that a tax advantage can be gained in future periods. Despite of currency forward contract which has been made to deal with risks related to changes in market value of future forecasted cash flows of CGHH , foreign exchange losses caused by decrease in the value of Hungarian Forint against Euro due to ongoing financial crisis in Hungary and international markets has lead to the probability of inability to utilize carry-forward tax losses of CGHH amounted as of 30 June 2011 to TL 11,438,085 (31 December 2010: TL 13,266,043) partly or completely in an identifiable period of time. Although there has been no expiry date for the utilization of carry-forward tax losses in the Hungarian Tax System, the Company has not accounted for deferred tax asset amounted as of 30 June 2011 to TL 1,143,809 (31 December 2010: TL 1,923,576).In addition to, the Celebi Nas has not booked deferred tax amounted to TL 765,313(31 December 2010: TL 1,389,931) to its financial statements as of 30 June 2011 which is arisen from the carry forward losses amounted to 2,476,740 TL due to the probability of inability to utilize carry-forward tax losses.

Same as above, the Celebi GH Delhi has not booked deferred tax amounted to TL 2,948,092 (31 December 2010: TL 1.272.735) to its financial statements as of 30 June 2011 which is arisen from the carry forward losses amounted to TL 9,086,431 due to the probability of inability to utilize carry-forward tax losses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 3 - JOINT VENTURES

**Shares in Joint Ventures**

Celebi IC Antalya Havalimani Terminal Yatirim ve Isletme A.S. and Celebi Nas as described in Note 2 are the joint venture included in the consolidation by the way of proportionate consolidation. Financial information summary of the joint venture relating to balances included in the consolidated financial statements before the consolidation eliminations is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Current assets | 11,070,125 | 16,855,283 |
| Non-current assets | 32,893,496 | 29,360,015 |
| **Total assets** | **43,963,621** | **46,215,298** |
| Current liabilities | 15,175,615 | 16,779,550 |
| Non-current liabilities | 14,706,984 | 17,144,282 |
| Shareholders' equity | 14,081,022 | 12,291,466 |
| **Total liabilities and shareholders' equity** | **43,963,621** | **46,215,298** |

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Revenue - net | 11,758,571 | 5,610,096 | 8,725,747 | 4,818,539 |
| Gross profit | 2,865,351 | 1,228,473 | 1,273,820 | 830,847 |
| Operating profit/ (loss) | 1,550,416 | 610,117 | (164,861) | 196,292 |
| Net profit/ (loss) for the period | 971,445 | 722,021 | (154,614) | (668,059) |

## NOTE 4 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed by the board of directors, and found effective in strategically decision taking.

The management considers the Group within the views named geographic and operational segments. They are assessing the Group's performance on an operating segment basis; Ground Handling Services, Security Services, Terminal Construction and Management. Reportable operating segment revenues are Ground Handling Services, Security Services, Terminal Construction and Management and Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of 30 June 2011 is as follows:

**1 January - 30 June 2011**

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| | **Ground Handling Services** | **Airport Security Services** | **Airport Terminal Construction and Management** | **Cargo and Warehouse Services** | **Consolidation Adjustments** | **Consolidated** |
| Revenue - net | 134,934,153 | 1,751,318 | - | 57,233,221 | (361,043) | 193,557,649 |
| Cost of sales | (100,549,703) | (1,541,262) | - | (37,857,024) | 1,235,236 | (138,712,753) |
| **Gross profit** | **34,384,450** | **210,056** | **-** | **19,376,197** | **874,193** | **54,844,896** |
| General administrative expenses | (27,225,801) | (780,080) | (11,957) | (10,448,589) | 32,345 | (38,434,082) |
| Addition: Depreciation and amortization | 11,734,224 | 20,610 | 57 | 3,786,942 | - | 15,541,833 |
| **EBITDA** | **18,892,873** | **(549,414)** | **(11,900)** | **12,714,550** | **906,538** | **31,952,647** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

**1 April - 30 June 2011**

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| | **Ground Handling Services** | **Airport Security Services** | **Airport Terminal Construction and Management** | **Cargo and Warehouse Services** | **Consolidation Adjustments** | **Consolidated** |
| Revenue - net | 85,489,864 | 484,950 | - | 29,885,175 | 56,633 | 115,916,622 |
| Cost of sales | (57,844,025) | (206,704) | - | (20,640,142) | 527,772 | (78,163,099) |
| **Gross profit** | **27,645,839** | **278,246** | **-** | **9,245,033** | **584,405** | **37,753,523** |
| General administrative expenses | (13,861,862) | (585,286) | (8,068) | (5,858,794) | 8,238 | (20,305,772) |
| Addition: Depreciation and amortization | 5,631,009 | 10,302 | 28 | 2,364,194 | - | 8,005,533 |
| **EBITDA** | **19,414,986** | **(296,738)** | **(8,040)** | **5,750,433** | **592,643** | **25,453,284** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 4 - SEGMENT REPORTING (Continued)**

The segment information provided to the board of directors as of 30 June 2010 is as follows:

**1 January - 30 June 2010**

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| | Ground Handling Services | Airport Security Services | Airport Terminal Construction and Management | Cargo and Warehouse Services | Consolidation Adjustments | Consolidated |
| Revenue - net | 109,178,732 | 2,617,227 | - | 40,640,111 | (594,510) | 151,841,560 |
| Cost of sales | (80,124,476) | (2,176,780) | - | (22,055,917) | 940,565 | (103,416,608) |
| **Gross profit** | **29,054,256** | **440,447** | **-** | **18,584,194** | **346,055** | **48,424,952** |
| General administrative expenses | (24,629,943) | (528,503) | (43,044) | (3,393,019) | 841,964 | (27,752,545) |
| Addition: Depreciation and amortization | 10,192,446 | 18,630 | - | 1,248,173 | - | 11,459,249 |
| **EBITDA** | **14,616,759** | **(69,426)** | **(43,044)** | **16,439,348** | **1,188,019** | **32,131,656** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

**1 April - 30 June 2010**

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| | **Ground Handling Services** | **Airport Security Services** | **Airport Terminal Construction and Management** | **Cargo and Warehouse Services** | **Consolidation Adjustments** | **Consolidated** |
| Revenue - net | 66,493,230 | 1,428,592 | - | 21,928,203 | (268,181) | 89,581,844 |
| Cost of sales | (43,828,427) | (1,199,106) | - | (12,022,245) | 621,662 | (56,428,116) |
| **Gross profit** | **22,664,803** | **229,486** | **-** | **9,905,958** | **353,481** | **33,153,728** |
| General administrative expenses | (13,238,867) | (267,281) | (11,144) | (1,769,572) | 377,060 | (14,909,804) |
| Addition: Depreciation and amortization | 5,248,605 | 9,341 | - | 665,006 | - | 5,922,952 |
| **EBITDA** | **14,674,541** | **(28,454)** | **(11,144)** | **8,801,392** | **730,541** | **24,166,876** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

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

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| EBITDA for reported segments | 31,952,647 | 25,453,284 | 32,131,656 | 24,166,876 |
| Depreciation and amortization | (15,541,833) | (8,005,533) | (11,459,249) | (5,922,952) |
| Other operating income | 1,947,138 | 1,460,726 | 1,132,160 | 245,088 |
| Other operating expenses (-) | (3,406,853) | (3,000,198) | (5,570,567) | (1,748,708) |
| **Operating profit** | **14,951,099** | **15,908,279** | **16,234,000** | **16,740,304** |
| Financial income | 12,128,958 | 4,987,420 | 11,395,261 | 4,058,775 |
| Financial expense (-) | (18,323,176) | (11,434,580) | (17,379,558) | (10,162,678) |
| **Income before tax** | **8,756,881** | **9,461,119** | **10,249,703** | **10,636,401** |

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

| Total Assets | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Turkey | 219,440,724 | 199,309,641 |
| India | 152,725,212 | 138,246,023 |
| Hungary | 70,086,132 | 60,008,094 |
| Germany | 19,275,715 | 10,181,614 |
| **Segment Assets (*)** | **461,527,783** | **407,745,372** |
| Unallocated assets | 20,297,628 | 31,765,460 |
| Less: Inter-segment elimination | (80,959,146) | (80,228,997) |
| **Total assets as per consolidated financial statements** | **400,866,265** | **359,281,835** |

(*) Total combined assets are generally formed of assets that are related with operations and do not include deferred income tax assets, time deposits.

| Total Liabilities | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Turkey | 43,029,253 | 39,563,519 |
| India | 21,615,272 | 18,840,157 |
| Hungary | 8,285,572 | 11,118,693 |
| Germany | 2,390,035 | 2,324,425 |
| **Segment liabilities (*)** | **75,320,132** | **71,846,794** |
| Unallocated liabilities | 228,141,077 | 162,042,289 |
| Less: Inter-segment elimination | (2,534,154) | (3,116,416) |
| **Total liabilities as per consolidated financial statements** | **300,927,055** | **230,772,667** |

(*) Total combined liabilities are generally formed of liabilities that are related with operations and do not include tax provision, deferred income tax liabilities.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

**Geographical Segments**

**Geographical Analysis for the period 1 January - 30 June 2011**

| | Turkey | Hungary | India | Germany | Total Combined | Intersegment Adjustment | Total |
|---|---|---|---|---|---|---|---|
| Revenue | 119,007,363 | 26,318,086 | 42,802,642 | 5,429,558 | 193,557,649 | - | 193,557,649 |
| Cost of sales | (83,250,980) | (18,786,517) | (29,475,566) | (7,828,457) | (139,341,520) | 628,767 | (138,712,753) |
| Gross profit | 35,756,383 | 7,531,569 | 13,327,076 | (2,398,899) | 54,216,129 | 628,767 | 54,844,896 |
| General administrative expenses | (25,434,268) | (6,153,611) | (4,219,318) | (2,626,885) | (38,434,082) | - | (38,434,082) |
| Other operating income/ expense - net | (1,044,545) | (153,941) | 105,570 | 261,968 | (830,948) | (628,767) | (1,459,715) |
| **Operating profit** | **9,277,570** | **1,224,017** | **9,213,328** | **(4,763,816)** | **14,951,099** | **-** | **14,951,099** |

**Geographical Analysis for the period 1 April - 30 June 2011**

| | Turkey | Hungary | India | Germany | Total Combined | Intersegment Adjustment | Total |
|---|---|---|---|---|---|---|---|
| Revenue | 77,361,022 | 13,797,019 | 21,761,332 | 2,997,249 | 115,916,622 | - | 115,916,622 |
| Cost of sales | (47,739,746) | (9,691,308) | (15,412,184) | (5,697,256) | (78,540,494) | 377,395 | (78,163,099) |
| Gross profit | 29,621,276 | 4,105,711 | 6,349,148 | (2,700,007) | 37,376,128 | 377,395 | 37,753,523 |
| General administrative expenses | (14,244,798) | (3,236,875) | (2,498,499) | (325,600) | (20,305,772) | - | (20,305,772) |
| Other operating income/ expense - net | (1,602,423) | (129,007) | 12,411 | 251,180 | (1,467,839) | (71,633) | (1,539,472) |
| **Operating profit** | **13,774,055** | **739,829** | **3,863,060** | **(2,774,427)** | **15,602,517** | **305,762** | **15,908,279** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 4 - SEGMENT REPORTING (Continued)

