

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006  
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH  
SEE NOTE 44**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006**

1. We have reviewed the accompanying consolidated interim balance sheet of Çelebi Hava Servisi A.S (the "Company") at 30 June 2006 and the related consolidated interim statement of income for the six-month period then ended in accordance with the limited review standards issued by the Capital Markets Board ("CMB"). Our work on the consolidated interim balance sheet and the consolidated interim statement of income was limited compared to the work performed in accordance with generally accepted auditing standards for the year-end financial statements. Our work mainly covered an analytical review, information gathering and various audit techniques in accordance with the limited review standards, on the basis of our understanding of the consolidated interim financial statements preparation system. Accordingly, our report should be evaluated separately compared to an independent full scope audit report.
2. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements are not presented fairly, in all material respects, in accordance with accounting principles issued by Capital Market Board (Note 2).

We draw your attention to the following matters:

3. As described in Notes 19 and 44 to the consolidated interim financial statements, the Company's warehouse in Atatürk Airport Terminal C which the cargo-antrepo operations were carried out, has been damaged due to a fire that broke out on 24 May 2006. As a consequence of the fire, leasehold improvements whose net book value amounted to YTL3.932.522 as of 30 June 2006, were written off from accounting records, since they were partially damaged and the State Airports Administration ("DHMI") cancelled the rent agreement of the related warehouse. However, it is not possible to determine the damage to the machinery & equipment and furniture & fixtures whose net book values as of 30 June 2006 are YTL2.289.021 and YTL119.558, respectively and the damage to the goods of third parties in the warehouse during the fire due to the fact that the related expert and insurance specialist reports and the related legal processes have not been concluded yet. Since the liability of the Company arising from the fire can not be reliably determined by the Company management , no provision has been accounted for in the accompanying consolidated interim financial statements.

4. As of 30 June 2006, the accounting principles described in Notes 2 (defined as CMB Accounting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting, 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.

Başaran Nas Serbest Muhasebeci  
Mali Müşavirlik Anonim Şirketi  
a member of  
PricewaterhouseCoopers

Murat Sancar, SMMM

Istanbul, 8 September 2006

# ÇELEBİ HAVA SERVİSİ A.Ş.

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY-30 JUNE 2006

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

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED INTERIM BALANCE SHEETS  
AT 30 JUNE 2006 AND 31 DECEMBER 2005**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	30 June 2006	31 December 2005
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>79.086.711</b>	<b>65.325.402</b>
Cash and cash equivalents	4	46.936.988	46.224.642
Marketable securities - net	5	-	-
Trade receivables - net	7	24.486.070	11.315.115
Finance lease receivables - net	8	-	-
Due from related parties - net	9	320.793	3.188.386
Other receivables - net	10	1.673.581	1.103.966
Biological assets - net	11	-	-
Inventories - net	12	2.755.134	1.645.705
Receivables on construction contracts - net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	2.914.145	1.847.588
<b>NON-CURRENT ASSETS</b>		<b>148.220.998</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	-	-
Positive/negative goodwill - net	17	-	-
Investment property - net	18	-	-
Property, plant and equipment - net	19	80.148.771	84.672.641
Intangible assets - net	20	63.469.167	72.392.249
Deferred tax assets	14	4.372.157	5.466.421
Other non-current assets	15	230.903	25.152
<b>TOTAL ASSETS</b>		<b>227.307.709</b>	<b>227.881.865</b>

The consolidated interim financial statements prepared as at and for the period ended 30 June 2006 were approved for issue by the Board of Directors and General Manager S. Samim Aydın and Financial Affairs Director H. Tanzer Gücümén on 8 September 2006 and signed on its behalf.

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

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

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED INTERIM BALANCE SHEETS  
AT 30 JUNE 2006 AND 31 DECEMBER 2005**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	30 June 2006	31 December 2005
<b>LIABILITIES</b>		<b>132.441.517</b>	<b>125.998.544</b>
<b>CURRENT LIABILITIES</b>		<b>61.998.373</b>	<b>51.001.396</b>
Financial liabilities - net	6	1.429.190	4.517.116
Short-term portion of			
long-term financial liabilities - net	6	37.528.370	31.225.098
Finance lease obligations - net	8	447.850	622.203
Other financial liabilities - net	10	-	-
Trade payables - net	7	7.466.340	7.064.743
Due to related parties - net	9	1.868.914	349.667
Advances received	21	51.356	48.732
Construction contracts progress payments - net	13	-	-
Provisions	23	6.743.073	2.336.483
Deferred tax liability	14	-	-
Other liabilities - net	15	6.463.280	4.837.354
<b>NON-CURRENT LIABILITIES</b>		<b>70.443.144</b>	<b>74.997.148</b>
Financial liabilities - net	6	56.518.055	59.727.770
Finance lease obligations - net	8	-	92.834
Other financial liabilities - net	10	-	-
Trade payables - net	7	3.205	2.934
Due to related parties - net	9	-	-
Advances received	21	-	-
Provisions	23	7.677.298	5.194.356
Deferred tax liability	14	6.244.586	9.979.254
Other liabilities - net	15	-	-
<b>MINORITY INTEREST</b>	24	<b>75.604</b>	<b>52.343</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>94.790.588</b>	<b>101.830.978</b>
<b>Share capital</b>	25	<b>13.500.000</b>	<b>13.500.000</b>
<b>Investment capital net-off</b>			
<b>Capital reserves</b>	26	<b>11.785.483</b>	<b>11.785.483</b>
Share premiums		-	-
Share cancellation profit		-	-
Revaluation fund		-	-
Financial assets revaluation fund		-	-
Equity inflation adjustment differences	26	11.785.483	11.785.483
<b>Profit reserves</b>	27	<b>35.684.457</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		-	-
<b>Net income for the period</b>		<b>5.161.539</b>	<b>31.156.786</b>
<b>Retained earnings</b>	28	<b>28.659.109</b>	<b>28.659.109</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>227.307.709</b>	<b>227.881.865</b>
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The accompanying notes form an integral part of these consolidated interim financial statements

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

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED INTERIM STATEMENTS OF INCOME  
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 30 JUNE 2005**

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

	Notes	2006		Restated 2005	
		1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
<b>OPERATING REVENUE</b>					
Net sales	36	100.241.277	64.226.692	75.314.660	56.103.302
Cost of sales	36	(70.132.718)	(37.387.592)	(56.179.683)	(35.736.235)
Service revenues - net	36	-	-	-	-
Other operating income	36	-	-	-	-
<b>GROSS OPERATING PROFIT</b>		<b>30.108.559</b>	<b>26.839.100</b>	<b>19.134.977</b>	<b>20.367.067</b>
Operating expenses	37	(13.628.772)	(7.363.181)	(11.697.395)	(6.875.575)
<b>NET OPERATING PROFIT</b>		<b>16.479.787</b>	<b>19.475.919</b>	<b>7.437.582</b>	<b>13.491.492</b>
Other income and profits	38	1.167.895	833.270	539.339	309.938
Other expenses and losses	38	(4.488.784)	(4.438.411)	(214.537)	127.606
Financial expenses	39	(10.106.131)	(9.393.579)	(2.983.831)	(547.837)
<b>OPERATING PROFIT</b>		<b>3.052.767</b>	<b>6.477.199</b>	<b>4.778.553</b>	<b>13.381.199</b>
Net monetary gain/ loss	40	-	-	-	-
<b>MINORITY INTEREST</b>	24	<b>(23.261)</b>	<b>(14.698)</b>	-	-
<b>PROFIT BEFORE TAXATION</b>		<b>3.029.506</b>	<b>6.462.501</b>	<b>4.778.553</b>	<b>13.381.199</b>
Taxes on income	41	2.132.033	2.278.162	7.181.811	1.440.713
<b>NET PROFIT FOR THE PERIOD</b>		<b>5.161.539</b>	<b>8.740.663</b>	<b>11.960.364</b>	<b>14.821.912</b>
<b>PROFIT PER SHARE</b>	42	<b>0,38</b>	<b>0,65</b>	<b>0,89</b>	<b>1,10</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 30 JUNE 2005

