

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2006  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH  
SEE NOTE 2.6**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Çelebi Hava Servisi A.Ş.

1. We have audited the accompanying consolidated financial statements of Çelebi Hava Servisi A.Ş., its Subsidiaries and Joint-venture (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*

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

*Auditor's responsibility*

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

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

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

*Opinion*

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Çelebi Hava Servisi A.Ş. as of 31 December 2006, and its financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

*Emphasis of matter*

5. As explained in Note 44 to the consolidated 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-antrepo operations was damaged due to the fire that broke out on 24 May 2006. As a result of the fire, the goods belonging to third parties located in the cargo building during the fire was also damaged. As of 31 December 2006, 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 law suits against the Company and through enforcement proceedings. The Company was not found to be responsible for the fire and therefore, was not considered to be legally responsible for the losses of the third parties. Although, the Company believes that the probability of being liable for the losses is remote, the indemnities related to the damaged goods of the third parties is estimated by the Company as YTL 8.362.000 at most, in reference to existing legal cases and demands considering the international airline transportation rules and related regulations. Since the assessment of the damage to the goods in the cargo building can not be determined reliably and the probability of being liable for the losses is considered to be remote, no provision has been accounted for in the accompanying consolidated financial statements as of 31 December 2006.

*Additional paragraph for convenience translation into English*

6. As of 31 December 2006, the financial reporting standards issued by the CMB 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 and presentation of the basic financial statements and the notes to them as described in Note 2 to the accompanying consolidated financial statements. Accordingly, the consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

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

Murat Sancar, SMMM  
Partner

Istanbul, 10 April 2007

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2006	31 December 2005
<b>ASSETS</b>			
<b>Current assets</b>		<b>98.742.459</b>	<b>65.325.402</b>
Cash and cash equivalents	4	67.010.705	46.315.119
Marketable Securities - net	5	-	-
Trade receivables - net	7	15.605.256	11.315.115
Finance lease receivables - net	8	-	-
Due from related parties - net	9	270.452	3.188.386
Other receivables - net	10	9.229.900	1.013.489
Biological assets - net	11	-	-
Inventories - net	12	3.381.292	1.645.705
Construction contract receivables - net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	3.244.854	1.847.588
<b>Non-current assets</b>		<b>199.744.792</b>	<b>162.556.463</b>
Trade receivables (net)	7	-	-
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	-	-
Goodwill/negative goodwill (net)	17	18.160.526	-
Investment property (net)	18	-	-
Property, plant and equipment (net)	19	96.911.569	84.672.641
Intangible assets - net	20	83.246.005	72.392.249
Deferred tax assets	14	1.296.573	5.466.421
Other non-current assets	15	130.119	25.152
<b>TOTAL ASSETS</b>		<b>298.487.251</b>	<b>227.881.865</b>

These consolidated financial statements as at and for the year ended 31 December 2006 have been approved for issue by the Board of Directors ("BOD") on 10 April 2007 and signed on its behalf of BOD by S. Samim Aydın, General Manager and by H. Tanzer Gücüm, Finance Director.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2006	31 December 2005
<b>LIABILITIES</b>		<b>181.211.388</b>	<b>125.998.544</b>
<b>CURRENT LIABILITIES</b>		<b>133.269.918</b>	<b>51.001.396</b>
Financial liabilities - net	6	59.630.749	4.517.116
Short-term portion of			
long-term financial liabilities - net	6	32.404.573	31.225.098
Finance lease obligations - net	8	97.245	622.203
Other financial liabilities - net	10	-	-
Trade payables - net	7	25.933.505	7.064.743
Due to related parties - net	9	2.267.511	349.667
Advances received	21	61.890	48.732
Construction contracts progress payments - net	13	-	-
Provisions	23	3.018.507	2.336.483
Deferred tax liability	14	-	-
Other liabilities - net	15	9.855.938	4.837.354
<b>NON-CURRENT LIABILITIES</b>		<b>47.941.470</b>	<b>74.997.148</b>
Financial liabilities - net	6	33.066.453	59.727.770
Finance lease obligations - net	8	-	92.834
Other financial liabilities - net	10	-	-
Trade payables - net	7	2.808	2.934
Due to related parties - net	9	-	-
Advances received	21	-	-
Provisions	23	8.675.601	5.194.356
Deferred tax liability	14	6.196.608	9.979.254
Other liabilities - net	15	-	-
<b>MINORITY INTEREST</b>	<b>24</b>	<b>4.672.871</b>	<b>52.343</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>112.602.992</b>	<b>101.830.978</b>
<b>Share capital</b>	<b>25</b>	<b>13.500.000</b>	<b>13.500.000</b>
<b>Investment capital net-off</b>		<b>-</b>	<b>-</b>
<b>Capital reserves</b>	<b>26</b>	<b>11.785.483</b>	<b>11.785.483</b>
Share premiums		-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets revaluation fund		-	-
Equity inflation adjustment differences	26	11.785.483	11.785.483
<b>Profit reserves</b>	<b>27</b>	<b>36.453.445</b>	<b>16.729.600</b>
Legal reserves		8.455.399	6.899.658
Statutory reserves		-	-
Extraordinary reserves		27.229.058	9.829.942
Special reserves		-	-
Investment and property sales gains to be transferred to the share capital		-	-
Translation reserves		768.988	-
<b>Net income for the period</b>		<b>22.204.955</b>	<b>31.156.786</b>
<b>Retained earnings</b>	<b>28</b>	<b>28.659.109</b>	<b>28.659.109</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>298.487.251</b>	<b>227.881.865</b>
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The accompanying notes form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED  
31 DECEMBER 2006 AND 2005**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2006	Restated 31 December 2005
<b>OPERATING REVENUE</b>			
Net sales	36	231.774.015	189.498.273
Cost of sales (-)	36	(153.800.213)	(134.217.800)
Service revenues-net	36	-	-
Other operating income		-	-
<b>GROSS OPERATING PROFIT</b>		<b>77.973.802</b>	<b>55.280.473</b>
Operating expenses (-)	37	(40.299.307)	(23.180.015)
<b>NET OPERATING PROFIT</b>		<b>37.674.495</b>	<b>32.100.458</b>
Other income and profits	38	3.364.892	1.764.595
Other expenses and losses (-)	38	(7.485.688)	(1.044.245)
Financial expenses	39	(7.598.355)	(4.255.963)
<b>OPERATING PROFIT</b>		<b>25.955.344</b>	<b>28.564.845</b>
Net monetary gain/ loss	40	-	-
<b>MINORITY INTEREST</b>		<b>1.358.637</b>	<b>(33.325)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>27.313.981</b>	<b>28.531.520</b>
Taxes on income	41	(5.109.026)	2.625.266
<b>NET PROFIT FOR THE PERIOD</b>		<b>22.204.955</b>	<b>31.156.786</b>
<b>PROFIT PER SHARE (YTL)</b>		<b>1,64</b>	<b>2,30</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

	Share capital	Inflation adjustments to shareholders' equity	Legal reserves	Extraordinary reserves	Retained earnings	Currency translation reserve	Net income for the year	Total Shareholder's equity
<b>1 January 2005 previously reported</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>8.195.215</b>	<b>27.756.683</b>	-	<b>1.634.727</b>	<b>69.771.766</b>
Prior period adjustment (Note 2.4)	-	-	-	-	1.043.477	-	(141.051)	902.426
<b>1 January 2005 adjusted</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>8.195.215</b>	<b>28.800.160</b>	-	<b>1.493.676</b>	<b>70.674.192</b>
Transfers to retained earnings	-	-	-	-	1.493.676	-	(1.493.676)	-
Transfers to reserves	-	-	-	1.634.727	(1.634.727)	-	-	-
Net profit for the year	-	-	-	-	-	-	31.156.786	31.156.786
<b>31 December 2005</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>9.829.942</b>	<b>28.659.109</b>	-	<b>31.156.786</b>	<b>101.830.978</b>
<b>1 January 2006</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>9.829.942</b>	<b>28.659.109</b>	-	<b>31.156.786</b>	<b>101.830.978</b>
Transfers to retained earnings	-	-	-	-	31.156.786	-	(31.156.786)	-
Transfers to reserves	-	-	1.555.741	23.095.819	(24.651.560)	-	-	-
Dividend payment	-	-	-	(5.696.703)	(6.505.226)	-	-	(12.201.929)
Currency Translation Reserve	-	-	-	-	-	768.988	-	768.988
Net profit for the year	-	-	-	-	-	-	22.204.955	22.204.955
<b>31 December 2006</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>8.455.399</b>	<b>27.229.058</b>	<b>28.659.109</b>	<b>768.988</b>	<b>22.204.955</b>	<b>112.602.992</b>

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED CASH FLOWS STATEMENTS FOR THE YEARS ENDED  
31 DECEMBER 2006 AND 2005**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2006	31 December 2005
<b>Cash flow from operating activities</b>			
Profit before tax and minority interest		25.955.344	28.564.845
<b>Adjustments to reconcile loss before tax to net cash inflows from operating activities</b>			
Depreciation	19-20	31.822.468	24.945.930
Provision for employment termination benefits	23	515.904	(500.808)
Interest income	39	(2.930.514)	(951.980)
Interest expense	39	8.698.297	4.957.760
Change in provision for doubtful receivable	7	38.103	30.740
Currency translation adjustment		768.988	-
Minority interest	24	5.979.165	(33.325)
<b>Net cash before changes in assets and liabilities</b>		<b>70.847.755</b>	<b>57.013.162</b>
<b>Changes in assets and liabilities</b>			
Change in trade receivables	7	(926.228)	(2.960.241)
Change in due from related parties	9	2.917.934	(3.892.767)
Change in inventories	12	(1.708.754)	(357.636)
Change in other receivables	10	(1.227.001)	54.387
Change in other current/non-current assets	15	4.439.167	(853.104)
Change in trade payables	7	6.354.994	(550.902)
Change in due to related parties	9	1.917.844	(237.377)
Change in short-term liability provisions	23	682.024	3.355.705
Change in other short-term liabilities	15	(7.498.673)	1.640.221
Change in long-term liability provisions	23	3.868.435	-
Change in advances taken	21	13.159	48.732
Employment termination benefits paid	23	(903.220)	(917.062)
<b>Cash flow from operating activities</b>		<b>78.777.436</b>	<b>52.343.118</b>
<b>Investment operations</b>			
Purchase of tangible assets	19	(9.961.342)	(59.936.816)
Purchase of intangible assets	20	(1.523.424)	(961.453)
Interest Received	39	986.107	951.980
Change in long-term financial assets		-	240.648
Proceeds from sale of tangible assets	19-20	529.650	4.924.996
Cash outflows due to investment in associates		(33.305.149)	-
<b>Cash flow from investment operations</b>		<b>(43.274.158)</b>	<b>(54.780.645)</b>
<b>Financial operations</b>			
Change in borrowings	6	1.404.748	41.213.046
Change in short-term finance lease obligations	8	(524.958)	(869.573)
Change in long-term finance lease obligations	8	(92.834)	28.377
Dividends paid		(12.201.929)	-
Interest paid	39	(3.392.719)	(4.957.760)
<b>Cash flow from financial operations</b>		<b>(14.807.692)</b>	<b>35.414.090</b>
Net change in cash and cash equivalents		20.695.586	32.976.563
<b>Beginning balance of cash and cash equivalents</b>	<b>4</b>	<b>46.315.119</b>	<b>13.338.556</b>
<b>Ending balance of cash and cash equivalents</b>	<b>4</b>	<b>67.010.705</b>	<b>46.315.119</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

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**NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

Çelebi Hava Servisi A.Ş. (the "Company") 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 airline and private cargo companies. The Company operates in İstanbul, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Gaziantep, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Tokat, Van, Malatya, Kars, Mardin, Isparta and Sivas airports, which are under the control of the State Airports Administration ("DHMI").