### Geographical Analysis for the period 1 January - 30 June 2010

| | Turkey | Hungary | India | Total Combined | Intersegment Adjustment | Total |
|---|---|---|---|---|---|---|
| Revenue | 95,521,220 | 23,599,636 | 32,753,946 | 151,874,802 | (33,242) | 151,841,560 |
| Cost of sales | (70,800,893) | (15,512,110) | (17,264,587) | (103,577,590) | 160,982 | (103,416,608) |
| Gross profit | 24,720,327 | 8,087,526 | 15,489,359 | 48,297,212 | 127,740 | 48,424,952 |
| General administrative expenses | (17,743,268) | (5,395,193) | (5,377,455) | (28,515,916) | 763,371 | (27,752,545) |
| Other operating income/ expense - net | (3,496,115) | (5,294) | 87,331 | (3,414,078) | (1,024,329) | (4,438,407) |
| **Operating profit** | **3,480,944** | **2,687,039** | **10,199,235** | **16,367,218** | **(133,218)** | **16,234,000** |

### Geographical Analysis for the period 1 April - 30 June 2010

| | Turkey | Hungary | India | Total Combined | Intersegment Adjustment | Total |
|---|---|---|---|---|---|---|
| Revenue | 60,859,252 | 10,716,340 | 18,006,252 | 89,581,844 | - | 89,581,844 |
| Cost of sales | (40,101,482) | (6,955,997) | (9,531,619) | (56,589,098) | 160,982 | (56,428,116) |
| Gross profit | 20,757,770 | 3,760,343 | 8,474,633 | 32,992,746 | 160,982 | 33,153,728 |
| General administrative expenses | (9,640,961) | (2,585,335) | (3,022,409) | (15,248,705) | 338,901 | (14,909,804) |
| Other operating income/ expense - net | (848,452) | (53,292) | 31,225 | (870,519) | (633,101) | (1,503,620) |
| **Operating profit** | **10,268,357** | **1,121,716** | **5,483,449** | **16,873,522** | **(133,218)** | **16,740,304** |

## NOTE 5 - CASH AND CASH EQUIVALENTS

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Cash | 204,074 | 78,073 |
| Banks | | |
| - time deposit | 20,297,628 | 31,765,460 |
| - demand deposit | 30,872,337 | 42,456,161 |
| | **51,374,039** | **74,299,694** |

Effective interest rates on TL, Euro, USD and INR denominated time deposits at 30 June 2011 are 6.79%, 1.53%, 1.38% and 6.50% (31 December 2010: TL 6.84%, Euro 1.19%, USD 1.83%, Rupee 6.50%) respectively. The maturity days on TL, Euro and USD denominated time deposits as of 30 June 2011 1-3 days for Euro and for TL, 1-30 days for USD and for INR (31 December 2010: Euro and USD 1-23 days, TL and INR 1-17 days).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at 30 June 2011 and 30 June 2010 are as follows:

| | **30 June 2011** | **30 June 2010** |
|---|---|---|
| Cash and banks | 51,374,039 | 63,141,329 |
| Less: Interest Accruals | (39,372) | (53,234) |
| Less: Restricted cash (*) | (7,453,419) | (6,474,942) |
| | **43,881,248** | **56,613,153** |

(*) TL 7,085,024 of the mentioned amount represents the collections from the clients kept in mandatory restricted accounts according to the concession agreements signed for the operation of the terminals in New Delhi Airport in India. (31 December 2010: TL 898,791). As of 31 December 2010 restricted cash amounted TL 2,670,394 is kept in the bank as the provision against the bank guarantee given by Celebi IC Yatirim to DHMI.

## NOTE 6 - FINANCIAL INVESTMENTS

***Available-for-sale assets:***

| | **30 June 2011** | | **31 December 2010** | |
|---|---|---|---|---|
| | **%** | **TL** | **%** | **TL** |
| DASL | 16.7% | 1,521,341 | 16.7% | 5,761 |
| Celebi Europe | 100.0% | 20,525 | 100.0% | 20,525 |
| | | **1,541,866** | | **26,286** |

As of 30 June 2011, Celebi Europe and DASL have not been consolidated in consolidated financial statements by reason of being immaterial for the Group's consolidated financial statements and as these subsidiaries have not started their operations; their financials are accounted as assets held-for-sale.

The Company's investment in DASL is amounting to TL 1,521,580 and the amount TL 1,515,580 of the investment consists of given capital advances which have not been registered as of 30 June 2011.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 7 - FINANCIAL LIABILITIES

*Short-term financial liabilities:*

| | 30 June 2011 | | |
|---|---|---|---|
| | Effective interest rate (%) | Original amount | TL |
| **Short-term bank borrowings:** | | | |
| Euro borrowings | 4.77% | 14,091,069 | 33,102,739 |
| TL borrowings | - | 1,848,399 | 1,848,399 |
| | | | **34,951,138** |
| ***Short-term portion of long-term borrowings:*** | | | |
| Interest expense accrual - US Dollar | | 258,032 | 420,643 |
| Interest expense accrual - INR | | 23,341,539 | 852,433 |
| Interest expense accrual - Euro | | 994,532 | 2,336,355 |
| US Dollar borrowings | 4.48% | 2,000,000 | 3,260,400 |
| INR borrowings | 13.05% | 137,332,119 | 5,015,369 |
| Euro borrowings | 4.22% | 10,674,911 | 25,077,500 |
| | | | **36,962,700** |
| ***Short-term finance lease obligations*** | | | |
| Short-term finance lease obligations - US Dollar | | 41,454 | 67,578 |
| Short-term finance lease obligations - Euro | | 414,163 | 972,951 |
| **Short-term finance lease obligations** | | | **1,040,529** |
| **Short-term financial liabilities** | | | **72,954,367** |
| ***Long-term financial liabilities:*** | | | |
| US Dollar borrowings | 4.48% | 4,000,000 | 6,520,800 |
| INR borrowings | 13.05% | 1,602,899,124 | 58,537,876 |
| Euro borrowings | 4.22% | 33,767,579 | 79,326,797 |
| | | | **144,385,473** |
| ***Long-term finance lease obligations*** | | | |
| Long-term finance lease obligations - US Dollar | | 31,829 | 51,888 |
| Long-term finance lease obligations - Euro | | 2,964,212 | 6,963,527 |
| **Long-term finance lease obligations** | | | **7,015,415** |
| **Long-term financial liabilities** | | | **151,400,888** |
| **Total financial liabilities** | | | **224,355,255** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 7 - FINANCIAL LIABILITIES (Continued)

| | 30 June 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Long-term financial liabilities** | **151,400,888** | **142,336,609** | **129,425,555** | **122,046,301** |

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values of long-term bank borrowings are based on cash flows discounted using a rate based on the borrowing rate of 6.67% (31 December 2010: 6.88%). The fair values of short-term bank borrowings are considered to approximate their carrying values.

***Short–term financial liabilities:***

| | 31 December 2010 | | |
|---|---|---|---|
| | **Effective interest rate (%)** | **Original amount** | **TL** |
| ***Short-term bank borrowings:*** | | | |
| Euro borrowings | 6.25% | 1,000,000 | 2,049,100 |
| | | | **2,049,100** |
| ***Short-term portion of long-term borrowings:*** | | | |
| Interest expense accrual - US Dollar | | 125,232 | 193,609 |
| Interest expense accrual - Euro | | 327,286 | 670,641 |
| Interest expense accrual - INR | | 25,382,326 | 877,467 |
| US Dollar borrowings | 4.49% | 2,000,000 | 3,092,000 |
| INR borrowings | 13.35% | 102,026,555 | 3,527,058 |
| Euro borrowings | 3.87% | 8,852,342 | 18,139,335 |
| | | | **26,500,110** |
| Short-term finance lease obligations - US Dollar | | 75,594 | 116,869 |
| **Short-term financial liabilities** | | | **28,666,079** |
| ***Long-term financial liabilities:*** | | | |
| US Dollar borrowings | 4.49% | 4,000,000 | 6,184,000 |
| INR borrowings | 12.41% | 1,545,511,600 | 53,428,336 |
| Euro borrowings | 3.87% | 34,046,172 | 69,764,011 |
| | | | **129,376,347** |
| Long-term finance lease obligations - US dollar | | 31,829 | 49,208 |
| **Long-term financial liabilities** | | | **129,425,555** |
| **Total financial liabilities** | | | **158,091,634** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 7 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of borrowings according to their contractual repricing dates is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Less than 3 months | 34,946,444 | 1,224,875 |
| Between 3-12 months | 38,007,923 | 27,441,204 |
| Between 1-5 years | 151,400,888 | 129,425,555 |
| | **224,355,255** | **158,091,634** |

The redemption schedules of long-term bank borrowings as of 30 June 2011 and 31 December 2010 are as follows

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| 2012 | 34,983,484 | 31,816,533 |
| 2013 | 44,041,579 | 41,564,436 |
| 2014 | 25,347,468 | 24,932,172 |
| 2015 and over | 40,012,942 | 31,063,206 |
| | **144,385,473** | **129,376,347** |

The redemption schedules of financial lease obligations as of 30 June 2011 and 31 December 2010 are as follows:

| | 30 June 2011 | | | 31 December 2010 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Interest | Total obligation | Minimum lease payments | Interest | Total obligation |
| Less than 1 year | 1,468,592 | (428,063) | 1,040,529 | 127,526 | (10,657) | 116,869 |
| 1 to 2 years | 1,433,161 | (372,919) | 1,060,242 | 35,261 | (7,760) | 27,501 |
| 2 to 3 years | 1,400,896 | (306,894) | 1,094,002 | 14,916 | (1,658) | 13,258 |
| 4 years and over | 5,414,886 | (553,715) | 4,861,171 | 2,033 | 6,416 | 8,449 |
| | **9,717,535** | **(1,661,591)** | **8,055,944** | **179,736** | **(13,659)** | **166,077** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES

| Short-term trade receivables | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Trade receivables | 56,342,210 | 29,887,826 |
| Less: Provision for doubtful receivables | (2,953,606) | (3,207,136) |
| | **53,388,604** | **26,680,690** |

The maturities of trade receivables are generally less than one month at 30 June 2011 (31 December 2010: less than one month). The fair value of current trade receivables as of 30 June 2011 and 31 December 2010 equals their carrying amount as the impact of discounting is not significant.

The Group's previous experience in the collection of receivables has been considered in the provisions booked. Therefore, the Group does not foresee any additional receivable risk for the possible collection losses.