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

Change in consolidated shareholders' equity for the period 1 January-30 June 2005:

	Share capital	Inflation adjustments to shareholders' equity	Legal reserves	Extraordinary reserves	Retained earnings	Net income/(loss) for the year	Total shareholders' 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	-	-	-	-	-	11.960.364	11.960.364
<b>30 June 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>11.960.364</b>	<b>82.634.556</b>

Change in consolidated shareholders' equity for the period 1 January-30 June 2006:

	Share capital	Inflation adjustments to shareholders' equity	Legal reserves	Extraordinary reserves	Retained earnings	Net income/(loss) for the year	Total shareholders' equity
<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)
Net profit for the year	-	-	-	-	-	5.161.539	5.161.539
<b>30 June 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>5.161.539</b>	<b>94.790.588</b>

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



## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 1 - ORGANISATION AND PRIMARY OPERATIONS OF THE COMPANY

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 airshaft 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, Konya, Samsun, Trabzon, Tokat, Van, Malatya, Kars, Mardin, Isparta and Sivas airports, which are under the control of the DHMI.

The address of the Company is as follows:

Atatürk Havalimanı, Yeşilköy  
34149 Bakırköy, İstanbul

The Company was consolidated with Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. (“Çelebi IC”) with 49,99% shares using the joint venture consolidation method as of 30 June 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 2006. 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 İçtaş İnşaat Sanayi ve Ticaret A.Ş. with 49,99% shares.

The Company has also consolidated Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. (“Çelebi Güvenlik”) in which it hold 94,8% (2005: 94,8%) of shares. Çelebi Güvenlik maintains security at the Terminal and provides security services to the airline companies.

As of 30 June 2006, the consolidated financial statements of the Company include the Company, Çelebi IC and Çelebi Güvenlik (collectively, the “Group”).

As of 30 June 2006 and 31 December 2005, the average number of employees of the Group was 4.211 and 3.430 respectively.

#### NOTE 2 - BASIS OF PRESENTATION

##### 2.1 Accounting policies

The consolidated interim 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.

# ÇELEBİ HAVA SERVİSİ A.Ş.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

The consolidated financial statements are 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.

#### 2.2 Adjustments on Balance Sheet Items for Hyperinflationary Periods

Inflation adjustment was not performed for the periods 1 January-30 June 2006 and 2005.

#### 2.3 Consolidation Principles

The consolidated interim financial statements have been prepared based on explanations mentioned in the paragraphs (a) to (c) and the accounts of the Company, Çelebi Hava Servisi A.Ş, 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.

- 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 the 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.

The Subsidiaries and their ownership included in the consolidation as of 30 June 2006 are as follows:

	<b>Direct/Indirect control of the Company (%) 30 June 2006</b>	<b>Direct/Indirect control of the Company (%) 31 December 2005</b>
Çelebi Güvenlik (*)	94,8%	94,8%

(\*) 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 interim financial statements for the six-month period ended 30 June 2006.

- 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”.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

##### 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.

Consolidated interim financial statements for the six-month period ended 30 June 2005 were restated due to the correction in the provision of employment termination benefits. After the restatement, net profit for the period 30 June 2005 changed from YTL12.166.260 to YTL11.960.364, provision for the employment termination benefits changed from YTL6.600.230 to YTL5.605.188 and deferred tax liability (net) for the period changed from YTL539.111 to YTL837.624.

The Group has reclassified the build-operate-transfer investment at Çelebi IC under intangible assets in the consolidated financial statements as at 31 March 2006 whereas it was booked under tangible fixed assets at 31 December 2005; the net book value of the investment is YTL62.615.185 as of 30 June 2006.

##### 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.

#### NOTE 3 - 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 incomes are recorded on accrual basis, while interest incomes are recorded on effective interest yield method basis. Dividend incomes are recorded as income as of the collection right transfer date.

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 foreign lines service revenue of 2.277.472 passengers and agreed USD15 per person as the foreign line passenger service price. After reaching the guaranteed passenger number in one operating year, the entire passenger income will be transferred to the DHMI.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
THE SIX-MONTH PERIOD ENDED 30 JUNE 2006**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

**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 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 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.

**3.4 Intangible assets**

Intangible assets comprise computer programmers, information systems and rights. They are stated at cost less amortisation, restated to 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 Company has reclassified the build-operate-transfer investment at Çelebi IC under intangible assets in the consolidated financial statements at 30 June 2006 while the investment was first reclassified at the consolidated interim 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.

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

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 Company 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 the occurrence of 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 (minus the transaction fees) and that at the repayment date is recorded in the consolidated income statement during the period the borrowing is effective.

**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 Company 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.

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

All the 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 (Note 16). 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.

**3.8 Mergers and acquisitions**

None (30 June 2005: None).

**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 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 correction in the financial statements will 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.

**3.12 Provisions, contingent assets and liabilities**

Possible assets or obligations 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 not wholly within the control of the Company will be disclosed in financial statement notes. They are not included in financial tables and treated as contingent assets or liabilities.

Provisions are reflected with their discounted values with a pre-tax discount ratio that converts expected expenses to today’s market values in cases when the historical value of money gains importance. Market interest rates and the risk for the provision are considered to determine the discount rate for the calculation of the present value of provisions. A discount rate should be applied before the tax rate and discount values should not include future cash flow risks.

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

Possible assets or obligations 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 not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities(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 have effects on 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).

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

Trade receivables that are originated by the Company 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 Company 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.

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

**3.17 Segment reporting**

The Group operates in handling services, airport security services and airport construction and management . Financial information related with these service lines are reported according to these segments. (Not 33).

The first format type identified by the Group for segment reporting is industrial sections. Industrial sections includes 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 with 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).

**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.



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

**3.23 Employment termination benefits**

Under the Turkish Labour Law, the Company 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 Company 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 financial activities of the Group and repayments thereof.

Cash and cash equivalents include cash and banks.

**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 Company.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interest rate risk*

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by 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 Company 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).

*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 Company 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 value of trade receivables along with the related allowances for uncollectibility is 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.

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.30 Important 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.

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2006	31 December 2005
Cash	39.653	26.318
Banks		
-time deposits	43.564.808	38.687.695
-US dollar	28.515.134	8.922.168
-Euro	10.986.416	21.474.504
-YTL	4.063.258	8.291.023
-demand deposits	3.331.911	7.290.629
-US dollar	1.446.579	3.582.244
-Euro	1.348.524	3.221.996
-YTL	506.716	443.018
-GBP	30.092	43.371
Other liquid assets	616	220.000
	<b>46.936.988</b>	<b>46.224.642</b>

Average effective interest rates for YTL, EUR and USD time deposits are 16,38-17,25%, 1,44-3,00% and 2,67-5,40%, respectively as of 30 June 2006 (31 December 2005: YTL 12,83-15,00%, USD 1,20-3,80% and Euro 2,17-4,25%). Periods for time deposits are 1-5 days as of 30 June 2006.(31 December 2005: YTL 2-31 days, USD 2-17 days and Euro 2-51 days).

#### NOTE 5 - MARKETABLE SECURITIES

None (2005: None).