The address of the Company is as follows:

Atatürk Havalimanı, Yeşilköy  
34149 Yeşilköy, İstanbul

The Company has consolidated Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. ("Çelebi IC") with %49,99 of shares using the joint-venture consolidation method as of 31 December 2006. Çelebi IC was established on 23 March 2004 based on the "Antalya Airport 2<sup>nd</sup> International Terminal (Terminal) construction, management and transfer agreement" between the Company and the DHMI on 24 February 2004. Based on this agreement and an additional contract prepared on 10 November 2004, the construction of the building was finished and operations started as of 4 April 2005. Çelebi IC will run this terminal for 54 months and then transfer it to the DHMI without any charge. The other main shareholder of Çelebi IC is İċtaş İnşaat Sanayi ve Ticaret A.Ş. with %49,99 of shares.

The Company has also consolidated Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. ("Çelebi Güvenlik") in which it holds %94,8 (2005: %94,8) of shares. Çelebi Güvenlik 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 Nemzetközi Repülöter Üzemeltetö Zartkörüen Müködö Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleössegü 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 realisation 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 Földi Kiszolgaló Korlátolt Felelösségü Társaság ("CGHH"). Celebi Kft has share capital of 2.700.000 Hungary Forint ("HUF") in which the Company has a share of HUF 1.890.000 (%70). The other shares belong to Çelebi Holding A.Ş which is also the shareholder of the Company.

As of 31 December 2006, the consolidated financial statements of the Company include the Company, Çelebi IC, Çelebi Güvenlik and Celebi Kft (CGHH) (collectively, referred to as the "Group").

As of 31 December 2006 and 31 December 2005, the average number of employees of the Group is 4.003 and 3.430, respectively.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated.)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Accounting policies**

The consolidated financial statements of the Group have been prepared in accordance with accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards “IFRS” issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform to the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by the IASB in its financial statements for the accounting periods starting 1 January 2005. The consolidated financial statements and the related notes have been prepared in accordance with the alternative method mentioned above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation and measurement in accordance with CMB Accounting Standards. Consequently, the Company, its Subsidiaries and Affiliates (the “Group”) that are resident in Turkey have conformed to the CMB, Turkish Commercial Code, Turkish Corporate Tax Law standards and regulations and the Uniform Chart of Accounts as defined by the Ministry of Finance in the preparation of the statutory financial statements and in the accounting principles adopted. Foreign affiliates are subject to rules and regulations defined in their countries.

The consolidated financial statements have been prepared in New Turkish lira (“YTL”) based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

The financial statements of the foreign affiliates have been prepared in accordance with the rules and standards defined by the country in which the affiliates are resident; however required adjustments and reclassifications have been made to the financial statements to reflect the accounting policies and presentation principles of the Group’s consolidated financial statements. The assets and liabilities of the foreign affiliates have been translated using the foreign exchange rate as the balance sheet date. Revenues and expenses have been translated into New Turkish lira using the average foreign exchange rate. The foreign exchange differences resulting from the translation of net assets at the opening period and the utilisation of average exchange rates, have been followed as cumulative translation adjustments under equity.

**2.2 Adjustments on balance sheet items for hyperinflationary periods**

Inflation adjustments were not performed for the periods 1 January-31 December 2006 and 2005.

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

**2.3 Consolidation principles**

The consolidated financial statements have been prepared based on explanations mentioned in paragraphs (a) to (c) and the accounts of the Company, Çelebi Hava Servisi A.Ş., the Subsidiaries and Joint-ventures prepared based on paragraphs (a) and (b). The financial statements of the companies included in the scope of consolidation and prepared according to the historical cost method have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Accounting Standards and the application of uniform accounting policies and presentation.

Positive goodwill due to the consolidation of the Subsidiaries and Joint-ventures has been presented separately from the carrying value in the balance sheet.

- a) Subsidiaries are companies over which the Company has the power to control the financial and operating policies, either (a) through the power to exercise more than %50 of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, or (b) although not having the power to exercise more than %50 of the ownership interest, the power to exercise control over financial and operating policies.

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

Affiliates are consolidated beginning from the date control is transferred to the Group and are excluded from the consolidation beginning from the date control is ended. If required, accounting principles adopted by the Affiliates are altered to reflect the accounting principles adopted in the preparation of the Group's consolidated financial statements.

The Subsidiaries and their ownership included in the consolidation as of 31 December 2006 are as follows:

	<b>Direct/indirect control of the Company (%) 31 December 2006</b>	<b>Direct/Indirect control of the Company (%) 31 December 2005</b>
Çelebi Güvenlik (*)	%94,8	%94,8
Celebi Kft. (**)	%70,0	-
CGHH (**)	%70,0	-

- (\*) Çelebi Güvenlik was classified as an available-for-sale financial asset in the consolidated financial statements until 30 June 2005 due to the small size of its assets, revenue and operations. However, taking into consideration the development in operating size of Çelebi Güvenlik and the increase in its revenue, it has been included for the first time in the consolidated financial statements for the nine-month period ended 30 September 2005. Çelebi Güvenlik is included in the consolidated financial statements for the period ended 31 December 2006.

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

(\*\*) The Company, as disclosed in Note 1, participated in Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft") established on 22 September 2006 as a founding partner in order to realise the share transfer following the winning of the tender offer opened on 7 August 2006. The Company has a share of HUF 1.890.000.000 (70%) (YTL 13.182.399) in total equity capital of HUF 2.700.000.000 of Celebi Kft and Celebi Kft has been consolidated in the financial statements for the period ended 31 December 2006. As of 31 December 2006, Celebi Kft has a 100% share of the total equity capital of CGHH.

- b) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Çelebi 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. Çelebi IC is a %49,99 participation of the Company jointly managed by the other shareholders of Çelebi IC.
- c) The minority shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and statements of income as "minority interest".
- d) In preparing the consolidated financial statements, all balances and unrealised 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.
- e) The assets and liabilities of the foreign affiliates have been translated by using the foreign exchange rate at the balance sheet date. Revenues and expenses have been translated into New Turkish lira by using average foreign exchange rates. The foreign exchange differences resulting from the translation of net assets at the beginning period and utilisation of average exchange rates, have been followed as cumulative translation adjustments under equity.

**2.4 Comparatives and restatement of prior periods' financial statements**

Where necessary, comparative figures have been reclassified to conform to changes in presentation of the current year's consolidated financial statements.

- a) The Group has reclassified the build-operate-transfer investment at Çelebi IC under intangible assets; it was previously followed under tangible assets as of 31 December 2005. The net book value of the build-operate-transfer investment as of 31 December 2006 is 53.404.625 YTL.

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

- b) According to the contract and bid specifications related to the construction, management and transfer of Antalya Airport 2nd international terminal signed between the DHMI and Çelebi IC, the DHMI guaranteed foreign passenger income of USD 15 up to 2.277.472 passengers (2005: 2.211.138) to Çelebi IC. After reaching the guaranteed passenger number in one operating year, the entire passenger income will be transferred to the DHMI. The foreign passenger income to be transferred to DHMI has been offset between sales and cost of sales in the consolidated financial statements for the period ended 31 December 2005 and 2006. As a result of offsetting, the net sales and cost of sales of the Group that had been reported in the consolidated financial statements for the period ended 31 December 2005 have been restated from 215.014.711 YTL to 189.498.273 YTL and from 159.734.238 YTL to 134.217.800 YTL respectively. As of 31 December 2006, the offsetting amount between sales and cost of sales is 27.142.185 YTL.

**2.5 Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or when the acquisition of the assets and settlement of the liabilities are concurrent.

**2.6 Convenience translation into English of consolidated financial statements originally issued in Turkish**

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Accounting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, for the period between 1 January - 31 December 2005 and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

**3.1 Revenue recognition**

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognised 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 (Note 36). 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.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Passenger service income is recognised on an accrual basis, invoiced over amounts determined per traveller with reference to the service contracts to the airport firms or their representatives for the services rendered to the passengers going abroad from the terminal. In accordance with the "Antalya Airport 2<sup>nd</sup> International Terminal construction, management and transfer agreement" signed between Çelebi IC and DHMI and also with the conditions of the contract, the DHMI committed to the foreign lines service revenue from 2.277.472 (2005: 2.211.138) passengers and agreed USD15 per person as the foreign line passenger service price. After reaching the guaranteed passenger number in one operating year, the remainder of the passenger income will be transferred to the DHMI.

**3.2 Inventories**

Inventories are valued at the lower of cost, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories are cost of purchases, cost of conversion and other costs for maintenance. Stocks are valued with the moving average cost method (Note 12).

**3.3 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 (Note 19).

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

Machinery and equipment	5-20 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5-15 years
Software	5 years

Where the carrying amount of the asset is greater than its recoverable amount, it is written down immediately to its recoverable amount. Revenue and losses due to fixed asset disposals are calculated over restated fixed asset balances and recorded in profit and loss accounts.

Expenses for the repair and maintenance of property, plant and equipment are normally charged to the statement of income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets and amortised based on the remaining useful life of the fixed asset.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4 Intangible assets**

Intangible assets comprise computer programmers, information systems and rights. They are stated at cost less amortisation, restated to the equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less amortisation for the items purchased after 1 January 2005. Amortisation is calculated using the straight-line method over a period not exceeding five years (Note 20).

Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

The Group has reclassified the build-operate-transfer investment at Çelebi IC under intangible assets in the consolidated financial statements at 31 December 2006 while the investment was first reclassified in the consolidated financial statements as of 31 March 2006. The Company booked the build-operate-transfer investment under tangible fixed assets at 31 December 2005. 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 of the terminal for 54 months.

Borrowing costs that are directly attributable to the build-operate-transfer investment are capitalised 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.