Movement of provision for doubtful receivables is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Opening balance | 3,207,136 | 2,377,172 |
| Current year charge | 92,973 | 844,259 |
| Cumulative translation differences | 132,240 | (7,106) |
| Collections and reversal of provisions | (478,743) | (7,189) |
| **Closing balance** | **2,953,606** | **3,207,136** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Credit risks exposed by the Group for each financial instrument type as of 30 June 2011 and 31 December 2010 are shown below:

| | Trade receivables | | Other receivables | | |
|---|---|---|---|---|---|
| **30 June 2011** | **Related party** | **Other** | **Related party** | **Other** | **Bank deposits** |
| **The maximum of credit risk exposed at the reporting date** | 480,427 | 53,388,604 | - | 4,293,914 | 51,169,965 |
| ***- Credit risk covered by guarantees*** | - | *2,305,634* | | | |
| Net carrying value of financial assets either are not due or not impaired | 28,713 | 43,276,078 | - | 4,293,914 | 51,169,965 |
| Net carrying value of financial assets which are overdue but not impaired | 451,714 | 10,112,526 | - | - | - |
| *- Amount of risk covered by guarantees* | - | 1,837,747 | - | - | - |
| Net carrying value of impaired assets | | | | | |
| *- Overdue (gross carrying value)* | - | 2,953,606 | - | - | - |
| *- Impairment amount (-)* | - | (2,953,606) | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

| 31 December 2010 | Trade receivables | | Other receivables | | |
|---|---|---|---|---|---|
| | **Related party** | **Other** | **Related party** | **Other** | **Bank deposits** |
| **The maximum of credit risk exposed at the reporting date** | 107,917 | 26,680,690 | 1,813,150 | 3,343,009 | 74,221,621 |
| ***- Credit risk covered by guarantees*** | - | *1,974,248* | - | - | - |
| Net carrying value of financial assets either are not due or not impaired | 105,499 | 17,253,064 | 1,813,150 | 3,343,009 | 74,221,621 |
| Net carrying value of financial assets which are overdue but not impaired | 2,418 | 9,427,626 | - | - | - |
| *- Amount of risk covered by guarantees* | - | 1,897,550 | - | - | - |
| Net carrying value of impaired assets | - | - | - | - | - |
| *- Overdue (gross carrying value)* | - | 3,207,136 | - | - | - |
| *- Impairment amount (-)* | - | (3,207,136) | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Aging which is prepared considering the overdue days of overdue receivables that are not impaired including receivables from related parties is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Up to 1 month | 8,294,624 | 6,426,305 |
| 1 to 3 months | 817,709 | 1,607,351 |
| 3 to 12 months | 1,320,385 | 1,086,431 |
| 1 to 5 years | 131,522 | 309,957 |
| | **10,564,240** | **9,430,044** |

Aging of overdue receivables that are not impaired including receivables from related parties is as follows:

| | Trade receivables | |
|---|---|---|
| **30 June 2011** | **Related party** | **Other** |
| Overdue 1-30 days | 35,830 | 8,258,794 |
| Overdue 1-3 months | 21,377 | 796,332 |
| Overdue 3-12 months | 393,410 | 926,975 |
| Overdue 1-5 years | 1,097 | 130,425 |
| **Amount of risk covered by guarantees** | - | **1,837,747** |

| | Trade receivables | |
|---|---|---|
| **31 December 2010** | **Related party** | **Other** |
| Overdue 1-30 days | 2,418 | 6,423,887 |
| Overdue 1-3 months | - | 1,607,351 |
| Overdue 3-12 months | - | 1,086,431 |
| Overdue 1-5 years | - | 309,957 |
| **Amount of risk covered by guarantees** | - | **1,897,550** |

**Short-term trade payables**

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| **Trade Payables** | **16,881,251** | **15,960,633** |

The fair value of short-term trade payables as of 30 June 2011 and 31 December 2010 equals their carrying amount as the impact of discounting is not significant.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 9 - OTHER RECEIVABLES AND PAYABLES

| **Other short-term receivables** | **30 June 2011** | **31 December 2010** |
|---|---|---|
| Receivables from Tax Office | 2,830,171 | 2,415,452 |
| Advances given (*) | 1,442,607 | 875,098 |
| Other short-term receivables | 21,136 | 52,459 |
| | **4,293,914** | **3,343,009** |

(*) As of 30 June 2011, 1,005,761 TL of advances given is arises from the advances given for Celebi Nas to purchase equipments (31 December 2010: TL 805,921).

| **Other long-term receivables** | **30 June 2011** | **31 December 2010** |
|---|---|---|
| Advances given (*) | 13,886,430 | 10,943,021 |
| Other long-term receivables | 26,428 | 9,084 |
| | **13,912,858** | **10,952,105** |

(*) As of 30 June 2011, TL 7,377,229 (31 December 2010: TL 5,957,156), TL 3,503,036 (31 December 2010: TL 3,028,176) and TL 3,006,165 (31 December 2010: TL 1,957,689) are paid respectively for Celebi GH Delhi, Celebi Delhi Cargo and Celebi Nas to local authorities, local firms and banks in terms of deposits and guarentees.

| **Other short-term payables** | **30 June 2011** | **31 December 2010** |
|---|---|---|
| Other short-term payables (*) | 3,565,549 | 7,350,277 |
| Advances received | 160,036 | 142,864 |
| | **3,725,585** | **7,493,141** |

(*) As of 30 June 2011, 3,565,549 TL arises from the debts of concession agreement of the Company's subsidiary Celebi Delhi Cargo's to its other partner's DIAL in India. As of 31 December 2010, TL 1,705,181 of the amount arises from the debts of concession agreement of Celebi IC's to its other partner IC Ictas and TL 5,634,001 arises from the debts of concession agreement of the Company's subsidiary Celebi Delhi Cargo's to its other partner DIAL in India.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 9 - OTHER RECEIVABLES AND PAYABLES

| Other long-term payables | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Deposits and guarantees received (*) | **1,161,292** | **977,029** |

(*) TL 876,128 of the deposits and guarantees received consists of the Company's subsidiary Celebi Delhi Cargo's renters and its deposits received from customers in India (31 December 2010: TL 769,112).

## NOTE 10 - INVENTORIES

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Trade goods | 208,078 | 516,496 |
| Other inventories | 4,873,623 | 3,985,313 |
| | **5,081,701** | **4,501,809** |

Other inventories include fuel oil, baggage sticker, boarding passes, miscellaneous periodicals, clothes and spare parts.

The cost of inventories recognized as expense and included in "cost of sales" is amounted to TL 1,195,827 at 30 June 2011 (30 June 2010: TL 1,010,142).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period ended 30 June 2011 are as follows:

| | Opening 1 January 2011 | Additions | Disposals | Transfers | Impairment (**) | Cumulative translation adjustments | Closing 30 June 2011 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Plant, machinery and equipment | 165,833,258 | 13,714,964 | (968,344) | 8,905,911 | - | 2,026,871 | 189,512,660 |
| Motor vehicles | 25,387,793 | 649,000 | (108,337) | 348,412 | - | 3,658,856 | 29,935,724 |
| Furniture and fixtures | 15,190,015 | 1,363,441 | (110,076) | 292,029 | - | 280,511 | 17,015,920 |
| Leasehold improvements (*) | 83,132,218 | 6,617,641 | - | 3,522,547 | (2,808,013) | 276,652 | 90,741,045 |
| Construction in Progress | 12,188,524 | 2,536,298 | - | (13,068,899) | - | 650,805 | 2,306,728 |
| Advances given | 8,336,345 | 6,067,843 | - | - | - | 773,236 | 15,177,424 |
| | **310,068,153** | **30,949,187** | **(1,186,757)** | - | **(2,808,013)** | **7,666,931** | **344,689,501** |
| **Accumulated depreciation** | | | | | | | |
| Plant, machinery and equipment | (98,743,279) | (5,906,701) | 406,680 | - | - | (620,716) | (104,864,016) |
| Motor vehicles | (13,151,563) | (2,031,650) | 90,468 | - | - | (2,120,522) | (17,213,267) |
| Furniture and fixtures | (12,468,359) | (609,163) | 95,801 | - | - | (177,315) | (13,159,036) |
| Leasehold improvements (**) | (37,880,248) | (2,862,288) | - | - | 826,235 | (7,552) | (39,923,853) |
| | **(162,243,449)** | **(11,409,802)** | **592,949** | - | **826,235** | **(2,926,105)** | **(175,160,172)** |
| **Net book value** | **147,824,704** | | | | | | **169,529,329** |

(*) The land plots where the stations and cargo buildings were constructed by Çelebi Hava Servisi A.Ş in the airports within which it operates were rented from the DHMI. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 30 June 2011 the net book value of these stations was TL 45,108,317. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period

Celeb Delhi Cargo, signed a concession agreement with DIAL for development, modernization and operating for 25 years of the cargo terminal at the airport in the city of New Delhi on 6 May 2009. Total expenditure of modernization activities in accordance with concession contract has reached INR 118,169,448 (TL 4,307,276) as of 30 June 2011. Related investment should be accounted in the scope of International Financial Reporting Interpretations Committee 12 ("IFRIC 12") Service Concession Agreement.As of 30 June 2011, technical work of terminal capacity increase and its effects for the revenue will be realized in the future, could not be completed in the scope of IFRIC 12.

(**) Impairment provision arises from the leasehold improvements of shutting down the Gunesli Warehouse in 2011 (Note 21).

Depreciation expense for the period ended 30 June 2011 in the amount of TL 1,498,972 and TL 9,910,830 are included in operating expenses and cost of sales.

There are net book value TL 9,341,778 worth of financial leasing assets in plant, machinery and equipment as of 30 June 2011.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended 30 June 2010 are as follows:

| | Opening 1 January 2010 | Additions | Disposals | Transfers | Cumulative translation adjustments | Closing 30 June 2010 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Plant, machinery and equipment | 136,689,154 | 14,191,152 | (312,803) | 223,521 | 526,133 | 151,317,157 |
| Motor vehicles | 21,253,687 | 2,042,779 | (308,395) | - | (2,568,566) | 20,419,505 |
| Furniture and fixtures | 13,652,338 | 577,012 | (25,505) | - | (142,835) | 14,061,010 |
| Leasehold improvements (*) | 74,441,639 | 4,199,235 | - | 1,863,845 | 6,617 | 80,511,336 |
| Construction in Progress | 127,947 | 2,518,693 | - | (176,392) | 73,208 | 2,543,456 |
| Advances given | 1,927,803 | 2,080,181 | - | (1,910,974) | (16,319) | 2,080,691 |
| | **248,092,568** | **25,609,052** | **(646,703)** | - | **(2,121,762)** | **270,933,155** |
| **Accumulated depreciation** | | | | | | |
| Plant, machinery and equipment | (90,588,850) | (3,618,957) | 271,614 | - | 131,317 | (93,804,876) |
| Motor vehicles | (10,877,028) | (1,333,618) | 77,028 | - | 1,316,741 | (10,816,877) |
| Furniture and fixtures | (11,631,432) | (432,361) | 19,590 | - | 120,025 | (11,924,178) |
| Leasehold improvements (*) | (32,663,847) | (2,542,064) | - | - | (118) | (35,206,029) |
| | **(145,761,157)** | **(7,927,000)** | **368,232** | - | **1,567,965** | **(151,751,960)** |
| **Net book value** | **102,331,411** | | | | | **119,181,195** |

(*) The land plots where the stations were constructed by Celebi Hava Servisi A.S in the airports within which it operates were rented from the DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 30 June 2010 the net book value of these stations was TL 36,539,035. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

Depreciation expense for the period ended 30 June 2010 in the amount of TL 741,028 and TL 7,185,972 are included in operating expenses and cost of sales. There are net book value TL 601,344 worth of financial leasing assets in plant, machinery and equipment as of 30 June 2010.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 12 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 30 June 2011 are as follows:

| | Opening 1 January 2011 | Additions | Cumulative translation adjustments | Closing 30 June 2011 |
|---|---|---|---|---|
| **Cost** | | | | |
| Rights | 804,497 | 404,539 | 64,486 | 1,273,522 |
| Customer relations | 29,428,326 | - | 5,861,739 | 35,290,065 |
| Software | 5,917,540 | 318,465 | 216,621 | 6,452,626 |
| Build-operate-transfer investments (*) | 50,374,861 | - | 2,841,509 | 53,216,370 |
| | **86,525,224** | **723,004** | **8,984,355** | **96,232,583** |
| **Accumulated depreciation** | | | | |
| Rights | (547,792) | (54,574) | (4,901) | (607,267) |
| Customer relations | (17,591,289) | (2,360,652) | (3,664,026) | (23,615,967) |
| Software | (3,324,029) | (373,405) | (80,313) | (3,777,747) |
| Build-operate-transfer investments | (2,946,714) | (1,343,400) | (232,997) | (4,523,111) |
| | **(24,409,824)** | **(4,132,031)** | **(3,982,237)** | **(32,524,092)** |
| **Net book value** | **62,115,400** | | | **63,708,491** |

(*) TL 38,672,280 which is difference between discounted present value of deposit paid with interest rate,11.46%, and the deposit amounting to INR1,200.000.000, paid in accordance with the concession agreement on the development, modernisation, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalised as a Build-Operate-Transfer investment and it will be amortised in 25 years until operations end in Delhi International Airport. The deposit amounted to INR 200.000.000 which has paid within the framework of concession agreement signed for handling services at airport in Mumbai for 11 years, and the difference between discounted present value of deposit paid with interest rate 13,41% which is amounted to TL 1,750,930 has been capitalized as Build-Operate-Transfer investment and it will be amortised in 10 year until operations end in mentioned airport. In addition, TL 8,270,049 which is difference between discounted present value of deposit paid with interest rate,10.82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernisation, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalised as a Build-Operate-Transfer investment and it will be amortised in 10 years until operations end in Delhi International Airport.