#### NOTE 6 - FINANCIAL LIABILITIES

	30 June 2006		
	Yearly effective average interest rate (%)	Original amount	YTL
<b>Short-term borrowings</b>			
<u>Short-term borrowings</u>			
YTL borrowings	-	1.429.190	1.429.190
			<b>1.429.190</b>

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 6 - FINANCIAL LIABILITIES (Continued)

	30 June 2006		
	Yearly effective average interest rate (%)	Original amount	YTL
<b>Short-term borrowings</b>			
<u>Short-term portion of long-term borrowings</u>			
Interest expense accrual	-	1.406.212	2.254.015
USD borrowings	Libor+2,9%-5,5%	22.006.584	35.274.355
			<b>37.528.370</b>
<b>Long-term borrowings</b>			
USD borrowings	Libor+2,9%-5,5%	35.259.876	56.518.055
			<b>56.518.055</b>
<b>31 December 2005</b>			
	Yearly effective average interest rate (%)	Original amount	YTL
<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-Euro	-	81.111	128.764
Interest accrual-US dollar	-	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 30 June 2006 and 31 December 2005 is as follows:

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 6 - FINANCIAL LIABILITIES (Continued)

	30 June 2006	31 December 2005
2007	19.640.802	28.857.535
2008	34.472.903	28.857.535
2009 and over	2.404.350	2.012.700
	<b>56.518.055</b>	<b>59.727.770</b>

The borrowings amounting to USD36.433.128 comprise of the loans used by the joint venture of the Company Çelebi IC in the terminal construction as of 30 June 2006. 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 realized through six monthly equal instalments.

#### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 June 2006	31 December 2005
<b>Short-term trade receivables</b>		
Trade receivables	24.543.415	11.679.500
Notes receivable	1.303	-
Deposits and guarantees given	15.847	7.833
Doubtful receivables	2.418.211	2.418.211
	26.978.776	14.105.544
Less: Provision for doubtful receivables	(2.418.211)	(2.418.211)
Less: Unearned financial income from credit sales	(74.495)	(372.218)
	<b>24.486.070</b>	<b>11.315.115</b>

Yearly effective interest rates for trade receivables as of 30 June 2006 for the YTL, US dollar and Euro respectively are %17,30, %5,33 and %2,90, respectively(31 December 2005: %13,09, %4,32 and %2,37).

Movements of the provision for doubtful receivables for the years ended 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Opening balance	2.418.211	2.387.471
Additions/ (disposals)	-	30.740
<b>Ending balance</b>	<b>2.418.211</b>	<b>2.418.211</b>

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2006	31 December 2005
<b>Short-term trade payables</b>		
Trade payables	7.447.680	7.157.646
Notes payable	26.929	
	7.474.609	7.157.646
Less: Unearned credit finance charges	(8.269)	(92.903)
	<b>7.466.340</b>	<b>7.064.743</b>

Average weighted effective interest rates for accruals not calculated for short-term trade receivables as of 30 June 2006 for US dollars, Euro, GBP and YTL are %5,33, %2,90, %4,67 and %18,32 respectively(31 December 2005: %4,32, %2,37, %4,32 and %13,09).

	30 June 2006	31 December 2005
<b>Long-term trade payables</b>		
Deposits and guarantees received	3.205	2.934
	<b>3.205</b>	<b>2.934</b>

#### NOTE 8 - FINANCIAL LEASING RECEIVABLES AND PAYABLES

	30 June 2006			31 December 2005		
	Minimum lease payments	Interest	Total obligation	Minimum lease payments	Interest	Total obligation
Less than 1 year	464.094	(16.244)	447.850	658.559	(36.356)	622.203
1 to 2 years	30.813	(30.813)	-	95.322	(2.488)	92.834
2 to 3 years	333	(333)	-	25.578	(25.578)	-
4 years and more	546	(546)	-	736	(736)	-
	<b>495.786</b>	<b>(47.936)</b>	<b>447.850</b>	<b>780.195</b>	<b>(65.158)</b>	<b>715.037</b>

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	30 June 2006	31 December 2005
<b>Due from related parties</b>		
Çelebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	26.610	2.801.684
Çelebi Holding A.Ş.	-	10.730
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	84
	26.610	2.812.498
Less: Unearned financial income from sales on credit terms	(69)	(16.205)
	<b>26.541</b>	<b>2.796.293</b>

	30 June 2006	31 December 2005
<b>Due to related parties</b>		
Çelebi Holding A.Ş. (*)	1.142.419	-
Çe-Tur Çelebi Turizm Ticaret A.Ş.	721.238	352.680
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	6.375	-
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş. Shareholders	51	2.276
	1.870.083	354.956
Less: Unincurred financial expense from purchase on credit terms	(1.169)	(5.289)
	<b>1.868.914</b>	<b>349.667</b>

	30 June 2006	31 December 2005
<b>Due from joint ventures</b>		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	295.031	393.870
	295.031	393.870
Less: Unearned financial income from sales on credit terms	(779)	(1.777)
	<b>294.252</b>	<b>392.093</b>

(\*) YTL1.051.251 portion of due to Çelebi Holding consists of invoices issued for the Company and Çelebi Güvenlik as contributions to holding expenses.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
<b>Sales to related parties</b>				
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	199.053	92.046		
Çelebi Holding A.Ş.	8.458	4.142	35.294	32.601
Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.	-	-	23.267	11.914
Çe-Tur Çelebi Turizm Ticaret A.Ş.	2.877	-	25.152	16.494
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	664	35	-	-
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	629	297	-	-
	<b>211.681</b>	<b>96.520</b>	<b>83.713</b>	<b>61.009</b>

#### Sales to joint ventures

Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	1.416.643	837.486	-	-
	<b>1.416.643</b>	<b>837.486</b>	-	-

#### Rent income from related parties

Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	10.198.776	5.099.388	2.567.241	2.567.241
	<b>10.198.776</b>	<b>5.099.388</b>	<b>2.567.241</b>	<b>2.567.241</b>



## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
<b>Transportation expenses to related parties</b>				
Çe-Tur Çelebi Turizm Ticaret A.Ş.	1.982.075	1.070.691	1.934.661	1.174.642
	<b>1.982.075</b>	<b>1.070.691</b>	<b>1.934.661</b>	<b>1.174.642</b>
<b>Contribution to holding expenses (**)</b>				
Çelebi Holding A.Ş.	4.038.956	2.010.058	2.344.825	1.290.025
	<b>4.038.956</b>	<b>2.010.058</b>	<b>2.344.825</b>	<b>1.290.025</b>
<b>General expenses contribution income from related companies (***)</b>				
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	2.039.755	1.019.877	495.500	495.500
	<b>2.039.755</b>	<b>1.019.877</b>	<b>495.500</b>	<b>495.500</b>
<b>Other purchases from related parties (****)</b>				
Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.	-	-	1.333.876	1.165.041
Çe-Tur Çelebi Turizm Ticaret.A.Ş.	1.010.912	606.762	569.877	234.408
Çelebi Holding A.Ş.	165.761	63.740	62.660	-
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	-	7.537	5.303
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	5.403	-	1.898	-
	<b>1.182.076</b>	<b>670.502</b>	<b>1.975.848</b>	<b>1.404.752</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	<u>2006</u>		<u>2005</u>	
	<u>1 January- 30 June</u>	<u>1 April- 30 June</u>	<u>1 January- 30 June</u>	<u>1 April- 30 June</u>
<b>Other purchases from joint ventures</b>				
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	167.575	101.162	-	-
	<b>167.575</b>	<b>101,162</b>	-	-
<b>Fixed asset purchases from related parties</b>				
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	-	16.422	12.432
Çelebi Holding A.Ş.	58.937	-	-	-
	<b>58.937</b>	-	<b>16.422</b>	<b>12.432</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 30 June 2006 and 31 December 2005 are detailed below:

	<u>30 June 2006</u>		<u>31 December 2005</u>	
	USD	YTL	USD	YTL
Çelebi Holding A.Ş.	4.000.000	-	2.000.000	970.000
Çelebi IC (*)	45.154.400	-	45.154.400	-

(\*) Çelebi IC signed an agreement for the borrowings amounting to USD90.308.800 (2005: USD90.308.800). The Company gave a guarantee for 50% of these borrowings.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

##### Remuneration paid to top management:

	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
Remuneration paid to top management	2.721.549	1.691.048	1.159.879	679.237
	<b>2.721.549</b>	<b>1.691.048</b>	<b>1.159.879</b>	<b>679.237</b>

#### NOTE 10 - OTHER RECEIVABLES AND LIABILITIES

	30 June 2006	31 December 2005
<b>Other short-term receivables</b>		
Value-added tax (VAT) to be refunded	858.670	676.713
Cancellation of prepaid rent expense	431.105	-
Advances given to suppliers	159.360	237.045
Advances given to personnel	148.303	85.978
Taxes receivable from tax office	26.499	-
Interest income accruals	13.010	90.477
Other miscellaneous receivables	36.634	13.753
	<b>1.673.581</b>	<b>1.103.966</b>

Receivables related with the cancellation of prepaid rent expense arose because the DHMI cancelled the rent contract on 24 May 2006 signed between the Company and the DHMI related with the warehouse located at Atatürk Airport Terminal C in which cargo-antrepo activities were carried out according to the relevant article of the contract due to the fact that a similar incident as the fire that may possibly occur in the future may create a serious danger for the airport. As a 3-month rent amount (1 April-30 June 2006) for the warehouse had been prepaid and the entire prepaid amount had not been expensed as the time fire broke out, consequently due to the cancellation of the rent agreement, the Company had receivables from the DHMI amounting to EUR262.276 and YTL5.197 which were deducted from payments to the DHMI in the subsequent periods.

#### NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2005: None).

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 12 - INVENTORIES

	30 June 2006	31 December 2005
Trade goods	309.656	337.586
Other inventories	2.349.325	1.307.764
Order advances given	96.153	355
	<b>2.755.134</b>	<b>1.645.705</b>

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

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

None (31 December 2005: None).

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

##### Deferred tax

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.

Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2005:30%). However, as Çelebi IC has considered the build-operate-transfer terminal investment, as deduction from the corporate income tax base as it is an investment incentive, it is forecasted that the corporate tax rate applied on the income generated by Çelebi IC is 30%. Since investment incentive will not to be utilised in 2007, the Company has calculated deferred tax assets and liabilities over 30% from the temporary differences that will be realised in 2006 and over 20% from temporary differences which indicates of tangible and intangible assets after 31 December 2006 and from employment termination benefits. Temporary differences arising from tangible and intangible assets until 31 December 2006 and temporary differences that will be arise after 31 December 2006 are presented separately in the table below which indicates deferred tax assets and liabilities.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2006 and 31 December 2005 using the enacted future tax rates is as follows:

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
THE SIX-MONTH PERIOD ENDED 30 JUNE 2006**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

	<u>Cumulative taxable temporary differences</u>		<u>Deferred tax assets/liabilities</u>	
	<b>30 June 2006</b>	<b>31 December 2005</b>	<b>30 June 2006</b>	<b>31 December 2005</b>
Provision for doubtful receivables	(49.781)	(49.781)	9.956	14.934
Unincurred financial expenses	(65.447)	(354.051)	13.089	106.213
Personnel bonus accrual	(247.436)	(294.768)	49.487	88.431
Provision for vacation pay	(1.362.922)	(921.851)	272.584	276.555
Accrued sales commissions	(2.166.528)	(1.231.390)	433.306	369.417
Provision for employment termination benefits	(3.254.634)	(3.408.395)	650.927	1.022.518
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	38.349.905	39.204.004	(7.669.981)	(11.761.201)
Unearned financial income	14.577	320.001	(2.915)	(96.000)
Other	5.197	402	(1.039)	(121)
<b>Net deferred tax liability</b>			<b>(6.244.586)</b>	<b>(9.979.254)</b>
Investment incentive	(16.142.765)	(19.987.758)	4.842.829	5.996.327
Unincurred financial expenses	(10.223)	(36.148)	3.068	10.846
Personnel bonus accrual	(218.328)	(106.479)	65.498	31.944
Provision for vacation pay	(202.733)	(88.780)	42.515	26.634
Provision for employment termination benefits	(29.125)	(72.180)	5.825	21.654
Non-deductible financial losses	-	(48.154)	-	14.446
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets until 31 December 2006	1.097.266	2.114.243	(323.015)	(634.271)
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets after 31 December 2006	1.305.890	-	(261.178)	-
Unearned financial income	13.502	186.677	(4.051)	(55.999)
Other	(2.220)	(182.801)	666	54.840
<b>Net deferred tax asset</b>			<b>4.372.157</b>	<b>5.466.421</b>

Deferred tax movement table is indicated below:

	<b>2006</b>	<b>2005</b>
<b>1 January</b>	<b>(4.512.833)</b>	<b>(8.019.435)</b>
Current period deferred tax income (Note 41)	2.640.404	3.506.602
<b>30 June</b>	<b>(1.872.429)</b>	<b>(4.512.833)</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

	30 June 2006	31 December 2005
<b>Other current assets</b>		
Prepaid expenses	2.762.414	1.331.347
Prepaid taxes and funds	86.316	145.386
Transferred value-added tax ("VAT")	65.415	85.375
Corporate tax receivable	-	285.480
	<b>2.914.145</b>	<b>1.847.588</b>
<b>Other non-current assets</b>		
Prepaid expenses	230.423	24.750
Deposits and guarantees given	480	402
	<b>230.903</b>	<b>25.152</b>
<b>Other short-term liabilities</b>		
Wages and salaries payable	3.057.467	2.075.061
Social security payables	1.320.702	1.067.601
Taxes and funds payable	919.753	962.886
Deferred income	503.734	287.277
Corporate tax payable (Note 41)	397.186	-
Bonus payable	218.328	401.248
Other miscellaneous liabilities	46.110	43.281
	<b>6.463.280</b>	<b>4.837.354</b>

#### NOTE 16 - FINANCIAL ASSETS

None(2005: None)

#### NOTE 17 - POSITIVE/NEGATIVE GOODWILL

None (2005: None).

#### NOTE 18 - INVESTMENT PROPERTY

None (2005: None).

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the year ended 30 June 2006 are as follows:

	1 January 2006	Additions	Disposals	Transfers	Disposals due to fire (*)	30 June 2006
<b>Costs</b>						
Machinery and equipment	113.601.327	2.395.736	(30.048)	-	-	115.967.015
Vehicles	3.672.552	-	(47.585)	-	-	3.624.967
Furniture and fixtures	10.469.663	358.557	(443.972)	-	-	10.384.248
Leasehold improvements	51.249.046	1.456.925	-	126.435	(4.889.394)	47.943.012
Advances given	243.844	1.160.800	-	(126.435)	-	1.278.209
	<b>179.236.432</b>	<b>5.372.018</b>	<b>(521.605)</b>	<b>-</b>	<b>(4.889.394)</b>	<b>179.197.451</b>
<b>Accumulated depreciation</b>						
Machinery and equipment	67.580.896	3.371.823	(3.238)	-	-	70.949.481
Vehicles	2.824.443	171.136	(46.085)	-	-	2.949.494
Furniture and fixtures	8.910.341	327.270	(88.465)	-	-	9.149.146
Leasehold improvements	15.248.111	1.709.320	-	-	(956.872)	16.000.559
	<b>94.563.791</b>	<b>5.579.549</b>	<b>(137.788)</b>	<b>-</b>	<b>(956.872)</b>	<b>99.048.680</b>
<b>Net book value</b>	<b>84.672.641</b>				<b>3.932.522</b>	<b>80.148.771</b>

(\*) The land plots where the stations were the constructed by Çelebi Hava Servisi A.Ş in the airports within which it operates were rented from DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 30 June 2006 the net book value of these stations was YTL31.853.116. 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 corresponds to their economic life. 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.