**3.5 Impairment of assets**

The Group assesses at each reporting date whether there is any indication that an asset, except for a deferred tax asset is impaired (Note 3.22 and Note 14). If any such indication exists, the recoverable amount of the asset is estimated. Impairment is recognised in the income statement as expense.

An impairment loss recognised in prior periods for an asset is reversed, not exceeding the previously recognised impairment loss amount, if there is a subsequent increase in the recoverable amount due to an event occurring since the last impairment loss was recognised.

**3.6 Borrowing costs**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. They are stated at amortised cost using the effective interest yield method; any difference between proceeds (except cost of operation) and the redemption value is recognised in the income statement over the period of the borrowings. Financial expenses related with borrowings are recorded in the consolidated income statement when realised (Note 39). The difference between the total amount of the borrowing (less the transaction fees) and that at the repayment date is recorded in the consolidated income statement during the period the borrowing is effective.



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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.7 Financial assets**

Financial assets are classified based on the intent of the investment. Group management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designations on a regular basis. The Group classifies its financial assets as below:

a) Borrowings and receivables

Credits and receivables comprise non-derivative financials assets which are not quoted in an active market, and which comprise of fixed or certain payments. Credits and receivables arise when they are not held-for-trading, and when the Group supplies money, goods and services to a debtor directly. If their maturities are 12 months shorter than the balance sheet date, they are recognised in current assets, if more than that, they are recognised in non-current assets. Credits and receivables are included in the trade receivables (Note 3.16) and other receivables in the balance sheet. Credits and receivables are recognised over values after deducting the transaction costs of the related amounts. Credits and receivables are recognised afterwards over the cost value discounted by the effective interest yield method.

b) Available-for-sale assets

Financial instruments held for an indefinite period, and which can be sold to meet liquidity requirements, or changes in the interest rates, and which are not subject to other classifications are classified as available-for-sale assets. These are included in non-current assets if management does not plan to hold the financial asset for a period of less than 12 months, and if no need will arise to increase operating capital (otherwise it is included in the current assets). Group management classifies these financial instruments when they are acquired, and reviews classifications regularly.

Unrealised gains and losses due to changes in the reasonable value of available for sale financial assets, are booked under equity and disclosed as "Financial assets revaluation fund" after the reflection of the deferred tax effect in line with the alterations made in IFRS 39.

All financial investments are recognised over the cost values including the reasonable value, and acquisition costs related to the investment. The Group values the available-for-sale assets at the balance sheet date over the reasonable value and accounts for the arising reasonable value differences under equity capital. The Group accounts for the losses and gains related to available-for-sale assets under equity capital directly until these assets are removed from the financial statements. Negative differences between the acquisition cost of available-for-sale assets, and their reasonable values are related to the consolidated financial statements if differences are permanent.

When affiliates are not quoted in stock exchange in which the Group has less than a 20 % share, and other methods in determining the fair value of the financial asset are not applicable and therefore the fair value of the affiliate cannot be assessed, impairment losses (if they exist) are deducted from the acquiring cost of the financial asset.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.8 Mergers and acquisitions**

The accounting of mergers and acquisitions depends on the purchase method used. The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is recognised as an asset and is initially 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 recognises 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 and which can be separated from goodwill, at their fair values in the consolidated financial statements.

The carrying value of goodwill is reviewed annually for permanent impairment and the impairment provision, if any, is immediately recognised in the consolidated statements of income.

**3.9 Foreign exchange rate risk**

Income and expenses arising in foreign currencies have been translated into YTL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL 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 statements of income. Foreign currency non-monetary items which are carried with costs are translated into YTL at the exchange rates prevailing at the purchase dates.

**3.10 Earnings per share**

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned (Note 42).

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings in Turkey. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

**3.11 Subsequent events**

Provisions are made when there is current legal or valid liability as a result of past transaction, it is probable that there will be outflow of cash, and a reliable estimate can be made of this amount (Note 34).

Possible assets or obligations arising at subsequent balance sheet dates that require the correction in the financial statements be corrected accordingly and assets and obligations arising subsequently which do not require correction to the financial statements but will possibly affect the economic decisions of the financial statement users will be disclosed under notes to the financial statements.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12 Provisions, contingent assets and liabilities**

The conditions which are required to be met in order to recognise a provision in the consolidated financial statements are 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 recognised as liabilities or assets, however they should be disclosed as contingent liabilities or assets (Note 31).

**3.13 Changes and errors in the accounting policies and estimates**

Significant changes and errors in the accounting policies are adjusted retrospectively and previous period's financial statements are prepared accordingly. Significant changes in accounting policy estimates are adjusted in the period in which the changes have occurred if the changes are related to only one period. If the estimated changes affect the prospective periods, they are adjusted in the period in which the changes have occurred and in the prospective periods.

**3.14 Leases**

*Finance leases*

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Principal lease payments are treated as comprising of capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to the consolidated income statement as loss. Depreciation on the relevant asset is also charged to the statement of income over its useful life (Note 8).

**Operating leases**

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

**3.15 Related parties**

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, investments, associated companies and joint venture partners are considered and referred to as related parties (Note 9).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.16 Trade receivables and provision for doubtful receivables**

Trade receivables that are originated by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective yield method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 7).

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 operating income.

**3.17 Segment reporting**

In Turkey, the Group operates in handling services, airport security services and airport construction and management and in Hungary operates in handling services. Financial information related with these service lines are reported according to these segments (Note 33).

The first format type identified by the Group for segment reporting is industrial sections. Industrial sections include operations or assets which are different to services or products served by other service areas of the Group from a risk and advantage view.

Geographic segment reporting was not performed as the Group delivers products and services in geographical areas that are affected by economic environments by risk and advantages of a similar nature.

**3.18 Construction agreements**

None (2005: None).

**3.19 Discontinued operations**

None (2005: None).

**3.20 Government grants and incentives**

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received (Note 30).

**3.21 Investment properties**

None (2005: None).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.22 Taxes on income**

Taxes on income included in the statement of income comprise of current and deferred tax (Note 14 and Note 41). Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on all 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.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax asset is booked where there is a probability that a tax advantage can be gained in future periods. This asset is removed from the related asset where there is no probability of utilising this asset.

**3.23 Employment termination benefits**

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, or dies. Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

**3.24 Retirement plans**

None (2005: None).

**3.25 Agricultural operations**

None (2005: None).

**3.26 Reporting of cash flows**

Cash flows related to the period are reported and classified according to operating, investment and financial activities.

Cash flows resulting from operating activities indicate cash flows resulting from the Group's handling and airport construction and management operations.

Cash flows from investment operations indicate cash flows acquired and used in the Group's investment activities (fixed investment and financial investment).

Cash flows from financial operations indicate sources used in the financial activities of the Group and the repayments thereof.

Cash and cash equivalents include cash and banks.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.27 Purchase and resale agreements (“Reverse Repo”)**

None (2005: None).

**3.28 Share capital and dividends**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividend receivables are accounted for income at the date dividend collection is eligible.

**3.29 Financial instruments and financial risk management**

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

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.

*Funding risk*

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

*Receivable risk*

Financial assets are exposed to the risk of not obeying a contract by the third party. This risk is monitored through restricting the risk of the third party (except related parties) for each contract and receiving guarantee letters if needed.

*Currency risk*

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 29).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair value of financial instruments*

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.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

*Monetary assets*

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

The fair values of financial assets not quoted on the market are determined through the application of generally accepted valuation techniques or by their historical costs after impairment losses are deducted.

*Monetary liabilities*

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are denominated in foreign currencies, are translated at period-end exchange rates and accordingly their carrying amounts approximate their fair values.

Trading liabilities have been estimated at their fair values.

**3.30 Significant accounting estimates, 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.

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**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>31 December 2006</b>	<b>31 December 2005</b>
Cash	85.702	26.318
Banks		
-time deposits	53.564.761	38.778.172
- USD	21.935.901	9.012.645
- EUR	21.418.701	21.474.504
- YTL	5.855.661	8.291.023
- Hungarian Forint	4.354.498	-
- demand deposits	13.352.837	7.290.629
- Hungarian Forint	8.872.469	
- USD	2.050.564	3.582.244
- EUR	1.807.161	3.221.996
- YTL	564.015	443.018
-GBP	58.628	43.371
- Other liquid assets	7.405	220.000
	<b>67.010.705</b>	<b>46.315.119</b>

Average effective interest rates for YTL, EUR ,USD and Hungarian Forint time deposits are %16,63-20,00, %1,84-3,70 and %2,66-5,20 and %7,2 respectively as of 31 December 2006 (31 December 2005: YTL % 12,83-15,00, USD %1,20-3,80 and EUR %2,17-4,25). Maturities of time deposits are YTL: 3-32 days, USD: 3-182 days, EUR: 3-62 days and HUF: 7 days as of 31 December 2006 (31 December 2005: YTL 2-31 days, USD 2-17 days and EUR 2-51 days).

**NOTE 5 - MARKETABLE SECURITIES**

None (31 December 2005: None).



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NOTE 6 - FINANCIAL LIABILITIES

		31 December 2006	
	Yearly effective interest rate (%)	Original amount	YTL
<b>Short-term borrowings</b>			
<u>Short-term borrowings</u>			
YTL borrowings		839	839
Hungary Forint borrowings		500.000.000	3.695.000
Euro borrowings	5,77%	30.000.000	55.934.910
			<b>59.630.749</b>
<u>Short-term portion of long-term borrowings</u>			
Interest expense accrual-EUR		605.575	1.121.222
Interest expense accrual-USD		231.431	325.300
USD borrowings	Libor+%2,9-%5,5	6.933.333	9.745.493
EUR borrowings	Euribor+%2,9	11.456.958	21.212.558
			<b>32.404.573</b>
<b>Long-term borrowings</b>			
USD borrowings	Libor+%2,9-%5,5	8.433.333	11.853.895
EUR borrowings	Euribor +%2,9	11.456.958	21.212.558
			<b>33.066.453</b>

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

	<b>31 December 2005</b>		
	<b>Yearly effective interest rate (%)</b>	<b>Original amount</b>	<b>YTL</b>
<b>Short-term borrowings</b>			
<u>Short-term bank borrowings</u>			
YTL borrowings	-	697	697
EUR borrowings	%3,2	1.999.760	3.174.619
USD borrowings	%5,5	1.000.000	1.341.800
			<b>4.517.116</b>
<u>Short-term portion of long-term borrowings</u>			
Interest accrual-EUR	-	81.111	128.764
Interest accrual-USD	-	1.668.504	2.238.799
USD borrowings	Libor+%2,9-%5,5	21.506.584	28.857.535
			<b>31.225.098</b>
<b>Long-term borrowings</b>			
USD borrowings	Libor+%2,9-%5,5	44.513.169	59.727.770
			<b>59.727.770</b>

The redemption schedule of the long-term bank borrowings as of 31 December 2006 and 31 December 2005 is as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
2007	-	28.857.535
2008	30.958.051	28.857.535
2009 and over	2.108.402	2.012.700
	<b>33.066.453</b>	<b>59.727.770</b>

As of 31 December 2006, the borrowings amounting to EUR 22.912.083 comprise of the loans used by the Joint-venture of the Company Çelebi IC for the terminal construction. The maturities of the loans which do not have to be repaid in the first two years range from 3,5-4 years; repayment began on April 2006 and will be realised through six equal monthly instalments.