Amortization expense for the period ended 30 June 2011 in the amount of TL 2,399,888 and TL 1,732,143 are included in operating expenses and cost of sales.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 12 - INTANGIBLE ASSETS (Continued)

Movements in intangible assets for the period ended 30 June 2010 are as follows:

| | Opening 1 January 2010 | Additions | Disposals | Transfers | Cumulative translation adjustments | Closing 30 June 2010 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Rights | 558,605 | - | - | - | - | 558,605 |
| Customer relations | 31,621,494 | - | - | - | (4,745,216) | 26,876,278 |
| Software | 3,946,531 | 380,460 | - | - | (78,047) | 4,248,944 |
| Build-operate-transfer investments | 38,492,635 | 8,734,116 | - | - | 2,375,802 | 49,602,553 |
| | **74,619,265** | **9,114,576** | **-** | **-** | **(2,447,461)** | **81,286,380** |
| **Accumulated depreciation** | | | | | | |
| Rights | (536,080) | (2,932) | - | - | - | (539,012) |
| Customer relations | (14,384,938) | (2,117,525) | - | - | 2,356,439 | (14,146,024) |
| Software | (2,827,524) | (207,016) | - | - | 45,444 | (2,989,096) |
| Build-operate-transfer investments | (328,568) | (1,204,776) | - | - | (52,192) | (1,585,536) |
| | **(18,077,110)** | **(3,532,249)** | **-** | **-** | **2,349,691** | **(19,259,668)** |
| **Net book value** | **56,542,155** | | | | | **62,026,712** |

(*) TL 37,586,555 which is difference between discounted present value of deposits paid with interest rate, 11.46%, and the deposit amounting to INR 1,200,000,000, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. The deposit amounted to INR 200,000,000 which has paid within the framework of concession agreement signed for handling services at airport in Mumbai for 10 years, and the difference between discounted present value of deposit paid with interest rate 6-6.5% which is amounted to TL 1,823,944 has been capitalized as Build-Operate-Transfer investment and it will be amortized in 10 year until operations end in mentioned airport. In addition, TL 8,606,517 which is difference between discounted present value of deposits paid with interest rate, 10.82%, and the deposit amounting to INR 400,000,000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

Amortization expense for the period ended 30 June 2010 in the amount of TL 2,311,895 and TL 1,220,354 are included in operating expenses and cost of sales.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 13 - GOODWILL

Positive goodwill at 30 June 2011 and 31 December 2010 is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Goodwill due to acquisition of CGHH | 20,677,529 | 17,242,957 |

The Company participated in the tender offer on 7 August 2006 opened by the Budapest Airport Budapest Ferihegy Nemzetkozi Repuloter Uzemelteto Zartkoruen Mukodo Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleossegu Tarsasag ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a 100% share. The company was informed of winning the tender offer on 14 August 2006 and is participating in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft") company founded on 22 September 2006 as a founding shareholder for the realization of the abovementioned share transfer. The trade name of the company BAGH was changed to Celebi Ground Handling Hungary Foldi Kiszolgalo Korlatolt Felelossegu Tarsasag ("CGHH") after the acquisition dated 26 October 2006.

After the studies of the independent valuation company named American Appraisal Hungary Ltd., fair value of the net assets of CGHH was determined to be TL 31,287,893 as of 26 October 2006 and acquired by Celebi Kft at a price of TL 49,448,419 which is the TL equivalent of 6,691,261 thousand Hungarian Forint (EUR 25,593,870). The acquisition has been accounted for according to the clauses of IFRS 3 "Business Combinations" and the goodwill amounting to TL 18,160,526 projected after the acquisition has been reflected in the financial statements at 31 December 2006.

The whole amount of goodwill is related to the acquisition of BAGH company by Celebi Kft at 26 October 2006. Due to this acquisition, all assets and liabilities of Celebi Kft have been taken over by CGHH. The Group management considers the significant market position of CGHH in Hungary and the energy existed through merger with Çelebi Hava as main reasons to create goodwill. Accordingly, the Group management allocated the mentioned goodwill amount over CGHH, by assuming CGHH is solo cash generating unit. Goodwill details relating to the acquisition of CGHH are below:

| | 2011 |
|---|---|
| 1 January | 17,242,957 |
| Currency translation adjustment | 3,434,572 |
| **Goodwill** | **20,677,529** |

*Impairment tests for goodwill*

The summarized table for goodwill of operation groups and geographic operating segments is as follows:

| | 2011 |
|---|---|
| Ground handling services - Hungary | 20,677,529 |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

| Short-term provisions | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Accrued expenses to authorities of airport (*) | 2,914,486 | 33,646 |
| Provision for investment consultancy (**) | 2,608,318 | 2,937,400 |
| Provision for unused vacation | 1,861,942 | 1,302,657 |
| Cargo subcontractor commission provisions | 1,491,215 | 1,035,199 |
| Provision for litigation | 1,143,060 | 866,736 |
| Accrued sales commissions | 1,031,592 | 1,795,263 |
| Other (***) | 6,590,958 | 3,615,838 |
| | **17,641,571** | **11,586,739** |

(*) The provisions consist of services paid to State Airport Administration (DHMI) such as royalty, heating and ventilation.

(**) The provisions consist of service fees that are arisen from Celebi Hava's foreign investments which have been made through participations of some tenders in 2009 and 2010.

(***) Other debt provisions contain the Group's received services such as electricity, custom, security and maintenance and repair.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements of short term provisions as of 30 June 2011 are as follows:

| | Provision for investment consultancy | Provision for unused vacation | Accrued sales commissions | Cargo subcontractor commission provisions | Provision for litigation | Accrued expenses to authorities of airport | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| **1 January 2011** | **2,937,400** | **1,302,657** | **1,795,263** | **1,035,199** | **866,736** | **33,646** | **3,615,838** | **11,586,739** |
| Increase during the period | - | 851,523 | 447,040 | 1,491,215 | 244,283 | 12,382,790 | 7,382,953 | 22,799,804 |
| Payments during the period | (466,292) | (113,032) | (1,210,711) | (1,035,199) | (21,201) | (9,909,509) | (4,061,336) | (16,817,280) |
| Usage during the period | - | (179,206) | - | - | (13,579) | - | - | (192,785) |
| Exchange difference | 137,210 | - | | - | 66,821 | 407,559 | (346,497) | 265,093 |
| **30 June 2011** | **2,608,318** | **1,861,942** | **1,031,592** | **1,491,215** | **1,143,060** | **2,914,486** | **6,590,958** | **17,641,571** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

**Contingent assets and liabilities of the Group**

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| **Guarantees received:** | | |
| Guarantee letters | 7,491,051 | 7,037,993 |
| Guarantee notes | 1,094,253 | 2,496,489 |
| Guarantee check | 1,262,466 | 1,264,304 |
| | **9,847,770** | **10,798,786** |

| | | |
|---|---|---|
| **Guarantees given:** | | |
| Guarantee letters | 178,579,592 | 169,350,842 |
| Collateral | 33,942,497 | 30,798,866 |
| Share pledge (Note 26) | 27,956,991 | 25,761,721 |
| | **240,479,080** | **225,911,429** |

i) The Company has contingent assets amounting to TL 1, 509,468 due to the legal cases in favor of the Company and contingent liabilities amounting to TL 31,077,960 due to the legal cases and enforcement proceedings against the Company as of 30 June 2011. TL 26,909,136 portion of contingent liabilities are comprised of legal cases and enforcement proceedings related with the fire in warehouse (Note 30) in which Company is a sole defendant and co-defendant with the DHMI, other warehouse management companies and insurance companies.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of collaterals, pledges and mortgages ("CPM") of the Company at 30 June 2011 and 31 December 2010 are as follows:

| Collaterals, pledges and mortgages given by the Company | Currency | 31 June 2011 Amount | 31 June 2011 TL equivalent | 31 December 2010 Amount | 31 December 2010 TL equivalent |
|---|---|---|---|---|---|
| **A. CPM given on behalf of the Company's legal personality** | | | **22,943,219** | | **20,474,406** |
| | TL | 6,311,908 | 6,311,908 | 4,920,494 | 4,920,494 |
| | Euro | 1,689,722 | 3,969,494 | 1,949,070 | 3,993,840 |
| | US Dollar | 1,910,500 | 3,114,497 | 1,932,307 | 2,987,347 |
| | INR | 148,500,000 | 5,423,220 | 148,500,000 | 5,133,645 |
| | Forint | 466,000,000 | 4,124,100 | 466,000,000 | 3,439,080 |
| **B. CPM given on behalf of fully consolidated subsidiaries** | | | **196,393,362** | | **184,294,523** |
| | TL | - | - | - | - |
| | Euro | 18,825,597 | 44,225,092 | 20,028,960 | 41,041,342 |
| | US Dollar | 6,747,196 | 10,999,279 | 6,678,176 | 10,324,460 |
| | INR | 3,695,892,402 | 134,973,991 | 3,695,768,600 | 127,762,721 |
| | Forint | 700,000,000 | 6,195,000 | 700,000,000 | 5,166,000 |
| **C, CPM given for continuation of its economic activities on behalf of third parties** | | | | | - |
| **D, Total amount of other CPM** | | | **21,142,500** | | **21,142,500** |
| i. Total amount of CPM given on behalf of the majority shareholder | TL | 21,142,500 | 21,142,500 | 21,142,500 | 21,142,500 |
| ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C | | | - | | - |
| iii. Total amount of CPM given on behalf of third parties which are not in scope of C | | | - | | - |
| | | | **240,479,080** | | **225,911,429** |

The ratio of other collaterals, pledges and mortgages given by the Company to equity of the Company is 21.2% as of 30 June 2011 (31 December 2010: 16.5%).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 15 - EMPLOYEE BENEFITS

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| **Short term provisions:** | | |
| Provision for employee termination benefits (*) | - | **900,492** |

(*) As of 31 December 2010, due to withdrawal of some security service operations of Çelebi Güvenlik provision for employee termination benefits includes the amount for year 2011.

| | | |
|---|---|---|
| **Long term provisions:** | | |
| Provision for employee termination benefits | **7,636,552** | **6,610,155** |

Provision for employment termination benefits is booked according to the explanations below. There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service, who achieves the retirement age (58 for women and 60 for men), who has charged 25 years of services (20 years for women) and whose employment is terminated without due cause, is called up for military service or who dies.