The warehouse located at Atatürk Airport Terminal C in which the Company carries out cargo-antrepo operations has been damaged due to the fire broke out on 24 May 2006. As a consequence of the fire, leasehold improvements, whose net book value was YTL3.932.522 as of 30 June 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. However, it is not possible to determine the damage to the machinery & equipment and furniture & fixtures in the warehouse at the date of the fire whose net book values are YTL2.289.021 and YTL119.558, respectively as of 30 June 2006 and that on the goods of third parties because related expert and insurance specialist reports have not been concluded as yet. The Company has insurance policies including fire risk amounting to USD2.200.000 for leasehold improvements, USD2.000.000 in total for machinery & equipment, USD1.000.000 of which is for general content, USD600.000 of which is for broken machinery and USD400.000 of which is for electronic equipment and USD150.000 for furniture & fixtures. Also, the Company has an insurance policy also covering fire risk amounting to USD41.000.000 related to the equipment whose net book value is YTL642.879.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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

The six-month depreciation charges for the period ended 30 June 2006 amounting to YTL988.935 and YTL4.590.614 are included in operating expenses and cost of sales, respectively.

The net book value of financial lease assets in machinery and equipment is YTL975.178 as of 30 June 2006( 31 December 2005: YTL1.021.720).

Movements in property, plant and equipment movement for the period ended 30 June 2005 are as follows:

	<b>1 January 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Impairment</b>	<b>30 June 2005</b>
<b>Costs</b>						
Machinery and equipment	109.917.033	2.636.427	(894)	21.344	-	112.573.910
Vehicles	4.581.039	61.400	-	-	-	4.642.439
Furniture and fixtures	9.595.976	546.603	(8.168)	10.574	-	10.144.985
Leasehold improvements (*)	44.845.597	254.761	-	5.180.288	-	50,280,646
Construction in progress	3.341.331	1.213.624	-	(4.554.955)	-	-
Advances Given	353.535	793.272	-	(657.251)	-	489.556
	<b>172.634.511</b>	<b>5.506.087</b>	<b>(9.062)</b>	<b>-</b>	<b>-</b>	<b>178.131.536</b>
<b>Accumulated depreciation</b>						
Machinery and equipment	61.009.092	3.257.827	(8)	-	-	64.266.911
Vehicles	3.196.490	218.591	-	-	-	3.415.081
Furniture and fixtures	8.194.398	290.783	(4.577)	-	-	8.480.604
Leasehold improvements (*)	12.023.007	1.637.310	-	-	189.565	13.849.882
	<b>84.422.987</b>	<b>5.404.511</b>	<b>(4.585)</b>	<b>-</b>	<b>189.565</b>	<b>90.012.478</b>
<b>Net Book value</b>	<b>88.211.524</b>					<b>88.119.058</b>

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



## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 20 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 30 June 2006 are as follows:

	1 January 2006	Additions	Disposals	30 June 2006
<b>Costs</b>				
Build-operate-transfer				
Investment (*)	85.075.985	717.602	(98.485)	85.695.102
Software	2.111.068	149.065	-	2.260.133
Rights	541.894	-	-	541.894
	<b>87.728.947</b>	<b>866.667</b>	<b>(98.485)</b>	<b>88.497.129</b>
<b>Accumulated depreciation</b>				
Build-operate-transfer				
Investment (*)	13.541.259	9.564.191	(25.533)	23.079.917
Software	1.402.296	124.725	-	1.527.021
Rights	393.143	27.881	-	421.024
	<b>15.336.698</b>	<b>9.716.797</b>	<b>(25.533)</b>	<b>25.027.962</b>
<b>Net book value</b>	<b>72.392.249</b>			<b>63.469.167</b>

(\*) Build-operate-transfer investment the net book value of which is YTL62.615.185, comprises of the advances and progress payments given to contracting firms which were capitalised as of 30 June 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 DHMI. The Group will depreciate the leasehold improvements related to the terminal building within the operating period of 54 months.

The six-month depreciation charges for the period ended 30 June 2006 amounting to YTL22.791 and YTL9.694.006 are included in operating expenses and cost of sales respectively.

Movements in intangible assets for the period ended 30 June 2005 are as follows:

	1 January 2005	Additions	30 June 2005
<b>Costs</b>			
Build-operate-transfer			
Investments (*)	37.071.623	44.466.979	81.538.602
Rights	1.786	1.035	2.821
Software	1.763.829	62.191	1.826.020
	<b>38.837.238</b>	<b>44.530.205</b>	<b>83.367.443</b>
<b>Accumulated depreciation</b>			
Build-operate-transfer			
Investments (*)	211.279	4.179.351	4.390.630
Rights	200	258	458
Software	1.137.560	124.712	1.262.272
	<b>1.349.039</b>	<b>4.304.321</b>	<b>5.653.360</b>
<b>Net book value</b>	<b>37.488.199</b>		<b>77.714.083</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 between Çelebi IC and DHMI as of 24 February 2004

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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#### NOTE 21 - ADVANCES RECEIVED

	30 June 2006	31 December 2005
Advances received	51.356	48.732
	<b>51.356</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

	30 June 2006	31 December 2005
<b>Short-term provisions</b>		
Accrued sales commissions	2.166.528	1.231.390
DHMI expense provision	2.090.313	-
Provision for vacation pay	1.565.655	1.010.632
Commissions for services given	763.784	-
Financial consultancy expense provision	56.342	94.461
Other liability provisions	100.451	-
	<b>6.743.073</b>	<b>2.336.483</b>
<b>Long-term provisions</b>		
Provision for employment termination benefits	3.283.759	3.480.575
DHMI agreement depreciation provision (*)	4.393.539	1.713.781
	<b>7.677.298</b>	<b>5.194.356</b>

(\*) 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 run 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.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 23 - PROVISIONS (Continued)

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

The amount payable consists of one month's salary limited to a maximum of YTL1.770,62 (31 December 2005: YTL1.727,15) for each period of service at 30 June 2006.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company registered in Turkey arising from the retirement of employees.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2006	31 December 2005
Discount rate (%)	5,49	5,49
Turnover rate to estimate the probability of retirement (%)	94,60	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 YTL1.815,28 which is effective from 1 July 2006 (1 January 2006: YTL1.770,62) has been taken into consideration in the calculations.

Movements in the provision for employment termination benefits are as follows:

	30 June 2006	31 December 2005
1 January	3.480.575	4.898.445
Paid during the year	(421.629)	(917.062)
Increase during the year	224.813	(500.808)
<b>30 January</b>	<b>3.283.759</b>	<b>3.480.575</b>

#### NOTE 24 - MINORITY INTEREST

Changes in the minority interest are as follows:

	30 June 2006	31 December 2005
Beginning balance	52.343	-
Increase due to the affiliates included in the consolidation (Çelebi Güvenlik)	-	52.343
Minority loss/profit	23.261	-
<b>Ending balance</b>	<b>75.604</b>	<b>52.343</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 25 - SHARE CAPITAL/INVESTMENT CAPITAL NET OFF

At 30 June 2006, the authorised and paid-in share capital of the Group is YTL13.500.000 comprising of 1.350.000.000 registered shares with a YKr (TL10.000) face value each (31 December 2005: 1.350.000.000 shares).