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Short-term trade receivables</b>		
Trade receivables	15.615.607	11.679.500
Deposits and guarantees given	14.862	7.833
Doubtful receivables	2.456.314	2.418.211
	<b>18.086.783</b>	<b>14.105.544</b>
Less: Provision for doubtful receivables	(2.456.314)	(2.418.211)
Less: Unearned financial income from credit sales	(25.213)	(372.218)
	<b>15.605.256</b>	<b>11.315.115</b>

Yearly effective interest rates for trade receivables as of 31 December 2006 for the YTL, USD and EUR respectively are %16,80, %5,33 and %3,63, respectively(31 December 2005: %13,09, %4,32 and %2,37).

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.

Movements of the provision for doubtful receivables for the years ended 31 December 2006 and 31 December 2005 are as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Opening balance	2.418.211	2.387.471
Additions	38.103	30.740
<b>Ending balance</b>	<b>2.456.314</b>	<b>2.418.211</b>
<b>Short-term trade payables</b>		
Trade payables	25.973.607	7.157.646
	<b>25.973.607</b>	<b>7.157.646</b>
Less: Unearned credit finance charges	(40.102)	(92.903)
	<b>25.933.505</b>	<b>7.064.743</b>

Average weighted effective interest rates for unearned credit finance charges as of 31 December 2006 for USD, Euro, GBP and YTL are %5,32, %3,63, %5,26 and %16,8 respectively (31 December 2005: %4,32, %2,37, %4,32 and %13,09).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2006	31 December 2005
<b>Long-term trade payables</b>		
Deposits and guarantees received	2.808	2.934
	<b>2.808</b>	<b>2.934</b>

NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

	31 December 2006			31 December 2005		
	Minimum lease payments	Interest	Total Obligation	Minimum lease payments	Interest	Total Obligation
Less than 1 year	99.851	(2.606)	97.245	658.559	(36.356)	622.203
1 to 2 years	26.794	(26.794)	-	95.322	(2.488)	92.834
2 to 3 years	292	(292)	-	25.578	(25.578)	-
4 years and more	479	(479)	-	736	(736)	-
	<b>127.416</b>	<b>(30.171)</b>	<b>97.245</b>	<b>780.195</b>	<b>(65.158)</b>	<b>715.037</b>

NOTE 9 - DUE FROM AND DUE TO 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:

	31 December 2006	31 December 2005
<b>Due from related parties</b>		
Çelebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	75.852	2.801.684
Ortadoğu Antalya Liman İşletmeleri A.Ş.	31.997	-
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	47	84
Çelebi Holding A.Ş.	-	10.730
	<b>107.896</b>	<b>2.812.498</b>
Less: Unearned financial income from sales on credit terms	(2.341)	(16.205)
	<b>105.555</b>	<b>2.796.293</b>

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NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

	31 December 2006	31 December 2005
<b>Due from Joint-ventures</b>		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	164.897	393.870
Less: Unincurred financial expense from purchase on credit terms	-	(1.777)
	<b>164.897</b>	<b>392.093</b>
	<b>270.452</b>	<b>3.188.386</b>

	31 December 2006	31 December 2005
<b>Due to related parties</b>		
Çelebi Holding A.Ş. (*)	1.306.176	-
Çe-Tur Çelebi Turizm Ticaret A.Ş.	960.872	352.680
Payables to shareholders	2.848	2.276
Çelebi Hizmet Gıda İşletmeleri A.Ş.	112	-
	<b>2.270.008</b>	<b>354.956</b>
Less: Unincurred financial expense from purchase on credit terms	(2.497)	(5.289)
	<b>2.267.511</b>	<b>349.667</b>

(\*) YTL 1.005.534 portion of due to Çelebi Holding consists of invoices issued for the Company and Çelebi Güvenlik as contributions to holding expenses.

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NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

	31 December 2006	31 December 2005
<b>Sales to related parties</b>		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	386.899	625.968
Çelebi Holding A.Ş.	224.575	118.162
Çe-Tur Çelebi Turizm Ticaret A.Ş.	141.926	243.477
Ortadoğu Antalya Liman İşletmeleri	53.283	-
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	739	2.281
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	629	-
	<b>808.051</b>	<b>989.888</b>

	31 December 2006	31 December 2005
<b>Sales to Joint-ventures</b>		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	3.207.348	2.377.682
	<b>3.207.348</b>	<b>2.377.682</b>

	31 December 2006	31 December 2005
<b>Rent income from related parties</b>		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	21.799.884	15.283.052
	<b>21.799.884</b>	<b>15.283.052</b>

	31 December 2006	31 December 2005
<b>Transportation expenses payable to related parties</b>		
Çe-Tur Çelebi Turizm ve Ticaret A.Ş.	5.108.714	3.553.288
Çelebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	2.647.943	-
	<b>7.756.657</b>	<b>3.553.288</b>

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NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)

	31 December 2006	31 December 2005
<b>Contribution to holding expenses (**)</b>		
Çelebi Holding A.Ş.	9.172.638	5.444.364
	<b>9.172.638</b>	<b>5.444.364</b>

	31 December 2006	31 December 2005
<b>General expenses contribution income from related companies (***)</b>		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	4.359.977	3.058.646
	<b>4.359.977</b>	<b>3.058.646</b>

	31 December 2006	31 December 2005
<b>Other purchases from related parties (****)</b>		
Çe-Tur Çelebi Turizm Ticaret.A.Ş.	1.561.083	1.665.461
Çelebi Holding A.Ş.	490.375	289.178
Çelebi- IC Hava Terminali İşletme ve Ticaret A.Ş.	373.549	-
Çelebi Hizmet Restorant İşletmeleri Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	5.449	7.540
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	25.260	4.433
	<b>2.455.716</b>	<b>1.966.612</b>

	31 December 2006	31 December 2005
<b>Other purchases from Joint-ventures</b>		
Çelebi- IC Hava Terminali İşletme ve Ticaret A.Ş.	355.310	580.196
	<b>355.310</b>	<b>580.196</b>

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**NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES (Continued)**

	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Tangible and intangible asset purchases from related parties</b>		
Çelebi Holding A.Ş.	169.504	14.200
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	16.422
	<b>169.504</b>	<b>30.622</b>

(\*\*) Contribution paid to Çelebi Holding A.S for services (legal counselling, financial consultancy and human resource consultancy) provided to Çelebi Hava Servisi and Çelebi Güvenlik by Çelebi Holding A.Ş. These expenses have been consistently incurred between periods and participations in Çelebi Holding A.Ş, in the consideration of criteria such as staff number, company turnover and asset size.

(\*\*\*) Contribution income comprises of rental income from offices and locations leased to Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş. in accordance with the agreement and management plans and contributions to commonly used electricity, heating and other expenses incurred within the terminal.

(\*\*\*\*) Other purchases include vehicle rent, organisational cost and other expenses.

Guarantees given to related parties as of 31 December 2006 and 31 December 2005 are detailed below:

	<b>31 December 2006</b>		<b>31 December 2005</b>	
	USD	YTL	USD	YTL
Çelebi Holding A.Ş.	-	-	2.000.000	970.000
Çelebi IC (*)	45.154.400	-	45.154.400	-

(\*) Çelebi IC signed an agreement for the borrowings amounting to USD 90.308.800 (2005: USD 90.308.800). The Company gave a guarantee for %50 of these borrowings.

	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Remuneration paid to top management:</b>		
Remuneration paid to top management	4.998.693	2.470.156
	<b>4.998.693</b>	<b>2.470.156</b>



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**NOTE 10 - OTHER RECEIVABLES AND PAYABLES**

	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Other short-term receivables</b>		
Value-added tax ("VAT") to be refunded	6.634.312	676.713
Receivables from the previous shareholders of CGHH (*)	2.274.369	-
Advances given to suppliers	113.374	237.045
Advances given to personnel	56.742	85.978
Other miscellaneous receivables	151.103	13.753
	<b>9.229.900</b>	<b>1.013.489</b>

(\*) The receivables from the previous shareholders of CGHH are composed of the amounts paid to the accounts of founding members in place of CGHH in return for the services rendered by CGHH to its customers.

**NOTE 11 - BIOLOGICAL ASSETS**

None (2005: None).

**NOTE 12 - INVENTORIES**

	<b>31 December 2006</b>	<b>31 December 2005</b>
Trade goods	450.319	337.586
Other inventories	2.930.973	1.308.119
	<b>3.381.292</b>	<b>1.645.705</b>

Other inventories include fuel oil, baggage sticker, boarding passes, miscellaneous periodicals, clothes and spare parts. The cost of inventory expensed in the current period is YTL 5.792.685 (2005: YTL 4.104.599)

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**NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS**

None (31 December 2005: None).

**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES**

**Deferred tax**

Turkish Tax Legislation does not allow the main company to declare its tax return in the consolidated financial statements of all its affiliates and subsidiaries. For this purpose, tax provisions disclosed in consolidated financial statements are calculated separately for each company that is in the context of full consolidation.

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB Communiqué purposes and its statutory tax financial statements. Temporary differences generally arise due to the recording of incomes and expenses in different reporting periods according to Tax Laws and CMB Accounting Standards. Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in the coming years under the liability method using a principal tax rate of %20 (2005: %30). The related ratio for Hungary is 20%.

On the other hand, since the investment incentive is not foreseen to be utilised in 2007, Çelebi IC has not considered any benefit from the investment incentive amounting to YTL 10.962.269 in the calculation of corporate income tax.