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable at 30 June 2011 consists of one month's salary limited to a maximum of TL 2, 623.23 (31 December 2010: TL 2, 517.01) for each year of service.

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

According to regulations in India, the Company is required to pay termination benefits to each employee in its subsidiaries and joint ventures who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at 30 June 2011 and the liability is limited to INR 350.000 per employee. Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees. IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Discount rate (%) | 4.66 | 4.66 |
| Turnover rate to estimate the probability of retirement (%) | 93.56 | 93.29 |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 15 - EMPLOYEE BENEFITS (Continued)

The principal assumption is that the liability ceiling for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 2,731.85 which is effective from 1 July 2011 (1 July 2010: TL 2,517.01) has been taken into consideration in the calculations. Movements in the provision for employment termination benefits are as follows:

| | 2011 | 2010 |
|---|---|---|
| **1 January** | **7,510,647** | **6,080,473** |
| Paid during the year | (1,852,581) | (1,367,640) |
| Changes during the year | 1,970,618 | 1,997,362 |
| Cumulative translated in differences | 7,868 | 451 |
| **30 June** | **7,636,552** | **6,710,646** |

## NOTE 16 - OTHER ASSETS AND LIABILITIES

| **Other current assets** | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Prepaid expenses (*) | 10,022,366 | 5,527,093 |
| Value-added tax ("VAT") receivables | 1,700,241 | 1,703,460 |
| Deferred VAT | 1,521,341 | 1,849,145 |
| Prepaid taxes and funds | 915,981 | 38,786 |
| Advances given to personnel | 253,785 | 179,920 |
| Other | 1,725,842 | 1,055,879 |
| | **16,139,556** | **10,354,283** |

(*) As of 30 June 2011, TL 4,816,908 of prepaid expenses arises from the Company's subsidiary Celebi Delhi Cargo's annual work permit payments and insurance expenses to DIAL.

| **Other non-current assets** | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Prepaid expenses | 737,951 | 19,831 |
| | **737,951** | **19,831** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

| Other current liabilities | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Wages and salaries payable | 7,381,017 | 5,076,423 |
| Social security payables | 3,837,052 | 2,348,397 |
| Order advances received | 2,564,796 | 2,272,007 |
| Accrued bonus payable | 978,828 | 1,277,490 |
| Taxes and funds payable | 926,260 | 1,576,157 |
| Short term deferred revenues | 102,267 | 237,380 |
| Other miscellaneous payables and liabilities | 2,229,534 | 1,504,990 |
| | **18,019,754** | **14,292,844** |

| Other non-current liabilities | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Deferred insurance claim recovery (*) | 2,445,300 | 2,319,000 |
| Deferred other revenues | - | 30,136 |
| | **2,445,300** | **2,349,136** |

(*) The deferred insurance claim recovery amount is comprised of the insurance policy related to the goods of third parties amounting to USD 1,500,000 which has been fully collected as of 30 June 2011 and is planned to be utilized by the Company under the circumstances that the Company is found to be liable for the losses incurred during the fire that broke out in Ataturk Airport ("AHL") Terminal C (Note 30).

## NOTE 17 - EQUITY

### Share Capital

As of 30 June 2011, the authorized share capital of the Group is TL 24,300,000 comprising of 2,430,000,000 registered shares with a face value each of 1 Kr (31 December 2010: 2,430,000,000 shares).

At 30 June 2011 and 31 December 2010, the shareholding structure of the Group is stated below:

| Shareholders | 30 June 2011 Amount | 30 June 2011 Share % | 31 December 2010 Amount | 31 December 2010 Share % |
|---|---|---|---|---|
| Çelebi Havacılık Holding A.Ş. | 13,299,633 | 54.73 | 13,299,633 | 54.73 |
| Engin Çelebioğlu | 2,432,430 | 10.01 | 2,432,430 | 10.01 |
| Can Çelebioğlu | 1,822,770 | 7.50 | 1,822,770 | 7.50 |
| Canan Çelebioğlu Tokgöz | 1,242,720 | 5.11 | 1,242,720 | 5.11 |
| Other | 5,502,447 | 22.65 | 5,502,447 | 22.65 |
| | **24,300,000** | **100.00** | **24,300,000** | **100.00** |

## NOTE 17 - EQUITY (Continued)

### Restricted Reserves

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

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

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

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

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

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the year 2009 (31 December 2009: 20%). According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realized as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from operations are required to distribute the initial amount in cash.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 17 - EQUITY (Continued)

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No: 29. In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 26,573,455 as of 30 June 2011 (31 December 2010: TL 22,962,009).

The equity schedules of the Group at 30 June 2011 and 31 December 2010 are as follows:

| | **30 June 2011** | **31 December 2010** |
|---|---|---|
| Capital | 24,300,000 | 24,300,000 |
| Restricted Reserves | | |
| - Legal reserves | 26,573,455 | 22,962,009 |
| Cumulative translation differences | 7,678,892 | 4,041,133 |
| Equity contribution related to take-over | (545,407) | (545,407) |
| Retained earnings | 20,328,950 | 34,650,353 |
| Net income for the period | 2,165,583 | 26,619,503 |
| **Attributable to the equity holders** | **80,501,473** | **112,027,591** |

## NOTE 18 - REVENUE AND COST OF SALES

| | **1 January - 30 June 2011** | **1 April - 30 June 2011** | **1 January - 30 June 2010** | **1 April - 30 June 2010** |
|---|---|---|---|---|
| Ground handling services | 136,620,547 | 83,784,105 | 111,436,166 | 67,576,782 |
| Cargo and warehouse service income | 58,071,097 | 33,389,893 | 41,088,038 | 22,376,130 |
| Airport security services | 1,392,137 | 542,067 | 2,022,717 | 1,160,411 |
| Less: Returns and discounts | (2,526,132) | (1,799,443) | (2,705,361) | (1,531,479) |
| **Sales revenue - net** | **193,557,649** | **115,916,622** | **151,841,560** | **89,581,844** |
| **Cost of sales** | **(138,712,753)** | **(78,163,099)** | **(103,416,608)** | **(56,428,116)** |
| **Gross profit** | **54,844,896** | **37,753,523** | **48,424,952** | **33,153,728** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 19 - EXPENSES BY NATURE

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Payroll expenses | (72,334,143) | (40,766,516) | (58,332,012) | (32,002,615) |
| Various payments to authorities and terminal managements (*) | (24,493,160) | (15,022,633) | (19,150,525) | (11,541,891) |
| Equipment repair, maintenance, fuel and security expenses | (18,042,889) | (9,623,776) | (10,745,800) | (5,609,521) |
| Consultancy expenses | (15,547,947) | (9,084,382) | (9,589,388) | (4,962,535) |
| Depreciation and amortization expenses | (15,541,833) | (8,005,533) | (11,459,249) | (5,922,952) |
| Travel and transportation expenses | (4,382,799) | (2,477,637) | (4,103,069) | (2,164,705) |
| Taxes and other fees | (1,815,068) | (975,511) | (1,643,747) | (802,082) |
| Insurance premiums | (1,737,476) | (869,738) | (1,455,091) | (746,513) |
| Cost of goods sold (*) | (1,195,827) | (549,109) | (1,010,142) | (366,020) |
| Other expenses | (22,055,693) | (11,094,036) | (13,680,130) | (7,219,086) |
| | **(177,146,835)** | **(98,468,871)** | **(131,169,153)** | **(71,337,920)** |

(*) The amount consists of various expenses paid to authorities and terminals; royalty, expenses that are related with rented facilities and counters in airports, work permits and some similar expenses.

(**) The expenses consist of Celebi Hava's and the Company's subsidiary Cargo GmbH's de-icing and spare part costs in period.

## NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Consultancy expenses | (15,221,406) | (8,894,497) | (9,045,722) | (4,733,318) |
| Payroll expenses | (12,136,595) | (6,732,046) | (11,072,201) | (6,350,728) |
| Depreciation and amortization | (3,898,860) | (1,850,235) | (3,052,923) | (1,481,728) |
| Travel and transportation expenses | (1,254,784) | (634,193) | (1,328,709) | (684,939) |
| Equipment repair, maintenance, fuel and security expenses | (672,128) | (478,618) | (233,487) | (204,135) |
| Payments to authorities and terminal managements | (488,396) | (178,630) | (548,999) | (282,738) |
| Insurance premiums | (235,222) | (45,327) | (185,497) | (85,815) |
| Taxes and other fees | (139,445) | (84,224) | (158,091) | (101,622) |
| Other expenses | (4,387,246) | (1,408,002) | (2,126,916) | (984,781) |
| | **(38,434,082)** | **(20,305,772)** | **(27,752,545)** | **(14,909,804)** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 21 - OTHER OPERATING INCOME/EXPENSES

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Other operating income:** | | | | |
| Rent income | 546,943 | 408,434 | 268,306 | 135,118 |
| Gain on provision reversals | 390,768 | 351,210 | - | - |
| Gain on sale of plant, property | 355,246 | 150,056 | 229,559 | - |
| Income from providing of equipments (*) | 9,058 | 9,058 | 211,482 | 109,970 |
| Income from insurance claims | 8,384 | 5,288 | 109,500 | - |
| Other income | 636,739 | 536,680 | 313,313 | - |
| | **1,947,138** | **1,460,726** | **1,132,160** | **245,088** |

(*) Income from providing of equipments consists of sales of equipment related with ground handling during establishment of overseas subsidiaries.

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Other operating expenses:** | | | | |
| Provision for impairment of PPE | (1,981,778) | (1,981,778) | - | - |
| Donation and aid expenses (*) | (242,093) | - | (1,530,662) | (1,530,662) |
| Investment consultancy expenses (**) | - | - | (3,243,882) | (79,220) |
| Loss on sale of plant property and equipment | (28,143) | - | (158,914) | - |
| Provision for doubtful receivables | (92,973) | (93,300) | (184,817) | (36,794) |
| Other expenses | (1,061,866) | (925,120) | (452,292) | (102,032) |
| | **(3,406,853)** | **(3,000,198)** | **(5,570,567)** | **(1,748,708)** |

(*) TL 242,093, the amount of donations and aid provided to the foundations established for various purposes, and other persons and institutions were recorded as expenses till 30 June 2011 by the Group. TL 210,968 of the mentioned amount consists of the expenditures made by the Company for the construction and operation of the civil aviation school at Erzincan University.