At 30 June 2006 and 31 December 2005, the shareholding structure can be summarised as follows:

	<b>Shares (%)</b>	<b>30 June 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	7,45	1.006.200	10,45	1.411.200
Canan Çelebioğlu Tokgöz	7,45	1.006.200	10,45	1.411.200
Other	22,40	3.024.000	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:

##### 30 June 2006

	<b>Historical amounts</b>	<b>Restated amounts</b>	<b>Equity inflation adjustment differences</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 differences</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>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 27 - PROFIT RESERVES

The historical amounts of profit reserves as of 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Legal Reserves	8.455.399	6.899.658
Extraordinary Reserves	27.229.058	9.829.942
	<b>35.684.457</b>	<b>16.729.600</b>

#### NOTE 28 - RETAINED EARNING

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.

Among the accounts of shareholders’ equity resulting from the first financial table arrangement restated for inflation according to Communiqué No XI-25, ‘Capital, Emission Premium, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves’ are shown with booked values on the balance sheet. Restatement differences of these accounts are shown in the “shareholders’ equity restatement differences” account in the Shareholders’ Equity group.

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;

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 28 - RETAINED EARNING (Continued)

- 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.

The details of retained earnings as of 30 June 2006 and 31 December 2005 are as follows:

	<b>Retained earnings</b>
31 December 2004 balance	28.800.160
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>30 June 2006 balance</b>	<b>28.659.109</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 29 - FOREIGN CURRENCY POSITION

30 June 2006

	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	
<b>Assets:</b>						
Cash and cash equivalents	18.692.309	29.961.903	6.138.453	12.335.222	30.092	42.327.217
Trade receivables	4.550.412	7.293.856	6.280.440	12.620.545	-	19.914.401
Due from related parties	-	-	28.775	57.824	-	57.824
Other	96.813	155.181	14.423	28.983	285	184.449
	<b>23.339.534</b>	<b>37.410.940</b>	<b>12.462.091</b>	<b>25.042.574</b>	<b>30.377</b>	<b>62.483.891</b>
<b>Liabilities</b>						
Short-term financial liabilities	-	-	-	-	-	-
Short portion of long-term financial liabilities	(23.412.796)	(37.528.370)	-	-	-	(37.528.370)
Long-term financial liabilities	(35.259.876)	(56.518.055)	-	-	-	(56.518.055)
Trade payables	(713.565)	(1.143.773)	(32.506)	(65.321)	(35.814)	(1.244.908)
Due to related parties	(13.568)	(21.749)	-	-	-	(21.749)
Short-term finance lease obligations	(279.400)	(447.850)	-	-	-	(447.850)
Long-term finance lease obligations	-	-	-	-	-	-
Long-term provisions	(1.935.427)	(2.566.183)	-	-	-	(2.566.183)
Other	(4.944)	(7.925)	(2.395)	(4.813)	-	(12.738)
	<b>(61.619.576)</b>	<b>(98.233.905)</b>	<b>(34.901)</b>	<b>(70.134)</b>	<b>(35.814)</b>	<b>(98.339.853)</b>
<b>Net Foreign Currency Position</b>	<b>(38.280.042)</b>	<b>(60.822.965)</b>	<b>12.427.190</b>	<b>24.972.440</b>	<b>(5.437)</b>	<b>(35.855.962)</b>

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

**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>



## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 30 - GOVERNMENT 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

The amount of projected investment incentive allowance to be utilised by the Group in the current and next periods is YTL16.142.765 (2005: YTL19.987.758 ).

#### NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

##### Provisions

Provisions of the Group as at 30 June 2006 and 31 December 2005 are explained in Note 23.

##### Commitments and Contingent liabilities

	30 June 2006	31 December 2005
<b>Guarantees received:</b>		
Guarantee letters received	6.366.178	7.219.872
Guarantee notes received	1.029.872	780.003
Guarantee cheque received	592.449	468.157
	<b>7.988.499</b>	<b>8.468.032</b>
<b>Guarantees given:</b>		
Guarantee letters given	12.620.130	8.011.059
	<b>12.620.130</b>	<b>8.011.059</b>

The Company has contingent assets amounting to YTL1.139.737 due to the legal cases in favour of the Company and contingent liabilities amounting to YTL4.452.892 due to the legal cases against the Company as of 30 June 2006.

#### NOTE 32 - BUSINESS COMBINATIONS

None (2005: None).

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 33 - SEGMENT REPORTING

##### 1 January -30 June 2006

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	68.555.970	4.086.158	29.661.665	(2.062.516)	100.241.277
Cost of sales	(53.560.563)	(3.065.341)	(15.630.601)	2.123.787	(70.132.718)
Gross operating profit	14.995.407	1.020.817	14.031.064	61.271	30.108.559
Operating expenses	(11.521.530)	(518.408)	(1.609.796)	20.962	(13.628.772)
Net operation profit/loss	3.473.877	502.409	12.421.268	82.233	16.479.787
Operating profit	10.887.282	576.343	3.306.947	(11.717.805)	3.052.767
<b>Net income/(loss)</b>	<b>14.233.210</b>	<b>447.341</b>	<b>2.222.057</b>	<b>(11.741.068)</b>	<b>5.161.539</b>

##### 1 April - 30 June 2006

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	43.516.640	2.352.673	19.553.649	(1.196.270)	64.226.692
Cost of sales	(28.994.984)	(1.798.418)	(7.828.505)	1.234.315	(37.387.592)
Gross operating profit	14.521.656	554.255	11.725.144	38.045	26.839.100
Operating expenses	(6.220.253)	(330.912)	(831.050)	19.034	(7.363.181)
Net operation profit/loss	8.301.403	223.343	10.894.094	57.079	19.475.919
Operating profit	3.697.781	340.896	2.438.522	-	6.477.199
<b>Net income/(loss)</b>	<b>6.698.196</b>	<b>291.229</b>	<b>1.774.504</b>	<b>(23.265)</b>	<b>8.740.663</b>

# ÇELEBİ HAVA SERVİSİ A.Ş.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

### NOTE 33 - SEGMENT REPORTING (Continued)

	<u>Reportable Segments</u>			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
<b>30 June 2006</b>					
<u>Balance sheet</u>					
Total Assets	146.352.128	2.676.136	95.744.685	(17.465.240)	227.307.709
Total Liabilities	65.111.842	1.222.205	66.536.197	(428.727)	132.441.517
<b>1 January -30 June 2005</b>					
	<u>Reportable Segments</u>			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	57.803.144	-	17.697.496	(185.980)	75.314.660
Cost of sales	(49.830.247)	-	(6.535.416)	185.980	(56.179.683)
Gross operating profit	7.972.897	-	11.162.080	-	19.134.977
Operating expenses	(9.991.016)	-	(1.706.379)	-	(11.697.395)
Net operation profit/loss	(2.018.119)	-	9.455.701	-	7.437.582
Operating profit	(3.483.470)	-	8.262.023	-	4.778.553
<b>Net income/(loss)</b>	<b>(2.673.531)</b>	<b>-</b>	<b>14.633.895</b>	<b>-</b>	<b>11.960.364</b>
<b>1 April - 30 June 2005</b>					
	<u>Reportable Segments</u>			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	38.591.786	-	17.697.496	(185.980)	56.103.302
Cost of sales	(29.207.488)	-	(6.714.727)	185.980	(35.736.235)
Gross operating profit	9.384.298	-	10.982.769	-	20.367.067
Operating expenses	(6.118.629)	-	(756.946)	-	(6.875.575)
Net operation profit/loss	3.265.669	-	10.225.823	-	13.491.492
Operating profit	2.913.878	-	10.467.321	-	13.381.199
<b>Net income/(loss)</b>	<b>1.679.606</b>	<b>-</b>	<b>13.142.306</b>	<b>-</b>	<b>14.821.912</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 33 - SEGMENT REPORTING (Continued)