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**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 31 December 2006 and 31 December 2005 using the enacted future tax rates is as follows:

	<u>Cumulative taxable temporary differences</u>		<u>Deferred tax assets/liabilities</u>	
	<u>31 December 2006</u>	<u>31 December 2005</u>	<u>31 December 2006</u>	<u>31 December 2005</u>
Non-deductible financial losses (**)	(6.421.507)	(48.154)	1.284.301	14.446
Provision for vacation pay	(123.969)	(88.780)	24.794	26.634
Provision for employment termination benefits	(3.850)	(72.180)	770	21.654
Unused portion of investment incentives (*)	-	(19.987.758)	-	5.996.327
Personnel bonus accrual	-	(106.479)	-	31.944
Unincurred financial expenses	-	(36.148)	-	10.846
Unearned financial income	-	186.677	-	(55.999)
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	66.460	2.114.243	(13.292)	(634.271)
Other	-	(182.801)	-	54.840
<b>Net deferred tax asset</b>			<b>1.296.573</b>	<b>5.466.421</b>
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	37.617.492	39.204.004	(7.523.498)	(11.761.201)
Provision for doubtful receivables	(49.781)	(49.781)	9.956	14.934
Unearned financial income	52.845	320.001	(10.569)	(96.000)
Provision for employment termination benefits	(3.089.409)	(3.408.395)	617.882	1.022.518
Accrued sales commissions	(1.430.315)	(1.231.390)	286.063	369.417
Provision for vacation pay	(1.139.875)	(921.851)	227.975	276.555
Unincurred financial expenses	(25.213)	(354.051)	5.043	106.213
Personnel bonus accrual	(614.008)	(294.768)	122.802	88.431
Provisions for legal claims	(297.412)	-	59.482	-
Other	(41.285)	402	8.256	(121)
<b>Net deferred tax liability</b>			<b>(6.196.608)</b>	<b>(9.979.254)</b>

(\*) Due to the selection of corporate tax rate of %20, the Group did not calculate deferred tax assets for the unused portion of investment incentive in the consolidated financial statements ending 31 December 2006.

(\*\*) There is no expiration of the carry-forward tax losses in the Hungary Tax System.

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax movement table is indicated below:

	2006	2005
<b>1 January</b>	<b>(4.512.833)</b>	<b>(8.019.435)</b>
Currency translation adjustment	6.012	-
Increase in deferred tax asset due to acquisition of affiliates	1.255.725	-
Current period deferred tax income/(expense) (Note 41)	(1.648.939)	3.506.602
<b>31 December</b>	<b>(4.900.035)</b>	<b>(4.512.833)</b>

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

	31 December 2006	31 December 2005
<b>Other current assets</b>		
Prepaid expenses	2.592.414	1.331.347
Transferred VAT	384.786	85.375
Prepaid taxes and funds	267.654	145.386
Corporate taxes receivable (Note 41)	-	285.480
	<b>3.244.854</b>	<b>1.847.588</b>

	31 December 2006	31 December 2005
<b>Other non-current assets</b>		
Prepaid expenses	5.875	24.750
Deposits and guarantees given	18.984	402
Other receivables	105.260	-
	<b>130.119</b>	<b>25.152</b>

	31 December 2006	31 December 2005
<b>Other short-term liabilities</b>		
Wages and salaries payable	3.178.518	2.075.061
Social security payables	2.846.197	1.067.601
Taxes and funds payable	1.748.325	962.886
Accrued bonus payable	743.673	401.248
Deferred income	325.630	287.277
Corporate taxes payable (Note 41)	212.049	-
Other miscellaneous liabilities	801.546	43.281
	<b>9.855.938</b>	<b>4.837.354</b>

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**NOTE 16 - FINANCIAL ASSETS**

None (2005: None).

**NOTE 17 - POSITIVE/NEGATIVE GOODWILL**

Positive goodwill for the years ended 31 December 2006 and 31 December 2005 is as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Goodwill due to acquisition of CGHH	18.160.526	-
	<b>18.160.526</b>	<b>-</b>

The Company participated in the tender offer on 7 August 2006 opened by the Budapest Airport Budapest Ferihegy Nemzetközi Repülőtér Üzemeltető Zártkörűen Működő Reszvenytársaság ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgáltató Korlátolt Felelősségű Társaság ("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 Tanácsadó Korlátolt Felelősségű Társaság ("Celebi Kft.") company founded on 22 September 2006 as a founding shareholder for the realisation of the abovementioned share transfer. The trade name of the company BAGH was changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("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 31.287.893 YTL as of 26 October 2006 and acquired by Celebi Kft at a price of YTL 49.448.419 which is the YTL 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 YTL 18.160.526 projected after the acquisition has been reflected in the financial statements.

According to the share transfer agreement dated 13 October 2006, the acquisition price has been determined as EUR 25.593.870 (YTL 49.448.419); however since the acquisition process has not yet ended and the negotiations are still continuing, the final acquisition price is not definite. For this reason, there is a possibility that, at the end of the negotiations the acquisition price and the related goodwill may decrease by EUR 455.414 (YTL 843.199).

It is assumed that there is no impairment for the goodwill arising from the acquisition as of 31 December 2006, since the transaction has been realised at a date close to the balance sheet date and the acquisition price has been determined by a sealed tender.

Goodwill details relating to the acquisition of the Subsidiary (CGHH) in 2006 are below:  
(Other explanations relating to Business Combinations are presented in the Note 32)

Acquisition amount	49.448.419
Less: Fair values of assets, liabilities and contingent liabilities	(31.287.893)
<b>Goodwill</b>	<b>18.160.526</b>

**NOTE 18 - INVESTMENT PROPERTY**

None (2005: None).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the year ended 31 December 2006 are as follows:

	Opening Balance 1 January 2006	Additions	Disposals	Transfers	Currency translation adjustments	Increase in tangible fixed assets due to acquisition of affiliates	Closing Balance 31 December 2006
<b>Cost</b>							
Machinery and equipment	113.601.327	6.365.743	(3.900.914)	-	4.139	1.685.403	117.755.698
Vehicles	3.672.552	408.922	(47.585)	-	1.958	12.350.549	16.386.396
Furniture and fixtures	10.469.663	636.728	(666.148)	16.303	118	492.505	10.949.169
Leasehold improvements (*)	51.054.363	7.898.280	(4.889.394)	-	-	-	54.063.249
Advances given	243.844	1.343.388	(182.553)	(237.313)	-	-	1.167.366
	<b>179.041.749</b>	<b>16.653.061</b>	<b>(9.686.594)</b>	<b>(221.010)</b>	<b>6.215</b>	<b>14.528.457</b>	<b>200.321.878</b>
<b>Accumulated depreciation</b>							
Machinery and equipment	(67.580.896)	(6.891.847)	1.453.270	-	(254)	(1.489)	(73.021.216)
Vehicles	(2.824.443)	(696.325)	137.980	-	(1.695)	(24.427)	(3.408.910)
Furniture and fixtures	(8.910.341)	(690.915)	134.345	-	(499)	(18.073)	(9.485.483)
Leasehold improvements (*)	(15.053.428)	(3.398.144)	956.872	-	-	-	(17.494.700)
	<b>(94.369.108)</b>	<b>(11.677.231)</b>	<b>2.682.467</b>	<b>-</b>	<b>(2.448)</b>	<b>(43.989)</b>	<b>(103.410.309)</b>
<b>Net book value</b>	<b>84.672.641</b>						<b>96.911.569</b>

(\*) The land plots where the stations were constructed by Çelebi Hava Servisi A.Ş 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 31 December 2006 the net book value of these stations was YTL 36.455.992. The lease contract signed by the Group and the DHMI is valid for one year. If no objection arises from any of the parties, the agreement is renewed automatically. The Group amortises 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 amortise the relevant leasehold improvements over a shorter period.

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**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

As explained in details in Note 44, the warehouse located at Atatürk Airport Terminal C in which the Company carries out cargo-antrepo operations was damaged due to a fire that broke out on 24 May 2006. As a consequence of the fire, leasehold improvements, the machinery & equipment and furniture & fixtures whose net book value were YTL 3.932.522 , YTL 522.232 and YTL 29.851 respectively as of 31 December 2006 were written off from accounting records since the DHMI cancelled the rent agreement related to the mentioned warehouse and the leasehold improvements were partially damaged. As a consequence, although related expert and insurance specialists have not completed their reports yet, the machinery and equipment and furniture and fixtures whose net book value were YTL 1.579.944 and YTL 47.257 were written off from accounting records. However, it is not possible to determine the damage to the machinery and equipment and furniture and fixtures in the warehouse as the date of the fire whose net book values are YTL 62.166 and YTL 9.162, respectively as of 31 December 2006 and that to the goods of third parties as related expert and insurance specialist reports have not been concluded as yet. The Company has insurance policies including fire risk amounting to USD 2.200.000 for leasehold improvements, USD 1.000.000 in total for machinery and equipment, USD 1.000.000 of which is for general content, USD 600.000 of which is for broken machinery and USD 400.000 of which is for electronic equipment and USD 150.000 for furniture and fixtures. In addition, the Company has an insurance policy also covering fire risk amounting to USD 41.000.000 related to the equipment. Due to the insurance policy, a pre-payment amounting 1.450.000 USD was made to the Company as 31 December 2006. The YTL equivalent of the prepayment amounting to YTL 2.129.615 has been accounted as "insurance damage revenue" in the consolidated financial statements for the period ended 31 December 2006.

The annual depreciation charges for the period ended 31 December 2006 amounting to YTL 3.028.615 and YTL 8.648.616 are included in operating expenses and cost of sales, respectively. The net book value of financial lease assets that are included in machinery and equipment is YTL 927.564 as of 31 December 2006 (31 December 2005: YTL 1.021.720).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the year ended 31 December 2005 are as follows:

	1 January 2005	Additions due to consolidation	Additions	Disposals	Transfers	31 December 2005
<b>Cost</b>						
Machinery and equipment	109.917.033	70.543	3.614.820	(1.069)	-	113.601.327
Vehicles	4.581.039	-	94.460	(1.002.947)	-	3.672.552
Furniture and fixtures	9.595.976	239.822	842.802	(523.614)	314.677	10.469.663
Leasehold improvements (*)	44.845.597	4.105	2.418.643	(819.284)	4.605.302	51.054.363
Construction in progress	3.341.331	-	1.532.135	-	(4.873.466)	-
Advances given	353.535	-	2.920.441	(2.983.619)	(46.513)	243.844
	<b>172.634.511</b>	<b>314.470</b>	<b>11.423.301</b>	<b>(5.330.533)</b>	<b>-</b>	<b>179.041.749</b>
<b>Accumulated depreciation</b>						
Machinery and equipment	(61.009.092)	(22.883)	(6.548.928)	7	-	(67.580.896)
Vehicles	(3.196.490)	-	(432.139)	804.186	-	(2.824.443)
Furniture and fixtures	(8.194.398)	(166.574)	(644.105)	94.736	-	(8.910.341)
Leasehold improvements (*)	(12.023.007)	(37)	(3.496.614)	466.230	-	(15.053.428)
	<b>(84.422.987)</b>	<b>(189.494)</b>	<b>(11.121.786)</b>	<b>1.365.159</b>	<b>-</b>	<b>(94.369.108)</b>
<b>Net book value</b>	<b>88.211.524</b>					<b>84.672.641</b>

(\*) Leasehold improvements include stations and other buildings constructed on the rented area of the airports of the DHMI.