(**) Related amounts consist of investment consultancy expenses during investing in foreign countries in 2009 and 2010.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 22 - FINANCIAL INCOME

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Foreign exchange gains | 6,597,442 | 2,638,486 | 7,966,295 | 3,443,014 |
| SWAP contracts valuation income (Note 27) | 3,383,368 | 968,195 | 1,575,746 | - |
| Interest income | 1,629,326 | 980,742 | 1,597,430 | 500,382 |
| Unincurred financial income | 488,689 | 369,864 | 255,790 | 115,379 |
| Other financial income | 30,133 | 30,133 | - | - |
| | **12,128,958** | **4,987,420** | **11,395,261** | **4,058,775** |

## NOTE 23 - FINANCIAL EXPENSE

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Foreign exchange losses | (9,803,527) | (6,363,405) | (8,994,097) | (4,803,853) |
| Interest expenses | (6,967,747) | (4,207,264) | (5,417,154) | (3,857,372) |
| SWAP contracts valuation losses (Note 27) | (734,188) | (385,423) | (2,471,842) | (1,455,797) |
| Unincurred financial expenses | (363,456) | (223,406) | (131,856) | (45,656) |
| Other financial expenses | (454,258) | (255,082) | (364,609) | - |
| | **(18,323,176)** | **(11,434,580)** | **(17,379,558)** | **(10,162,678)** |

## NOTE 24 - TAX ASSETS AND LIABILITIES

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Corporate and income taxes payable | 4,878,379 | 15,697,412 |
| Less: Prepaid current corporate taxes | (4,674,388) | (14,190,004) |
| **Tax provision - net** | **203,991** | **1,507,408** |

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Deferred tax assets | - | - |
| Deferred tax liabilities | (3,785,822) | (3,950,655) |
| **Deferred tax liability, net** | **(3,785,822)** | **(3,950,655)** |

## NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

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

The corporation tax rate for the fiscal year 2011 is 20% (31 December 2010: 20%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc) and income tax deductions (like research and development expenses). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance utilized within the scope of the Income Tax Law transitional article 61).

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (31 December 2010: 20%). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

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

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

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

*Domestic participation exemption:*

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

*Issued premiums exemption:*

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

*Foreign company participation exemption:*

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

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

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

In Hungary, the corporate tax rate is changed from 16% to 20% beginning on 1 September 2006. This additional tax increase is applicable to earnings before tax beginning from the last quarter of the fiscal year 2006 and the increased tax rate was applicable till 2010 since the corporate tax rate is changed to 19% thereafter. The corporation tax rate has been changed as 19% up to fiscal profit HUF 500,000,000 and 10% for fiscal profit over HUF 500,000,000 with the regulation in Hungary in the fiscal year 2011.

In India, the corporate tax rate is 32.45% and 30.9% for fiscal year 2011 (2010: 33.99%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc) and income tax deductions (like research and development expenses).

Tax expense for the periods end 30 June 2011 and 30 June 2010 is presented below:

| | **1 January - 30 June 2011** | **1 April - 30 June 2011** | **1 January - 30 June 2010** | **1 April - 30 June 2010** |
|---|---|---|---|---|
| - Current year corporate tax | (4,878,379) | (2,408,929) | (5,842,317) | (3,368,669) |
| - Deferred tax income/ (expense) | 184,711 | 282,894 | 169,652 | (691,818) |
| | **(4,693,668)** | **(2,126,035)** | **(5,672,665)** | **(4,060,487)** |

## Deferred Taxes

The Turkish tax regulation does not allow companies to declare tax declarations if the company consolidates its subsidiaries. For this reason, tax provisions presented in these financial statements are calculated separately for subsidiaries which are fully consolidate.

The group considers the differences arising from different valuation of the financial statements prepared in accordance with CMB regulations in the calculation of Deferred tax assets and liabilities. The differences mainly arise due to the different accounting of income and expenses in line with Tax Laws and CMB Accounting Standards in different periods. In accordance with the method of liabilities based on subsequent differences, the rates for Deferred revenue asset and liabilities are 20%, 19% or 10%, 32.45% and 30.9% for Turkey, Hungary, India, New Delhi and Mumbai respectively.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the periods ended 30 June 2011 and 31 December 2010 are summarized as follows:

| | Cumulative temporary differences | | Deferred income tax assets / (liabilities) | |
|---|---|---|---|---|
| | 30 June 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 |
| Non-deductible financial losses (*) | (23,001,256) | (21,186,799) | | |
| **Net deferred tax asset** | | | | |
| Net difference between the tax base and carrying amount of property plant and equipment and intangible assets | 34,708,318 | 34,625,536 | (7,085,222) | (7,115,320) |
| Provision for employment termination benefits | (7,314,915) | (6,423,506) | 1,462,983 | 1,284,701 |
| Provision for investment consultancy expenses | (2,608,320) | (2,937,400) | 521,664 | 587,480 |
| Deferred insurance claim recovery | (2,445,300) | (2,319,000) | 489,060 | 463,800 |
| Provision for unused vacation | (1,794,478) | (1,226,524) | 358,896 | 245,305 |
| Accrued sales commissions | (1,031,592) | (1,629,291) | 206,318 | 325,858 |
| Provision for legal claims | (496,973) | (531,271) | 99,395 | 106,254 |
| Personnel bonus accrual | (805,422) | (756,335) | 161,084 | 151,267 |
| **Net deferred tax liability** | | | **(3,785,822)** | **(3,950,655)** |

(*) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. Despite of currency forward contract which has been made to deal with risks related to changes in market value of future forecasted cash flows of CGHH (Note 14), foreign exchange losses caused by decrease in the value of Hungarian Forint against Euro due to ongoing financial crisis in Hungary and international markets has lead to the probability of inability to utilize carry-forward tax losses of CGHH amounted TL 11,438,085 partly or completely in an identifiable period of time. Although there has been no expiry date for the utilization of carry-forward tax losses in the Hungarian Tax System, the Company has not accounted for deferred tax asset amounted to TL 1,143,809 as of 30 June 2011 (31 December 2010: TL 1,923,576). In addition to, Celebi Nas has not booked deferred tax amounted to TL 765,313 (31 December 2010: TL 1,389,931) to its financial statements as of 30 June 2011 which is arisen from the carry forward losses amounted to TL 2,476,740 (31 December 2010: TL 4,089,236) due to the probability of inability to utilize carry-forward tax losses. Furthermore, the Celebi GH Delhi has not booked deferred tax amounted to TL 2,948,092 (31 December 2010: TL 1.272.735) to its financial statements as of 30 June 2011 which is arisen from the carry forward losses amounted to TL 9,086,431 (31 December 2010: TL 3,831,521) due to the probability of inability to utilize carry-forward tax losses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax movement table is indicated below:

| | 1 January - 30 June 2011 | 1 January - 30 June 2010 |
|---|---|---|
| **1 January** | **(3,950,655)** | **(3,617,312)** |
| Cumulative translation difference | (19,878) | (10,327) |
| Current period deferred tax (income) / expense | 184,711 | 169,652 |
| **30 June** | **(3,785,822)** | **(3,457,987)** |

The taxes on income for the periods ended 30 June 2011 and 2010 are summarized as follows:

| | 1 January - 30 June 2011 | 1 January - 30 June 2010 |
|---|---|---|
| **Profit before tax** | **8,756,881** | **10,249,703** |
| Expected tax expense according to parent company (20%) | (666,421) | (2,049,941) |
| Differences in tax rates of subsidiaries | (3,738,790) | (2,209,171) |
| **Expected tax expense of the Group** | **(4,405,211)** | **(4,259,112)** |
| Reversal of the unrealisable deferred tax receivables | 410,735 | (1,002,432) |
| Tax effect of non deductible expenses | (1,303,895) | (325,939) |
| Discount stems from donations and aids | 239,937 | 310,037 |
| Tax effect of exemptions | (633,725) | (557,246) |
| Utilization of previous years losses | 552,185 | - |
| Other | 446,306 | 162,027 |
| **Current period tax expense of the Group** | **(4,693,668)** | **(5,672,665)** |

## NOTE 25 - EARNINGS PER SHARE

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 25 - EARNINGS PER SHARE (Continued)

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

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Net income attributable to the equity holders of the parent** | **2,165,583** | **7,061,641** | **3,811,234** | **7,174,286** |
| Weighted average number of shares with 1 Kr face value each | 2,430,000,000 | 2,430,000,000 | 2,430,000,000 | 2,430,000,000 |
| **Earnings per share (Kr)** | **0.001** | **0.003** | **0.002** | **0.003** |

## NOTE 26 - DIVIDEND DISTRIBUTION

ÇHS, distributed dividend in 2011, related with the year ended as of December 31, 2010, for a gross amount of full TR1.53 per share, amounting to a total of TR37,329,460 including the payments to founders and members of board of directors (2010 - gross amount full TR1.28 per share, total amount TR31,282,015 including the payments to founders and member of board of directors).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties during the periods and a summary of major transactions with related parties during the period are as follows:

### i) Balances with related parties

| Due from related parties | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Celebi Bandirma Uluslararasi Limani Isletmeciligi A.S. ("Celebi Bandirma") | 18,252 | 80,677 |
| Other | 10,616 | 24,432 |
| | **28,868** | **105,109** |

**Due from Joint-ventures**

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Celebi Nas (*) | 451,559 | 2,808 |
| Celebi IC Yatirim (**) | - | 1,813,150 |
| | **451,559** | **1,815,958** |
| **Due from related parties** | **480,427** | **1,921,067** |

(*) As of 30 June 2011, the amount arises from the Company's charge out and fixed asset sales to Celebi Nas.

(**) As of 31 December 2010, the amount arises from the Company's receivables related to the capital decrease in its joint-venture named Celebi IC Yatirim.

The maturities of due from related parties are generally shorter than a month (31 December 2010: shorter than a month). As of 30 June 2011 and 31 December 2010, the net book value and the fair value of short term due from related parties are taken equal, since the discounting transaction does not have a material effect.

**Due to related parties**

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Celebi Havacilik Holding A.S. ("CHH") (*) | 2,100,334 | 2,158,502 |
| Ce-Tur Celebi Turizm Ticaret A.S. ("Ce-Tur") | 332,722 | 338,507 |
| Other | 3,185 | - |
| | **2,436,241** | **2,497,009** |

(*) As of 30 June 2011, the amount arises from the Company's legal counseling, financial advisory and human resources consultancy services received from CHH.

The maturities of due to related parties are generally shorter than a month (31 December 2010: shorter than a month). As of 30 June 2011 and 31 December 2010, the fair value of short term due to related parties are considered to approximate their carrying values, since the discounting effect is not significant

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

**ii) Transactions with related parties**

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Miscellaneous sales to related parties** | | | | |
| Celebi Bandirma | 268,828 | 2,328 | - | - |
| Celebi Havacilik Holding A.S. | 197,464 | 78,650 | 214,560 | 166,870 |
| Celebi Marina ve Yat Isletmeciligi A.S. | 69,149 | 493 | 121,934 | 61,025 |
| Other | 67,794 | 40,062 | 184,606 | 147,733 |
| | **603,235** | **121,533** | **521,100** | **375,628** |
| **Miscellaneous sales to Joint-ventures** | | | | |
| Celebi Nas | 377,848 | 113,620 | 397,421 | - |
| **Employee and transportation expenses payable to related parties** | | | | |
| Ce-Tur | 1,375,667 | 806,875 | 1,347,168 | 653,178 |
| **Contribution to holding expenses (*)** | | | | |
| Celebi Havacilik Holding A.S. | 12,347,807 | 6,942,049 | 5,649,813 | 3,035,012 |

(*) Contribution paid to CHH for services (consists of legal counseling, financial consultancy and human resource consultancy) provided to Celebi Hava and Celebi Guvenlik by CHH. These expenses have been consistently allocated in the consideration of criteria such as staff number, company turnover and asset size over CHH's subsidiaries between periods. (Note 21)

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Interest received from related parties** | | | | |
| CHH | 377 | 258 | 116,384 | - |
| Celebi Nas | - | - | 159,903 | 122,761 |
| | **377** | **258** | **276,287** | **122,761** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| **Other purchases from related parties (*)** | | | | |
| Celebi Havacilik Holding A.S. | 2,054,265 | 1,206,987 | 617,375 | 265,951 |
| Ce-Tur | 678,668 | 355,765 | 1,584,594 | 916,793 |
| Other | 34,834 | 4,615 | 75,182 | 61,733 |
| | **2,767,767** | **1,567,367** | **2,277,151** | **1,244,477** |

(*) Other purchases include vehicle rent, organizational cost and other expenses. Purchases from CHH that are classified under other purchases from related parties are comprised of expenses directly related to the Company that are business development projects and tenders executed and followed up CHH.