30 June 2005

	<u>Reportable Segments</u>			<u>Consolidation Eliminations</u>	<u>After Consolidation</u>
	<u>Ground Handling Services</u>	<u>Airport Security Services</u>	<u>Airport Terminal Construction and Management</u>		
<u>Balance Sheet</u>					
Total Assets	131.410.525	-	106.167.589	(23.141.964)	214.436.150
Total Liabilities	63.247.448	-	75.006.164	(6.452.018)	131.801.594

#### NOTE 34 - SUBSEQUENT EVENTS

- The Company has won the tender related with the sales of the shares of Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Felelőssegu Tarsasag (BAGH) ("Budapest Airport Handling") providing ground handling services at Budapest Airport, whose shares were wholly owned by Budapest Airport Budapest Ferihegy Nemzetközi Repülöter Üzemeltetö Zartkörüen Müködö Reszvenytarsasag (Ba Zrt). The Company was invited to participate a share sales agreement by Budapest Airport Handling.

#### 2005:

- As a result of the shareholders' transactions of the shares after the balance sheet date, shares in the capital of the Company have been changed as follows:

<u>Capital</u>	<u>Current Status</u>		<u>31 December 2005</u>	
Çelebi Holding A.Ş.	52,68%	7.112.250	52,35%	7.067.250
Engin Çelebioğlu	10,01%	1.351.350	10,01%	1.351.350
Can Çelebioğlu	7,45%	1.006.200	10,45%	1.411.200
Canan Çelebioğlu Tokgöz	7,45%	1.006.200	10,45%	1.411.200
Other	22,41%	3.024.000	16,74%	2.259.000
<b>Total</b>	<b>100,00%</b>	<b>13.500.000</b>	<b>100,00%</b>	<b>13.500.000</b>

#### NOTE 35 - DISCONTINUED OPERATIONS

None (2005: None).

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 36 - OPERATING INCOME

	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
Ground handling services	61.943.410	39.691.029	50.091.498	33.767.936
Passenger service income (*)	15.348.872	11.980.701	13.622.888	13.622.888
Antrepo services	6.410.719	3.424.751	4.411.065	2.379.902
Non-aeronautical rent income (**)	10.751.745	5.418.018	2.692.651	2.692.651
Aeronautical fuel sold	1.847.063	1.382.821	3.943.596	2.900.377
Airport security services	2.233.733	1.300.498	-	-
Aeronautical rent income (***)	1.153.514	921.347	946.669	946.669
Contribution income to general expenses (****)	2.233.741	1.125.786	528.439	528.439
Less: Returns and discounts	(1.681.520)	(1.018.259)	(922.146)	(735.560)
<b>Sales (net)</b>	<b>100.241.277</b>	<b>64.226.692</b>	<b>75.314.660</b>	<b>56.103.302</b>
Cost of service given	(68.424.908)	(36.086.351)	(52.432.254)	(32.968.061)
Cost of fuel sold	(1.707.810)	(1.301.241)	(3.747.429)	(2.768.174)
<b>Cost of sales (-)</b>	<b>(70.132.718)</b>	<b>(37.387.592)</b>	<b>(56.179.683)</b>	<b>(35.736.235)</b>
<b>Gross operating profit</b>	<b>30.108.559</b>	<b>26.839.100</b>	<b>19.134.977</b>	<b>20.367.067</b>

(\*) In accordance with the “Antalya Airport 2<sup>nd</sup> 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 of 2.277.472 passengers and agreed USD15 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.

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

(\*\*\*\*) Contribution income comprises of 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 terminal.

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 37 - OPERATING EXPENSES

	2006		2005	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
General administrative expenses	(13.628.772)	(7.363.181)	(11.697.395)	(6.875.575)
	<b>(13.628.772)</b>	<b>(7.363.181)</b>	<b>(11.697.395)</b>	<b>(6.875.575)</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 INCOME/EXPENSES AND OTHER PROFIT/LOSSES

	2006		2005	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
<b>Other operating income:</b>				
Income from insurance claims	669.089	528.213	26.998	3.438
Rent income	242.202	128.233	214.781	108.446
Cancellation of impairment provision of financial assets	-	-	166.790	166.790
Sponsorship income	-	-	24.245	-
Fixed asset sales income	110.557	110.557	-	-
Scrap sales income	3.425	2.653	42.276	19.957
Other income	142.622	63.614	64.249	11.307
	<b>1.167.895</b>	<b>833.270</b>	<b>539.339</b>	<b>309.938</b>

	2006		2005	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
<b>Other operating expenses:</b>				
Amortisation of leasehold improvements	(3.932.522)	(3.932.522)	-	-
Insurance claim recoveries	(334.929)	(310.789)	-	-
Provision for impairment of tangible assets	-	-	(189.565)	(10.254)
Provision for impairment of financial assets	-	-	-	171.032
Other expense	(221.333)	(195.100)	(24.972)	(33.172)
	<b>(4.488.784)</b>	<b>(4.438.411)</b>	<b>(214.537)</b>	<b>127.606</b>
	<b>(3.320.889)</b>	<b>(3.605.141)</b>	<b>324.802</b>	<b>437.544</b>

## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 39 - FINANCIAL EXPENSES

Financial Income	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
Interest income	1.058.705	488.457	143.289	55.032
Unearned financial income	377.257	(217.004)	305.930	305.930
Foreign exchange gains	13.095.882	5.269.324	2.100.267	1.670.492
	<b>14.531.844</b>	<b>5.540.777</b>	<b>2.549.486</b>	<b>2.031.454</b>

Financial Expenses	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
Interest expense	(3.292.553)	(1.683.353)	(2.059.460)	(1.613.189)
Unincurred financial expenses	(541.327)	399.289	-	-
Foreign exchange losses	(20.750.837)	(13.599.090)	(3.429.172)	(922.923)
Other financial expenses	(53.258)	(51.202)	(44.685)	(43.179)
	<b>(24.637.975)</b>	<b>(14.934.356)</b>	<b>(5.533.317)</b>	<b>(2.579.291)</b>
	<b>(10.106.131)</b>	<b>(9.393.579)</b>	<b>(2.983.831)</b>	<b>(547.837)</b>

#### NOTE 40 - MONETARY POSITION GAIN/LOSS

With the decision on 17 March 2005, the CMB has announced that the application of inflation accounting is no longer required for companies operating in Turkey. Consequently, since inflation adjustments are not made for periods beginning on or after 1 January 2005, there is no monetary gain/loss for the period ended 30 June.

#### NOTE 41 - TAXATION

	30 June 2006	31 December 2005
Corporate tax	508.371	881.336
Less: Prepaid taxes	(111.185)	(1.166.816)
Taxes liability/(receivable) - net (Note 15)	397.186	(285.480)
Deferred tax liability (net) - (Note 14)	1.872.429	4.512.833
	<b>2.269.615</b>	<b>4.227.353</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.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
THE SIX MONTH PERIOD ENDED 30 JUNE 2006**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 41 - TAXATION (Continued)**

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The corporation tax rate for the fiscal year 2006 is 20% (2005: 30%). Corporation tax rate is applicable on the total income of the 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 10% .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. Advance tax is declared by the 10<sup>th</sup> and paid by the 17<sup>th</sup> 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.