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NOTE 20 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 31 December 2006 are as follows:

	Opening Balance 1 January 2006	Additions	Disposals	Transfers	Cumulative translation adjustments	Increase in intangible fixed assets due to acquisition of affiliates	Closing balance 31 December 2006
<b>Cost</b>							
Rights	541.894	710	-	-	-	365	542.969
Software	2.111.068	582.904	-	-	1.087	10.289	2.705.348
Customer relations	-	-	-	-	-	29.468.201	29.468.201
Build-operate-transfer investment(*)	85.270.668	936.429	(277.954)	221.010	-	-	86.150.153
	<b>87.923.630</b>	<b>1.520.043</b>	<b>(277.954)</b>	<b>221.010</b>	<b>1.087</b>	<b>29.478.855</b>	<b>118.866.671</b>
<b>Accumulated depreciation</b>							
Rights	(393.143)	(811.789)	-	-	(3.797)	-	(1.208.729)
Software	(1.402.296)	(261.186)	-	-	(8)	(2.922)	(1.666.412)
Build-operate-transfer investment	(13.735.942)	(19.072.262)	62.679	-	-	-	(32.745.525)
	<b>(15.531.381)</b>	<b>(20.145.237)</b>	<b>62.679</b>	<b>-</b>	<b>(3.805)</b>	<b>(2.922)</b>	<b>(35.620.666)</b>
<b>Net book value</b>	<b>72.392.249</b>						<b>83.246.005</b>

(\*) The build-operate-transfer investment the net book value of which is YTL 53.404.625, comprises of the advances and progress payments given to contracting firms which were capitalised as of 31 December 2006 related to the construction of Antalya Airport 2. International Terminal with respect to the terminal building operation and transfer processes between Çelebi IC and the DHMI. The Group will depreciate the leasehold improvements related to the terminal building within the operating period of 54 months.

The annual depreciation charges for the period ended 31 December 2006 amounting to YTL 69.146 and YTL 20.076.091 are included in operating expenses and cost of sales.

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NOTE 20 - INTANGIBLE ASSETS (Continued)

Movements in intangible assets for the period ended 31 December 2005 are as follows:

	1 January 2005	Additions due to consolidation	Additions	Disposals	Transfers	31 December 2005
<b>Cost</b>						
Rights	1.786	539.075	1.033	-	-	541.894
Software	1.763.829	-	421.345	(74.106)	-	2.111.068
Build-operate-transfer investments (*)	37.071.623	-	48.199.045	-	-	85.270.668
	<b>38.837.238</b>	<b>539.075</b>	<b>48.621.423</b>	<b>(74.106)</b>	<b>-</b>	<b>87.923.630</b>
<b>Accumulated depreciation</b>						
Rights	(200)	(378.753)	(14.190)	-	-	(393.143)
Software	(1.137.560)	-	(285.291)	20.555	-	(1.402.296)
Build-operate-transfer investments	(211.279)	-	(13.524.663)	-	-	(13.735.942)
	<b>(1.349.039)</b>	<b>(378.753)</b>	<b>(13.824.144)</b>	<b>20.555</b>	<b>-</b>	<b>(15.531.381)</b>
<b>Net book value</b>	<b>37.488.199</b>					<b>72.392.249</b>

(\*) Build-operate- transfer investment consists of advances and progress payments given to contracting firms for the construction of Antalya Airport 2. International Terminal based on the agreement signed as of 24 February 2004 between the DHMI and Çelebi IC in which %49,99 of shares are owned by the company.

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NOTE 21 - ADVANCES RECEIVED

	31 December 2006	31 December 2005
Advances received	61.890	48.732
	<b>61.890</b>	<b>48.732</b>

NOTE 22 - RETIREMENT PLANS

There are no pension plans other than the provision for employment termination benefits explained in Note 23 - Provisions.

NOTE 23 - PROVISIONS

	31 December 2006	31 December 2005
<b>Short-term provisions</b>		
Accrued sales commissions	1.430.315	1.231.390
Provision for vacation pay	1.263.844	1.010.632
Provision for legal claims	297.412	-
Other liability provisions	26.936	94.461
	<b>3.018.507</b>	<b>2.336.483</b>

	31 December 2006	31 December 2005
<b>Long-term provisions</b>		
Provision for employment termination benefits	3.093.259	3.480.575
DHMI agreement depreciation provision (*)	5.582.342	1.713.781
	<b>8.675.601</b>	<b>5.194.356</b>

(\*) The DHMI agreement depreciation provision is the amount that will be paid to the DHMI for the depreciation of the fixed assets in the Antalya terminal operated by Çelebi IC in the context of the build-operate-transfer investment when the terminal is delivered to the DHMI in 2009. Also according to the related agreement, a guarantee letter is to be given for the depreciation accrued from the ask rate of the USD declared by the Central Bank of Turkish Republic ("CBTR") no later than four months following the year-end. Since the Company's liabilities at period end are in terms of USD, foreign exchange gains or losses that have arisen from the valuation of the guarantee letter under consideration are included in the provision.

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**NOTE 23 - PROVISIONS (Continued)**

Provision for employment termination benefits is booked according to the explanations below:

Under the Turkish Labour 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 31 December 2006 consists of one month's salary limited to a maximum of YTL 1.857,44 (31 December 2005: YTL 1.727,15) for each year of service.

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

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. 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:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Discount rate (%)	5,71	5,49
Turnover rate to estimate the probability of retirement (%)	93,82	93,90

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of YTL 1,960.69 which is effective from 1 January 2007 (31 December 2005: YTL 1.770,62) has been taken into consideration in the calculations.

	<b>31 December 2006</b>	<b>31 December 2005</b>
1 January	3.480.575	4.898.445
Paid during the year	(903.220)	(917.062)
Increase/(Decrease) during the year	515.904	(500.808)
<b>31 December</b>	<b>3.093.259</b>	<b>3.480.575</b>

**NOTE 24 - MINORITY INTEREST**

Changes in the minority interest are as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Balance at the beginning of the year	52.343	-
Increase in Subsidiaries included in the consolidation	5.649.599	19.018
Minority (loss)/income	(1.358.637)	33.325
Currency translation adjustment	329.566	-
<b>Ending balance</b>	<b>4.672.871</b>	<b>52.343</b>

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**NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL**

As of 31 December 2006, the authorised share capital of the Group is YTL 13.500.000 comprising of 1.350.000.000 registered shares with a face value each of 1 YKr (TL10.000) (31 December 2005: 1.350.000.000 shares).

At 31 December 2006 and 31 December 2005, the shareholding structure can be summarised as follows:

	<b>Shares (%)</b>	<b>31 December 2006</b>	<b>Shares (%)</b>	<b>31 December 2005</b>
Çelebi Holding A.Ş.	52,69	7.112.250	52,35	7.067.250
Engin Çelebioğlu	10,01	1.351.350	10,01	1.351.350
Can Çelebioğlu	7,49	1.011.650	10,45	1.411.200
Canan Çelebioğlu Tokgöz	7,49	1.011.650	10,45	1.411.200
Other	22,32	3.013.100	16,74	2.259.000
	<b>100,00</b>	<b>13.500.000</b>	<b>100,00</b>	<b>13.500.000</b>

**NOTE 26 - CAPITAL RESERVES**

The restated amounts of the capital and legal reserves stated as their historical amounts in the consolidated financial statements and the inflation adjustment differences are as follows:

**31 December 2006**

	<b>Historical amounts</b>	<b>Restated amounts</b>	<b>Equity Inflation adjustment</b>
Capital	13.500.000	14.992.722	1.492.722
Legal reserves	8.455.399	18.395.839	9.940.440
Extraordinary reserves	27.229.058	27.581.379	352.321
	<b>49.184.457</b>	<b>60.969.940</b>	<b>11.785.483</b>

**31 December 2005**

	<b>Historical amounts</b>	<b>Restated amounts</b>	<b>Equity Inflation adjustment</b>
Capital	13.500.000	14.992.722	1.492.722
Legal reserves	6.899.658	16.840.098	9.940.440
Extraordinary reserves	9.829.942	10.182.263	352.321
	<b>30.229.600</b>	<b>42.015.083</b>	<b>11.785.483</b>

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**NOTE 27 - PROFIT RESERVES**

The historical amounts of profit reserves as of 31 December 2006 and 31 December 2005 are as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Legal reserves	8.455.399	6.899.658
Extraordinary reserves	27.229.058	9.829.942
Currency translation adjustments	768.988	-
	<b>36.453.445</b>	<b>16.729.600</b>

**NOTE 28 - RETAINED EARNINGS**

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below. 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 Group's paid-in share 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 share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed %50 of paid-in share capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Effective from 1 January 2004, the net income computed from the financial statements prepared in accordance with the basis of preparation of financial statements explained in Note 2 in the context of Communiqué No: XI-25 must be distributed in the ratio of a minimum of %30 of total distributable profit. This distribution may be made either as cash, as pro-rata shares on the condition that no less than %30 of profits is distributed, or as a combination of both.

Equity inflation adjustment differences can only be netted-off against prior years' losses and used as an internal source in capital increases where extraordinary reserves can be netted-off against prior years' losses, or used in the distribution of bonus shares and dividends to shareholders. Additionally, for capital increases made by internal resources, the lower of the amount found by CMB account applications and legal booking amounts should be recorded.

According to the Board of Directors minutes regarding the dividend policy defined for profit distributions in 2006 and the following years in line with decree 4/67 of the Capital Markets Board dated 27 January 2006;

- Starting from 2006 and for the following years, at least %50 of distributable profit will be distributed unless contradicted by the rules and regulations of the Capital Markets Board;
- Dividends will be distributed either as cash or bonus shares generated through the addition of dividends to the share capital or bonus shares distributed at a specified rate considering investment and financing needs of the Company for long-term growth;
- The Company's dividend policy will be maintained unless there are extraordinary developments in the general economic environment or financing and investment needs of the Company.