Collaterals given in favor of related parties for borrowings as of 30 June 2011 and 31 December 2010 are detailed below:

| 30 June 2011 | Euro | US Dollars | Indian Rupee | HUF | TL | Total TL |
|---|---|---|---|---|---|---|
| CHH | - | - | - | - | 21,142,500 | 21,142,500 |
| CGHH (2) | 14,825,597 | - | - | 700,000,000 | - | 41,023,292 |
| Celebi Nas (1) | - | - | 61,200,000 | - | - | 2,235,024 |
| Celebi Delhi Cargo (3) | - | - | 2,382,800,000 | - | - | 87,019,856 |
| Celebi Delhi GH (4) | - | - | 1,251,892,402 | - | - | 45,719,111 |
| Celebi Cargo GmbH (5) | 4,000,000 | - | - | - | - | 9,396,800 |

| 31 December 2010 | Euro | US Dollars | Indian Rupee | HUF | TL | Total TL |
|---|---|---|---|---|---|---|
| CHH | - | - | - | - | 21,142,500 | 21,142,500 |
| CGHH (2) | 16,028,960 | - | - | 700,000,000 | - | 38,010,942 |
| Celebi Nas (1) | - | - | 61,200,000 | - | - | 2,115,684 |
| Celebi Delhi Cargo (3) | - | - | 2,382,800,000 | - | - | 82,373,396 |
| Celebi Delhi GH (4) | - | - | 1,251,768,600 | - | - | 43,273,641 |
| Celebi Cargo GmbH (5) | 4,000,000 | - | - | - | - | 8,196,400 |

(1) 15.3% shares of the Company in Celebi Nas, Joint-Venture of the Company, have been pledged in favor of the relevant bank for the financial obligations stipulated by the agreements, signed by the Celebi Nas and a bank, resident in India, comprise INR 640,000,000 as cash credit and INR 130,000,000 as non-cash credit for the long-term project finance and INR 100,000,000 as cash working capital credit.

(2) CCGH signed an agreement for a project financing borrowing amounting to EUR 28,600,000 and the Group gave a guarantee for 70% of these borrowings and 70% of shares of the Company has putted in pledge in favor of related banks. The unpaid amount of aforementioned borrowing as of 30 June 2011 is EUR 21,179,424 (31 December 2010: EUR 22,898,514).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(3) Celebi Delhi Cargo signed an agreement for bridge loan amounting to INR 1,250,000,000 and the Company gave a guarantee for full amount of borrowings to related banks. Also since the bridge loan which signed between Celebi Delhi Cargo, a subsidiary of the Company and a bank resident in India, amounting to INR1,250,000,000, was transformed into a long-term cash project loan amounting to INR1,850,000,000 has not been used yet, The Company gave corporate guarantee for full amount of the loan to fulfill the financial obligations stipulated in the agreements with relevant banks and all of the 74% shares of the Company (532,000,000 Indian Rupee) in Celebi Delhi Cargo have been pledged in favor of these banks.

(4) The company has given guarantees for liabilities arisen from the borrowing agreement signed for financing of long term projects with resident banks in India, which is amounted to INR 750,000,000 as cash, and amounted to INR 500,000,000 as non-cash, the company will pledge the shares which is corresponding to 23.9% of the total shares of company in Celebi GH Delhi with 74% in favor of related banks.

(5) The collateral worth of the cash borrowing amount has been given to the bank due to the financial liabilities that have arisen from the cash loan agreement amounted to Euro 4,000,000 and the agreement has been signed between Celebi Cargo GmbH and resident banks in Germany.

**Key management compensation:**

The Group has determined key management personnel as members of board of directors, general manager and general manager assistants. Compensation amounts have been classified as stated below:

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Short-term benefits | 4,577,122 | 2,626,638 | 4,166,682 | 2,563,220 |
| Post-employment benefits | 435,894 | 125,152 | 237,740 | 237,740 |
| | **5,013,016** | **2,751,790** | **4,404,422** | **2,800,960** |

## NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS

**Long-term derivative financial instruments**

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Interest rate swap | 2,505,116 | 3,260,698 |
| Forward currency exchange contracts | 129,325 | 1,295,094 |
| | **2,634,441** | **4,555,792** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movement of derivative financial instruments as of 30 June 2011 is as follows:

| | 1 January 2011 | Gain (*) | Loss (*) | Cumulative translation difference | 30 June 2011 |
|---|---|---|---|---|---|
| Interest rate swap | (3,260,698) | 1,315,848 | - | (560,266) | (2,505,116) |
| Forward currency exchange contracts | (1,295,094) | 1,333,332 | - | (167,563) | (129,325) |
| | **(4,555,792)** | **2,649,180** | | **(727,829)** | **(2,634,441)** |

(*) Net financial income recorded in the period according to these agreements is amounting to TL 2,649,180 (30 June 2010: 896,096 TL loss) (Note 22-23).

*a) Interest rate swap*

Within the framework of the project finance agreement entered into with the banks, CGHH has entered into a interest rate swap (Knock In Radial Swap) corresponding to the amount used for the project amounting to EUR 28,600,000 in order to hedge interest rate risk, Interest rate swap has been made under the conditions mentioned below and the related amount will decrease in line with the payments of project borrowing, The paid and unpaid amount of aforementioned borrowing as of 30 June 2011 is EUR 21,179,424.

The actual interest rate for CGHH is 4% as long as Euribor per six months realized below 5.40%. In situations where Euribor realized equals to or greater than 5.40%, a formula will be effective for each remaining maturity dates and a distinct ratio will be calculated for each remaining period.

*b) Forward currency exchange contracts*

Within the framework of the project finance agreement entered into with the related bank, CGHH has entered into a risk reversal option transaction corresponding to the amount used for the project amounting to EUR 28,600,000 in order to hedge foreign exchange risk. Taking into consideration the cash flow projection presented to the Bank, the Company has made a commitment to sell Euros and to buy Hungarian Forint each month until 31 December 2011. The paid amount of aforementioned borrowing is amounted to EUR 6,820,576.The unpaid amount of borrowing is amounted to EUR 21,179,424.

## NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Details of the terms and conditions of related contract are as follows for the year 2011:

| Year | Sales price (HUF/ Euro) | Purchase price (HUF/ Euro) | Amount Euro |
|---|---|---|---|
| 1 year | 236 | 281 | 8,448,000 |
| | | | **8,448,000** |

According to agreement signed by the subsidiary of the Company, CCGH, for the project financing borrowing amounting to EUR 28,600,000 and 70% of shares of the Company has putted in pledge in favor of related banks.

## NOTE 29 - FINANCIAL RISK MANAGEMENT

**Financial risk management**

The Group focused to manage miscellaneous financial risks including foreign currency exchange rates and interest rates because of activities of the Group. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects.

Risk management is carried out under policies approved by the Boards of Directors.

*Interest rate risk*

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 29 - FINANCIAL RISK MANAGEMENT

Interest rate positions of the Group at 30 June 2011 and 31 December 2010 are as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| **Fixed interest rate financial instruments** | | |
| Financial Assets | | |
| - *Cash and cash equivalents* | 20,297,628 | 31,765,460 |
| Financial Liabilities | 73,376,885 | 27,849,927 |
| **Floating interest rate financial instruments** | | |
| Financial liabilities | 150,978,370 | 130,075,630 |
| Derivative financial instruments | 2,634,441 | 4,555,792 |

If other variables are kept constant, interest income generated from time deposits would have been either TL 32,587 higher or lower if the interest rates were 2% more or less at 30 June 2011 (30 June 2010: TL 18,852).

Expected repricing and maturity dates have not been presented with an additional statement due to agreement maturity dates of financial assets and liabilities excluding borrowings received are in line with the expected repricing and maturity dates. Maturity analysis of the bank borrowing based on repricing dates as of 30 June 2011 and 31 December 2010 are presented at Note 7.

Credit risk

Credit risk consists of cash and cash equivalents, bank deposits and receivables from customers exposed to credit risk. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty (except related parties).

There is no overdue or impaired amount in Group's trade receivables, due from related parties and other receivables as of 30 June 2011 (31 December 2010: None).

Liquidity risk

Cash flow generated through amount and term of borrowing back payments is managed by considering the amount of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand sufficient and reliable sources of high quality loans are accessible. The Group has long-term financial liabilities amounted TL 150,978,370 as of 30 June 2011 (31 December 2010: TL 129,425,555) (Note 7).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The table below demonstrates the Group's liquidity risk arising from financial liabilities:

| 30 June 2011 | Carrying value | Total contractual cash outflow | Less than 3 months | 3-12 months | 1-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | |
| **Financial liabilities** | **224,355,255** | **247,304,984** | **35,352,857** | **41,267,994** | **151,116,253** | **19,567,880** |
| Trade payables | | | | | | |
| - *Related party* | 2,436,241 | 2,436,241 | 2,436,241 | - | - | - |
| - *Other* | 16,881,251 | 16,881,251 | 16,881,251 | - | - | - |
| Other liabilities | 4,886,877 | 4,886,877 | 160,036 | 4,726,841 | 1,161,292 | - |

| 31 December 2010 | Carrying value | Total contractual cash outflow | Less than 3 months | 3-12 months | 1-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | |
| **Financial liabilities** | **158,091,634** | **172,196,128** | **1,453,512** | **31,250,579** | **117,435,368** | **22,056,669** |
| Trade payables | | | | | | |
| - *Related party* | 2,497,009 | 2,497,009 | 2,497,009 | - | - | - |
| - *Other* | 15,960,633 | 15,960,633 | 15,960,633 | - | - | - |
| Other liabilities | 8,470,170 | 8,470,170 | 142,864 | 7,350,277 | 977,029 | - |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

*Currency risk*

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against Turkish Lira to shareholders' equity is aimed to be controlled under certain limits. Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilizing forward foreign currency transactions. The Group is exposed to foreign exchange rate risk mainly for Euro, US Dollar and INR.

As of 30 June 2011, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 729,909 (30 June 2010: TL 1,568,164).

As of 30 June 2011, other things being constant, if the TL was to appreciate/depreciate by 10% against the Euro, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 13,476,034 (30 June 2010: TL 7,073,604).

As of 30 June 2011, other things being constant, if the TL was to appreciate/depreciate by 10% against the INR, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 325,879 (30 June 2010: 1,462,292).