In accordance with Tax Law No. 5024 “Law regarding amendments to Tax Procedural Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 effective from 1 January 2004, income and corporate tax-payers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish lira. In accordance with the aforementioned Law’s provisions, in order to apply the inflation adjustment, the cumulative inflation rate (SIS-WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the fiscal year 2005.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25<sup>th</sup> of the fourth month following the close of the financial year to which they relate.

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.

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

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).

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.



## ÇELEBİ HAVA SERVİSİ A.Ş.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 41 - TAXATION (continued)

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).

75% portion of corporations' profits from the sale of participation shares, founding shares, pre-emptive rights and property, which have been in their assets for at least for two years is exempt from corporate tax provided that these profits are added to share capital and 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.

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 additional 1st, 2nd, 3rd, 4th, 5th and 6<sup>th</sup> articles prior to the abrogation of Income Tax Law No.193, with Law No.4842 and
- b) in the scope of the abolished 19th article of Income Tax Law No.193, 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.

Accordingly, the above mentioned profits within trade income/loss are considered in the calculation of corporate income tax.

Apart from the above mentioned exemptions considered in the determination of the corporate income tax base, allowances stated in Corporate Income Tax Law articles 8, 9, 10 and Income Tax Law article 40 are also taken into consideration.

The taxes on income for the periods ended 30 June 2006 and 2005 are summarised as follows:

	2006		2005	
	1 January- 30 June	1 April- 30 June	1 January- 30 June	1 April- 30 June
-Current period				
corporate tax	(508.371)	(452.025)	-	-
-Deferred tax income	2.640.404	2.730.187	7.181.811	1.440.713
	<b>2.132.033</b>	<b>2.278.162</b>	<b>7.181.811</b>	<b>1.440.713</b>

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### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

#### NOTE 42 - EARNINGS PER SHARE

Earnings per share is determined by dividing net profit amounting to YTL5.161.539 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:

	<u>2006</u>		<u>2005</u>	
	<u>1 January- 30 June</u>	<u>1 April- 30 June</u>	<u>1 January- 30 June</u>	<u>1 April- 30 June</u>
<b>Net profit for the period</b>	5.161.539	8.740.663	11.960.364	14.821.912
<b>Weighted average number of share</b>				
Weighted average number of ordinary shares	13.500.000	13.500.000	13.500.000	13.500.000
<b>Profit per share with face value of YTL 1 each</b>	0,38	0,65	0,89	1,10

# ÇELEBİ HAVA SERVİSİ A.Ş.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

### NOTE 43 - STATEMENT OF CASH FLOWS

	Notes	1 January- 30 June 2006	1 January- 30 June 2005
<b>Cash flow from operating activities</b>			
Profit before tax		3.029.506	4.778.553
<b>Adjustments to reconcile loss before tax to net cash inflows from operating activities</b>			
Depreciation	19-20	15.296.346	9.708.832
Provision for employment termination benefits	23	224.813	307.960
Impairment provision of tangible assets	38	-	189.565
Cancellation of impairment provision of financial assets	38	-	(166.790)
Interest income	39	(1.058.705)	(143.289)
Interest expense	39	3.292.553	1.753.530
Change in provision for doubtful receivable	7	-	(19.041)
Minority interest	24	23.261	-
<b>Net cash before changes in assets and liabilities</b>		<b>20.807.774</b>	<b>16.409.320</b>
<b>Changes in assets and liabilities</b>			
Change in trade receivables	7	(13.170.955)	(13.284.287)
Change in due from related parties	9	2.867.593	(1.632.283)
Change in inventories	12	(1.109.429)	(61.245)
Change in other receivables	10	(569.615)	(188.853)
Change in other current/non-current assets	15	(1.383.493)	(915.216)
Change in trade payables	7	401.868	1.730.067
Change in due to related parties	9	1.519.247	888.855
Change in short-term liability provisions	23	4.009.404	3.658.170
Change in other short-term liabilities	15	1.625.926	1.678.769
Change in long-term liability provisions	23	2.679.758	588.875
Change in advances taken	21	2.624	54.145
Employment termination benefits paid	23	(421.629)	(190.092)
<b>Cash flow from operating activities</b>		<b>17.259.073</b>	<b>8.736.225</b>
<b>Investment operations</b>			
Purchase of tangible assets	19	(1.483.845)	(48.759.442)
Purchase of intangible assets	20	(862.204)	(63.226)
Interest received	39	1.058.705	143.118
Change in construction in progress	19-20	-	(1.213.624)
Change in financial assets	16	-	(105.929)
Income from sale of tangible assets	19-20	496.655	4.475
<b>Cash flow from investment operations</b>		<b>(790.689)</b>	<b>(49.994.628)</b>
<b>Financial operations</b>			
Change in borrowings	6	5.631	42.291.164
Change in short-term finance lease obligations	8	(174.353)	(847.969)
Change in long-term finance lease obligations	8	(92.834)	145.638
Dividends paid		(12.201.929)	-
Interest paid	39	(3.292.553)	(326.055)
<b>Cash flow from financial operations</b>		<b>(15.756.038)</b>	<b>41.262.778</b>
Net change in cash and cash equivalents		712.346	4.375
<b>Beginning balance of cash and cash equivalents</b>		<b>46.224.642</b>	<b>13.338.556</b>
<b>Ending balance of cash and cash equivalents</b>		<b>46.936.988</b>	<b>13.342.931</b>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR  
THE SIX MONTH PERIOD ENDED 30 JUNE 2006**

(Amounts expressed in thousands of 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**

- Explanation added for convenience translation into English:

As of 30 June 2006, the accounting principles described in Notes 2 (defined as CMB Accounting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting, 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.

- The warehouse located at Atatürk Airport Terminal C in which the Company carries out cargo-antrepo operations has been damaged due to the fire broke out on 24 May 2006. As a consequence of the fire, leasehold improvements whose net book value was YTL3.932.522 as of 30 June 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. However, it is not possible to determine the damage to the machinery & equipment and furniture & fixtures in the warehouse at the date of the fire whose net book values are YTL2.289.021 and YTL119.558, respectively as of 30 June 2006 and that the goods of third parties because related expert and insurance specialist reports have not been concluded as yet. The Company has insurance policies including the fire risk amounting to USD2.200.000 for leasehold improvements, USD2.000.000 in total for machinery & equipment, USD1.000.000 of which is for general content, USD600.000 of which is for broken machinery and USD400.000 of which is for electronic equipment and USD150.000 for furniture & fixtures. In addition, the Company has an insurance policy covering fire risk amounting to USD41.000.000 related with the equipment park whose net book value is YTL642.879.

During the fire broke out in the warehouse, goods belonging to third parties have also been damaged besides the abovementioned property, plant and equipment and leasehold improvements of the Company. Assessments for the damage of goods in the warehouse during the fire are still being conducted by specialists. The Company has an insurance policy related with the goods of third parties amounting to USD1.500.000 and additionally, there is another policy amounting to USD10.000.000 effective if the Company is not held legally responsible for the consequences of the fire broke out.

The Bakirkoy Office of the Directorate of Public Prosecutions is still carrying on inquiries regarding the responsible parties for the fire in the file of inquiry number 2006/37927. Only after the determination of the responsables will the indemnification of losses be started. Since the fire did not initially start in the Company's warehouse and as the Company had a significant amount of insurance coverage, no negative effects are expected on the financial statements. Since the total damage due to the fire could not be determined and as it is uncertain whether the Company is at fault regarding the incident and therefore is liable to third parties; no provision has been accounted for in the consolidated interim financial statements for the six-month period ended 30 June 2006.

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

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