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**NOTE 28 - RETAINED EARNINGS (Continued)**

The details of retained earnings as of 31 December 2006 and 31 December 2005 are as follows:

	<b>Retained Earnings</b>
<b>31 December 2004 balance</b>	<b>28.800.160</b>
Transfer to reserves	(1.634.727)
Transfer from net profit for the year 2004	1.634.727
Adjustment for employment termination benefit (net)	(141.051)
<b>31 December 2005 balance</b>	<b>28.659.109</b>
Transfer to reserves	(24.651.560)
Transfer from net profit for the year 2005	31.156.786
Dividends paid	(6.505.226)
<b>31 December 2006 balance</b>	<b>28.659.109</b>

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NOTE 29 - FOREIGN CURRENCY POSITION

31 December 2006	USD Original Amount	YTL	EUR Original Amount	YTL	Other YTL	Total YTL
<b>Assets:</b>						
Cash and cash equivalents	17.068.068	23.990.876	12.549.805	23.235.964	62.481	47.289.321
Trade receivables	2.982.836	4.192.674	4.168.789	7.718.513	70.428	11.981.615
Due from related parties	516.089	725.415	54.955	101.749	-	827.164
Other	385.728	542.178	124.629	230.751	-	772.929
	<b>20.952.721</b>	<b>29.451.143</b>	<b>16.898.178</b>	<b>31.286.977</b>	<b>132.909</b>	<b>60.871.029</b>
<b>Liabilities:</b>						
Short portion of long- term financial liabilities	(7.168.291)	(10.075.750)	(264.576)	(489.862)	-	(10.565.612)
Short term financial liabilities	-	-	(41.456.958)	(76.757.558)	-	(76.757.558)
Long-term financial liabilities	(8.433.333)	(11.853.893)	(11.456.958)	(21.212.558)	-	(33.066.451)
Trade payables	(590.588)	(830.130)	(98.184)	(181.788)	(13.128)	(1.025.046)
Due to related parties	(469.158)	(659.448)	(82.209)	(152.210)	-	(811.658)
Short-term finance lease obligations	(69.185)	(97.246)	-	-	-	(97.246)
Long-term finance lease obligations	-	-	-	-	-	-
Long-term provisions	(2.042.770)	(2.871.318)	-	-	-	(2.871.318)
Other	(46.030)	(64.700)	(31.862)	(58.992)	-	(123.692)
	<b>(18.819.355)</b>	<b>(26.452.485)</b>	<b>(53.390.747)</b>	<b>(98.852.968)</b>	<b>(13.128)</b>	<b>(125.318.581)</b>
<b>Net foreign currency position</b>	<b>2.133.366</b>	<b>2.998.658</b>	<b>(36.492.569)</b>	<b>(67.565.991)</b>	<b>119.781</b>	<b>(64.447.552)</b>



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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

31 December 2005

	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	
<b>Assets:</b>						
Cash and cash equivalents	9.426.334	12.648.255	15.596.470	24.759.396	46.623	37.454.274
Trade receivables	4.758.610	6.385.103	2.525.601	4.009.392	-	10.394.495
Due from related parties	61.505	82.527	448.976	712.749	-	795.276
Other	232.371	311.795	4.476	7.106	-	318.901
	<b>14.478.820</b>	<b>19.427.680</b>	<b>18.575.523</b>	<b>29.488.643</b>	<b>46.623</b>	<b>48.962.946</b>
<b>Liabilities:</b>						
Short portion of long- term financial liabilities	(23.175.088)	(31.096.334)	(81.111)	(128.764)	-	(31.225.098)
Short term financial liabilities	(1.000.000)	(1.341.800)	(1.999.760)	(3.174.619)	-	(4.516.419)
Trade payables	(1.352.747)	(1.815.116)	(169.718)	(269.427)	(4.999)	(2.089.542)
Due to related parties	(89.431)	(119.999)	-	-	-	(119.999)
Long-term financial liabilities	(44.513.169)	(59.727.770)	-	-	-	(59.727.770)
Short-term finance lease obligations	(463.711)	(622.203)	-	-	-	(622.203)
Long-term finance lease obligations	(69.186)	(92.834)	-	-	-	(92.834)
Long-term provisions	(1.292.542)	(1.713.781)	-	-	-	(1.713.781)
Other	(36.765)	(49.331)	(1.368)	(2.172)	-	(51.503)
	<b>(71.992.639)</b>	<b>(96.579.168)</b>	<b>(2.251.957)</b>	<b>(3.574.982)</b>	<b>(4.999)</b>	<b>(100.159.149)</b>
<b>Net foreign currency position</b>	<b>(57.513.819)</b>	<b>(77.151.488)</b>	<b>16.323.566</b>	<b>25.913.661</b>	<b>41.624</b>	<b>(51.196.203)</b>

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**NOTE 30 - GOVERNMENT INCENTIVES AND GRANTS**

The Group holds investment incentive allowance certificates granted by the Turkish Government authorities in connection with certain major capital expenditures, which entitle the Group to:

- i) %100 exemption from customs duty on machinery and equipment to be imported;
- ii) Investment allowance of %40 of the cost of purchases and construction incurred for the expansion of the facilities; and
- iii) Custom exemption for import materials, VAT exemption for domestic purchases, exemption from stamp tax and dues.

There is no projected investment incentive allowance to be utilized by the Group for the period 1 January - 31 December 2006 (2005: YTL 19.987.758).

**NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**

**Provisions**

Provisions of the Group as at 31 December 2006 and 31 December 2005 are explained in Note 23.

**Commitments and contingent liabilities**

<b>Guarantees received:</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
Guarantee letters received	6.515.391	7.219.872
Guarantee notes received	1.224.877	780.003
Guarantee cheque received	1.557.468	468.157
	<b>9.297.736</b>	<b>8.468.032</b>

**Guarantees given:**

<b>Guarantee letters given</b>	<b>18.711.392</b>	<b>8.011.059</b>
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The Group has contingent assets amounting to YTL 1.179.260 due to the legal cases in favour of the Group and contingent liabilities amounting to YTL9.341.658 due to the legal cases against the Group as of 31 December 2006.

In consequence of the fact that the Subsidiary Celebi Kft and a bank located in Turkey made a loan agreement amounting 30.000.000 EUR for the preliminary financing of the continuing project, the Company put %70 of its shares of Celebi Kft as a pledge due to the mortgage agreement in 18 October 2006.

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**NOTE 32 - BUSINESS COMBINATIONS**

Celebi Kft has purchased 100 % of the shares of CGHH from YTL 49.448.419 at 26 October 2006  
Fair values of the purchased assets and liabilities as of 26 October 2006 are presented below:

<b>Acquisition cost (*)</b>	<b>49.448.419</b>
<b>Fair value of definable assets, liabilities and contingent liabilities</b>	<b>31.287.893</b>
<b>Goodwill</b>	<b>18.160.526</b>
Cash, cash equivalents and marketable securities	16.143.270
Tangible assets	14.484.467
Intangible assets	7.368
Intangible assets (customer relations) (**)	29.468.201
Inventories	26.833
Trade receivables	3.402.016
Other receivables - net	6.989.410
Other current assets	1.771.553
Trade payables - net	(12.513.768)
Financial liabilities- net	(24.865.872)
Other liabilities - net	(3.625.585)
<b>Fair value of definable assets, liabilities and contingent liabilities</b>	<b>31.287.893</b>

(\*) Cost of purchase was paid in cash.

(\*\*) During the valuation analysis of the acquisition of CGHH, customer relations have been defined as a definable asset and disclosed under intangible fixed assets. The amortisation and depletion allowance is calculated using Straight- line method as of 7 years.

Acquisition cost	49.448.419
Cash and cash equivalents of the acquired subsidiary	(16.143.270)
<b>Net cash outflow of due to acquisition of affiliate</b>	<b>(33.305.149)</b>

**NOTE 33 - SEGMENT INFORMATION**

In consolidated financial statements of 31 December 2006 and 2005; industrial segments are defined as a primary reporting format. Industrial segments represent assets or operations that have different nature of the production of either services and goods or the risk and benefits.

Geographical segments are not determined as a separate business segment in line with the consideration of materiality and in compliance with IFRS 14 and therefore geographical segments are not presented as a secondary reporting format.

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NOTE 33 - SEGMENT INFORMATION (Continued)

1 January - 31 December 2006

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	169.726.516	8.520.700	57.440.814	(3.914.015)	231.774.015
Cost of sales	(117.693.449)	(6.526.668)	(33.617.262)	4.037.166	(153.800.213)
Gross operating profit	52.033.067	1.994.032	23.823.552	123.151	77.973.802
Operating expenses	(36.724.856)	(935.532)	(2.868.781)	229.862	(40.299.307)
Net operation profit/loss	15.308.211	1.058.500	20.954.771	353.013	37.674.495
Operating profit	23.575.834	1.154.060	13.118.703	(11.893.253)	25.955.344
<b>Net income/(loss)</b>	<b>24.399.235</b>	<b>908.555</b>	<b>7.431.781</b>	<b>(10.534.616)</b>	<b>22.204.955</b>

31 December 2006

Balance Sheet

Total Assets	242.018.263	2.847.875	85.482.887	(31.861.774)	298.487.251
Shareholders' equity	106.763.591	1.915.146	34.318.622	(30.394.367)	112.602.992

1 January -31 December 2005

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	142.862.233	6.735.806	43.712.886	(3.812.652)	189.498.273
Cost of sales	(110.921.653)	(5.627.803)	(21.419.431)	3.751.087	(134.217.800)
Gross operating profit	31.940.580	1.108.003	22.293.455	(61.565)	55.280.473
Operating expenses	(18.508.413)	(516.090)	(4.369.486)	213.974	(23.180.015)
Net operation profit/loss	13.432.167	591.913	17.923.969	152.409	32.100.458
Operating profit	11.163.273	604.552	16.797.020		28.564.845
<b>Net income/(loss)</b>	<b>8.372.403</b>	<b>607.531</b>	<b>22.176.852</b>		<b>31.156.786</b>

31 December 2005

Balance Sheet

Total Assets	136.658.888	1.771.677	107.920.561	(18.469.261)	227.881.865
Shareholders' equity	79.209.014	1.006.591	38.704.226	(17.088.853)	101.830.978

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**NOTE 34 - SUBSEQUENT EVENTS**

- a) The Group decided on 15 December 2006 to participate in the tender offer opened by The GMR Hyderabad International Airport Limited ("GHIAL") that is resident in India to provide ground handling services in Hyderabad International Airport for seven years with operations planning to start on 31 March 2008. The Group will participate in the tender with a partner resident in India named Spencer's Travel Services Limited ("Spencers"). If the tender offer is won by this joint venture consortium, the Group will participate 51% of the total capital of the joint-venture formed and Spencer's share will be 49%. The proposal prepared by the consortium formed with Spencer's Travel Services Limited, was presented to the owner of the tender on 28 December 2006. As of the approval date of these consolidated financial statements, the result of the tender has not been declared.
- b) In line with the restructuring strategy of Czech Airways ("CSA") as of 19 February 2007, that is initially related with the transferring of cargo, warehouse operations and ground handling services in Czech Republic in Prague to third parties, the Group that was selected to the short list, has accepted the invitation related with the tender and accordingly, has decided to participate data room studies which is planned to be performed in Prague at April 2007 in order to commence the required inspections and valuation studies related with the transfer of warehouse operations and ground handling services within the terms of the tender.
- c) The collective bargaining agreement signed by previous management of CGHH is going to end in the last quarter of 2008. However, negotiations are being carried out with the representatives of the Labour Unions of which employees in CGHH are members, concerning issues with the agreement since December 2006. Since negotiations are still continuing, there is no declaration or indication related to a strike under the binding rules and regulations in Hungary as of the approval of the consolidated financial statements.