Foreign currency denominated assets and liabilities of the Group as of 30 June 2011 and 2010 are as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Assets denominated in foreign currency | 119,886,702 | 114,490,907 |
| Liabilities denominated in foreign currency (-) | (263,663,984) | (196,431,617) |
| **Net balance sheet position** | **(143,777,282)** | **(81,940,710)** |
| **Net foreign currency position of-derivative financial instruments (*)** | - | - |
| **Net foreign currency position** | **(143,777,282)** | **(81,940,710)** |

(*) Currency forward contract described in Note 28 has been made to deal with risks related to changes in market value of future forecasted cash flows of the Group in accordance with IAS 39.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes TL equivalent of the Group's foreign currency denominated assets and liabilities as of 30 June 2011 and 31 December 2010:

| 30 June 2011 | US dollar | Euro | Indian Rupee | Other currencies | Total TL |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash and cash equivalents | 8,209,400 | 16,496,409 | 15,891,316 | 9,184,000 | 49,781,125 |
| Trade receivables | 1,165,205 | 30,880,466 | 8,682,332 | - | 40,728,003 |
| Due from related parties | - | 431,230 | - | - | 431,230 |
| Other | 1,285,056 | 993,404 | 25,863,215 | 804,669 | 28,946,344 |
| | **10,659,661** | **48,801,509** | **50,436,863** | **9,988,669** | **119,886,702** |
| **Liabilities:** | | | | | |
| Short term financial liabilities | (3,748,621) | (61,489,547) | (5,867,802) | - | (71,105,970) |
| Long-term financial liabilities | (6,572,688) | (86,290,323) | (58,537,876) | - | (151,400,887) |
| Derivative financial instruments | - | (2,632,823) | - | - | (2,632,823) |
| Trade payables | (2,148,858) | (3,068,554) | (5,435,907) | (1,610,691) | (12,264,010) |
| Due to related parties | | | | | |
| Short-term provisions | (3,043,281) | (3,072,446) | (7,130,894) | (555,001) | (13,801,622) |
| Other | (2,445,300) | (62,249) | (7,085,865) | (2,865,258) | (12,458,672) |
| | **(17,958,748)** | **(156,615,942)** | **(84,058,344)** | **(5,030,950)** | **(263,663,984)** |
| **Net balance sheet position** | **(7,299,087)** | **(107,814,433)** | **(33,621,481)** | **4,957,719** | **(143,777,282)** |

| 31 December 2010 | US dollar | Euro | Indian Rupee | Other currencies | Total TL |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash and cash equivalents | 9,849,046 | 22,704,932 | 30,256,932 | 9,788,503 | 72,599,413 |
| Trade receivables | 630,123 | 12,271,448 | 9,827,238 | 838,365 | 23,567,174 |
| Due from related parties | - | - | 2,808 | - | 2,808 |
| Other | 36,784 | 748,143 | 15,447,573 | 2,089,012 | 18,321,512 |
| | **10,515,953** | **35,724,523** | **55,534,551** | **12,715,880** | **114,490,907** |
| **Liabilities:** | | | | | |
| Short term financial liabilities | (3,402,478) | (20,859,076) | (4,404,525) | - | (28,666,079) |
| Long-term financial liabilities | (6,233,208) | (69,764,011) | (53,428,336) | - | (129,425,555) |
| Derivative financial instruments | - | (4,555,792) | - | - | (4,555,792) |
| Trade payables | (1,712,522) | (4,166,080) | (1,029,535) | (1,832,770) | (8,740,907) |
| Due to related parties | (16,081) | (184,761) | - | - | (200,842) |
| Short-term provisions | (3,127,030) | (1,124,571) | (4,352,548) | (335,465) | (8,939,614) |
| Other | - | (839,410) | (12,567,952) | (2,495,466) | (15,902,828) |
| | **(14,491,319)** | **(101,493,701)** | **(75,782,896)** | **(4,663,701)** | **(196,431,617)** |
| **Net balance sheet position** | **(3,975,366)** | **(65,769,178)** | **(20,248,345)** | **8,052,179** | **(81,940,710)** |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes TL equivalent of export and import amounts for the years ended 30 June 2011 and 31 December 2010:

| | 1 January - 30 June 2011 | 1 April - 30 June 2011 | 1 January - 30 June 2010 | 1 April - 30 June 2010 |
|---|---|---|---|---|
| Total export amount | 393,271 | - | 2,135,624 | 668,829 |
| Total import amount | 5,672,557 | 1,459,585 | 1,615,944 | 259,731 |

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholders' of the Company, in order to maintain or modify capital structure, can change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to decrease financing needs consistent with the regulations of the CMB.

Consistent with others in the industry, the Group monitors capital on the basis of the debt / equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents and deferred tax liability. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The ratio of net debt/ (equity +net debt) at 30 June 2011 and 31 December 2010 is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|---|---|
| Total financial liabilities | 224,355,255 | 158,091,634 |
| Cash and cash equivalents | (51,374,039) | (74,299,694) |
| Deferred tax liabilities | (3,785,822) | (3,950,655) |
| Net debt | 169,195,394 | 79,841,285 |
| Equity | 99,939,211 | 128,509,168 |
| Equity + net debt | 269,134,605 | 208,350,453 |
| Net debt / (Equity + net debt) ratio | 63% | 38% |

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## NOTE 30 - FINANCIAL INSTRUMENTS

**Fair value estimation**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In the balance sheet, derivative financial instrument is the only item that is recognized at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2. Apart from that, for disclosure purposes, the borrowings carried at the amortized cost at the balance sheet are presented with their values in Note 7. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate (Libor) that is available to the Group for similar financial instruments that can be classified as level 2. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

The Group's assets and liabilities measured with fair value at 30 June 2011 and 31 December 2010 are as follows:

| **30 June 2011** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale investments | - | - | 1,541,866 | 1,541,866 |
| Derivatives | - | - | 2,634,441 | 2,634,441 |
| - Interest rate swap | - | - | 2,505,116 | 2,505,116 |
| - Forward foreign exchange purchase / sale contract | - | - | 129,325 | 129,325 |
| **Total assets** | **-** | **-** | **4,176,307** | **4,176,307** |

| **31 December 2010** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale investments | - | - | 26,286 | 26,286 |
| Derivatives | - | - | 4,555,792 | 4,555,792 |
| - Interest rate swap | - | - | 3,260,698 | 3,260,698 |
| - Forward foreign exchange purchase / sale contract | - | - | 1,295,094 | 1,295,094 |
| **Total assets** | **-** | **-** | **4,582,078** | **4,582,078** |

## NOTE 31 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

The cargo building of the Company located at Ataturk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire that broke out on 24 May 2006.

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage to property, plant and equipment and leasehold improvements of the Company. As of 30 June 2010 some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

Because of the aforementioned fire, a judicial inquiry has been held with the inquiry file 2006/37927 E. at the Bakirkoy Office of the Directorate of Public Prosecutions, and in accordance with the results of the judicial inquiry criminal prosecution proceedings - Criminal suit number 2006/817 E. at Third Bakirkoy Third Magistrate Criminal Court - have been initiated against four DHMI security guards and an Ataturk Airport security guard for responsibility concerning the fire. The Company has been described as the aggrieved party in the indictment prepared by the Bakirkoy Office of the Public Prosecutor.

The Company, with all rights related to private law reserved, has submitted a petition to be a participant in the court proceedings for the penalizing of the perpetrators, since it has been described as aggrieved party. Since the reasons and responsible of fire could not identified, the court has decided to acquittal of the DHMI personnel.

There are legal cases and enforcement proceedings under way: this comprises legal cases and enforcement proceedings amounting to TL 20.657.291 (Note 14) in which the Company is a co-defendant along with the DHMI, other warehouse management companies and insurance companies; and legal cases and enforcement proceedings amounting to TL 6.251.844 in which the Company is the sole defendant.

In this context, the company management deems it likely that all the exposed legal claims of the Fund Companies can be eliminated through settlement in the context of the fund as a result of the ongoing negotiations. On the other hand and leaving aside the ongoing negotiations for settlement, the maximum limit which the Company may be held liable under the existing lawsuits and actions taken is approximately TL 10,930,757 despite being a remote probability bearing in mind the internationally established legal rules regarding the air transportation and so on since the same has a limited liability against the cargo owners based on the limitation of the liability regulated under the international conventions given the legal nature of the contractual liability that may be assumed due to the agreement executed with the carriers

The Company has an insurance policy related to the goods of third parties amounting to USD 1,500,000 which has been fully collected as of 30 June 2011 and is planned to be utilized by the Company under the circumstances that the Company is held legally liable for the losses incurred during the fire.

## NOTE 31 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the purpose of compensating legal claims related to the fire that broke out on 24 May 2006, the company management has decided to use another insurance policy amounting to USD 10,000,000 in a special fund created in conjunction with the DHMI and other warehouse management company in accordance with the Sharing Agreement signed with same parties. The Sharing Agreement mentioned was established in order to deal with the consequences of legal cases and enforcement proceedings in which the Company is a co-defendant along with the DHMI and other warehouse management company.

Even though the contracting Company, DHMİ, and other warehouse operator ("Fund Companies") maintain their claim that they can in no way be held responsible for the fire and its consequences, they have decided that the fund in question be established by the reinsurers of the Fund Companies in order to resolve the cases in which they are and are likely to be a party. As of the announcement date of the report, 138 cases with a total value of TL44,967,218 (USD27,583,866) and to which the Fund Companies are a party, have been solved with conciliation; for TL23,616,612TL (USD14,486,941) negotiations between the claimants and the fund are ongoing no conciliation has been achieved within the scope of the fund. It is foreseen that the balance amounts remaining in the fund as a result of liquidation will be sufficient for the liquidation of all claims made with all fund parties but for which reconciliation meetings have not been finalised.

In view of the foregoing, the Company believes that all legal claims faced may be settled as part of the insurance policy collected and the fund formed. Since there are no further development which adversely affects the matters disclosed in past, the Company has not booked any provision in consolidated financial statements as of 31 December 2010.

## NOTE 32 - SUBSEQUENT EVENTS

a) As July 28th, 2011, Board of Directors decided to; cover capital resource amounting to INR 134.068.000 required to finance the operations and perform planned invesments of Celebi Delhi GH, the subsidiary of the Company with %74 stake with the paid capital of INR 10.700.000 in Delhi, India by premium capital increase within legislation is relied upon in India and; with in this framework, pay a total of INR 133.496.000 (approximately 3 million U.S. dollars) and; protect Celebi Hava's share, should be up to with a maximum of 74% with relevant legislation is relied upon in India.

## NOTE 32 - SUBSEQUENT EVENTS (Continued)

b) Within the registered capital ceiling of Celebi NAS of INR500,000,000, the amount of capital already paid in by the shareholders is INR400,000,000. The total amount of advances decided to be paid by the shareholders to the Company is INR155,000,000, consisting of INR100,000,000 (paid by shareholders) and INR55,000,000 (INR50,600,000 of which was paid by the shareholders) respectively; INR79,050,000 of this amount, which corresponds to 51% (the share of Celebi Hava), has been paid to Celebi Nas. In addition, the issue of the shares corresponding to this amount has not been completed due to the amendments made in the Indian legislation regarding the sector in which the Company operates. Apart from this amount, since it was decided before, to ensure INR90,000,000 capital advance be paid to the Company in order to provide the funds needed for the equipment required in the short term be met by the company shareholders, it was decided thatINR45,900,000 of this amount, corresponding to 51% (the share of Celebi Hava in the Company capital), would be paid; capital and capital to be paid this time, and after including those which could not be issued yet as capital due to the amendments in the Indian legislation regarding the sector in which Celebi Nas operates, are considered as capital or capital premiums paid to the Company and added to the equities of the Company in proportion to shares of the Company's shareholders

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