**NOTE 35 - DISCONTINUED OPERATIONS**

None (2005: None).

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**NOTE 36 - OPERATING REVENUE**

	<b>31 December 2006</b>	<b>31 December 2005</b>
Ground handling services	154.167.545	124.773.724
Passenger service income (*)	25.294.461	20.635.947
Rent income not related to aviation (**)	24.722.303	17.492.227
Antrepo services income	13.264.089	9.627.252
Aviation fuel sold	5.817.503	11.569.537
Contribution income to general expenses (****)	4.778.081	3.487.383
Airport security services	4.647.590	3.586.536
Rent income related to aviation (***)	2.848.035	2.668.523
Less: Returns and discounts	(3.765.592)	(4.342.856)
<b>Sales (net)</b>	<b>231.774.015</b>	<b>189.498.273</b>
Cost of service given	(148.339.168)	(123.060.347)
Cost of aviation fuel sold	(5.461.045)	(11.157.453)
<b>Cost of sales (-)</b>	<b>(153.800.213)</b>	<b>(134.217.800)</b>
<b>Gross Operating Profit</b>	<b>77.973.802</b>	<b>55.280.473</b>

(\*) In accordance with the "Antalya Airport 2nd International Terminal Building Construction, Management and Transfer Agreement" signed between Çelebi IC and DHMI and also with the conditions of the contract, the DHMI committed to foreign lines service revenue from 2.277.472 (2005: 2.211.138) passengers and agreed USD 15 per person as the foreign line passenger service price; in subsequent years this figure will be increased by %3 over the previous year. After reaching the guaranteed passenger number in one operating year, the entire passenger fare will be transferred to the DHMI. This mentioned passenger fare, which belongs to the DHMI, has been offset in the Group's consolidated financial statements between the sales and cost of sales as of 31 December 2006 and 2005. After this offsetting, the net sales and cost of sales in the previously reported consolidated financial statements were changed from YTL 215.014.711 to YTL 189.498.273 TL and YTL 159.734.238 to YTL 134.217.800, respectively. As of 31 December 2006, the offsetting between sales and cost of sales is YTL 27.142.185.

(\*\*) The rent income, which does not relate to aviation, consists of the rent of certain commercial places and offices.

(\*\*\*) Rent income related to aviation comprises income from services such as bridges, desks, water, PCA and 400Hz that Çelebi IC obtained in the Second International Terminal Building.

(\*\*\*\*) Contribution income comprises rent income from offices and locations leased to Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş. in accordance with the agreement and management plans and contributions to commonly used electricity, heating and other expenses incurred within the context of build-operate-transfer in the 2nd International Terminal.

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NOTE 37 - OPERATING EXPENSES

	31 December 2006	31 December 2005
General administrative expenses	40.299.307	23.180.015
	<b>40.299.307</b>	<b>23.180.015</b>

General administrative expenses consist of personnel, management, depreciation and amortisation of tangible and intangible assets, representation and accommodation, rent, insurance, travel, advertising, repair and maintenance costs, stationery, taxes, transportation and cargo expenses.

NOTE 38 - OTHER OPERATING INCOME/EXPENSES AND OTHER PROFIT/LOSSES

	31 December 2006	31 December 2005
<b>Other operating income:</b>		
Income from insurance claims	2.469.333	-
Rent income	498.842	453.728
Fixed asset sales income	15.047	-
Scrap sales income	10.416	-
Cancellation of impairment provision of financial assets	-	344.734
Other income	371.254	966.133
	<b>3.364.892</b>	<b>1.764.595</b>
<b>Other operating expenses:</b>		
Provision expense	(357.436)	(38.336)
Insurance claim recoveries	(428.896)	-
Amortisation of fixed assets	(6.111.806)	-
Provisions for doubtful accounts	(38.103)	(30.740)
Other expense	(549.447)	(975.169)
	<b>(7.485.688)</b>	<b>(1.044.245)</b>
	<b>(4.120.796)</b>	<b>720.350</b>

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NOTE 39 - FINANCIAL EXPENSES

	31 December 2006	31 December 2005
<b>Financial Income:</b>		
Foreign exchange gains	25.836.942	11.139.562
Interest income	2.930.514	951.980
Unearned financial income	553.664	506.666
	<b>29.321.120</b>	<b>12.598.208</b>
<b>Financial Expenses:</b>		
Foreign exchange losses	(27.492.476)	(11.367.717)
Interest expense	(8.698.297)	(4.957.760)
Unincurred financial expenses	(612.534)	(390.200)
Other financial expenses	(116.168)	(138.494)
	<b>(36.919.475)</b>	<b>(16.854.171)</b>
	<b>(7.598.355)</b>	<b>(4.255.963)</b>

NOTE 40 - MONETARY POSITION GAIN/LOSS

None (2005: None).

NOTE 41 - TAXATION

	31 December 2006	31 December 2005
Corporate tax	4.715.812	881.336
Less: Prepaid taxes	(4.503.763)	(1.166.816)
<b>Taxes liability/(receivable) - net (Note 15)</b>	<b>212.049</b>	<b>(285.480)</b>

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



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**NOTE 41 - TAXATION (Continued)**

Turkey

The corporation tax rate for the fiscal year 2006 is %20 (2005: %30). 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 utilised within the scope of the Income Tax Law transitional article 61).

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends are not subject to withholding tax. Dividends paid to other organisations 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 (2005 %30). Advance tax is declared by the 10th 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.

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 excepted in the calculation of the corporate tax (dividend income gained related to the participation in investment funds and investment trust shares is excluded).

*Preferential right certificate sales and issued premiums exemption*

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

*Foreign company participation exemption*

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

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

A %75 portion of corporations' profits from the sale of participation shares, founding shares, preemptive 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 realised.

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**NOTE 41 - TAXATION (Continued)**

*Investment allowance exemption*

The investment allowance application of %40 for fixed asset purchases over a specified amount, which had been in force for a significant period of time, was abolished by Law No.5479 dated 30 March 2006. However, in accordance with temporary article 69 of the Income Tax Law, income and corporate taxpayers can also deduct the following as the investment allowances from their income related to the years 2006, 2007 and 2008 which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005:

- a) in the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the regulatory provisions; the ratio of investment tax credit is %19,8.
- b) in the scope of the abolished 19th article of Income Tax Law, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economic and technical integrity. The ratio of investment tax credit for this is %40.

Investment allowances can be deducted from revenues for the years 2006, 2007 and 2008 in accordance with the legislation (including the provisions related to tax rates of the article of Income Tax Law No.5422) in force as of 31 December 2005.

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.

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends or voting rights at the rate of a minimum 50% are considered as Controlled Foreign Corporations "CFC" provided that the below conditions are fulfilled:

- a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
- b) Controlled Foreign Corporations "CFC" must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
- c) Gross revenue of the CFC must exceed the equivalent of YTL 100 in a foreign currency in the related period.

CFC profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. CFC profit that has already been taxed in Turkey as per this article will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation.

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ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.6

ÇELEBİ HAVA SERVİSİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

NOTE 41 - TAXATION (Continued)

Hungary

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 third quarter of the fiscal year 2006 and the increased tax rate will be applicable thereafter.

The taxes on income for the periods ended 31 December 2006 and 2005 are summarised as follows:

	2006	2005
Current period tax (expense)	(4.715.812)	(881.336)
Tax obligations due from subsidiaries	1.255.725	-
Deferred tax (expense)/income (Note 14)	(1.648.939)	3.506.602
<b>Total tax (expense)/income</b>	<b>(5.109.026)</b>	<b>2.625.266</b>

NOTE 42 - EARNINGS PER SHARE

Earnings per share is determined by dividing net profit amounting to YTL 22.204.955 YTL to that class of shares by the weighted average number of such shares outstanding during the year concerned (2006:13.500.000 shares, 2005: 13.500.000 shares). The calculation is as follows:

	31 December 2006	31 December 2005
Net profit for the period	22.204.957	31.156.786
<b>Weighted average number of share</b>		
Weighted average number of ordinary shares	13.500.000	13.500.000
<b>Profit per share with face value of YTL 1 each</b>	<b>1,64</b>	<b>2,30</b>

NOTE 43 - STATEMENT OF CASH FLOWS

The consolidated cash flow statements for the year ending 31 December 2006 and 2005 are presented with the other financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated.)

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**NOTE 44 - DISCLOSURE OF OTHER MATTERS, WITH A MATERIAL EFFECT ON  
FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF  
UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS**

The cargo building of the Company located at Atatürk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations has been damaged due to the 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 of the property, plant and equipment and leasehold improvements of the Company (as explained in Note 19). As of 31 December 2006; some of the owners of the goods have applied to the Company and its insurance company for the compensation of their losses by filing law suits against the Company and through enforcement proceedings.

Because of the aforementioned fire, judicial inquiry has been held with the inquiry file 2006/37927 E. at Bakırköy Office of the Directorate of Public Prosecutions and in accordance with the results of the judicial inquiry criminal prosecution has been initiated for the four security guards of the DHMI and a security guard of Atatürk Airport that have been found responsible concerning the fire for their acts with the inquiry number 2006/817 E. at Third Bakırköy Magistrate Criminal Court. The Company has been described as aggrieved party in the indictment prepared by the Bakırköy Office of the director of public prosecutions. The Company, with all rights related to private Law reserved, has submitted a petition to be a participant in court proceedings for the penalty of the perpetrators since it has been described as aggrieved party.

As a result of the inquiries; the management, the legal adviser and the lawyers of the Company believes that the Company is not found to be responsible for the fire and therefore is not considered to be legally responsible for the losses of the third parties. Consequently, since the Company that has not caused the fire by its own acts (or by the acts of the individuals under the responsibility of the Company) and any legal negligence of the Company has not been identified until now related with the prevention of the losses occurred in the fire, the probability of being liable for the losses of the fire is remote.

As of 31 December 2006, although the Company believes that the probability of being liable for the losses is remote, the indemnities related to the damaged goods of the third parties is estimated by the Company management as YTL 8.362.000. YTL 1.205.000 out of this amount consisted of direct lawsuits against the Company. The Company has an insurance policy related with the goods of third parties amounting to USD 1.500.000 and additionally there is another insurance policy amounting to USD 10.000.000 that will be effective if the Company is held legally liable for the losses.

The Company has not accounted for any provision in the consolidated financial statements at 31 December 2006 because damage related with the goods belonging to third parties in the warehouse during the fire could not be determined precisely and the remote probability of being liable for the losses.

In addition, the Company is continuing its warehouse operations at Gunesli Antrepo and Ataturk Airport Terminal facilities rented from THY A.O. through the approval of the DHMI.

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