

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD BETWEEN  
1 JANUARY-31 MARCH 2006  
(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**ÇELEBİ HAVA SERVİSİ A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2006**

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CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2006 AND  
31 DECEMBER 2005

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

	Notes	31 March 2006	31 December 2005
<b>ASSETS</b>			
<b>Current Assets</b>		<b>71.339.026</b>	<b>65.325.402</b>
Cash and Cash Equivalents	4	53.362.848	46.224.642
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	11.160.762	10.534.499
Finance Lease Receivables (net)	8	-	-
Due From Related Parties (net)	9	1.854.912	3.969.002
Other Receivables (net)	10	1.071.031	1.103.966
Biological Assets (net)	11	-	-
Inventories (net)	12	2.410.989	1.645.705
Receivables on Construction Contracts (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	1.478.484	1.847.588
<b>Non-current Assets</b>		<b>156.729.506</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	83.721.876	84.672.641
Intangible Assets (net)	20	67.740.563	72.392.249
Deferred Tax Assets	14	5.031.125	5.466.421
Other Non-current Assets	15	235.942	25.152
<b>Total Assets</b>		<b>228.068.532</b>	<b>227.881.865</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2006 AND  
31 DECEMBER 2005**

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

	Notes	31 March 2006	31 December 2005
<b>LIABILITIES</b>		<b>129.755.772</b>	<b>125.998.544</b>
<b>Current Liabilities</b>		<b>53.635.909</b>	<b>51.001.396</b>
Financial Liabilities (net)	6	9.371.332	6.884.679
Short-term Portion of			
Long-term Financial Liabilities (net)	6	28.876.890	28.857.535
Finance Lease Liabilities (net)	8	487.468	622.203
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	3.944.903	7.064.743
Due to Related Parties (net)	9	1.532.638	349.667
Advances Received	21	66.950	48.732
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	3.891.489	2.336.483
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	5.464.239	4.837.354
<b>Non-current Liabilities</b>		<b>76.119.863</b>	<b>74.997.148</b>
Financial Liabilities (net)	6	59.767.831	59.727.770
Finance Lease Liabilities (net)	8	40.427	92.834
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	2.683	2.934
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	6.675.181	5.194.356
Deferred Tax Liability	14	9.633.741	9.979.254
Other Liabilities (net)	15	-	-
<b>MINORITY INTEREST</b>	24	<b>60.906</b>	<b>52.343</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>98.251.854</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>	25	-	-
<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>16.729.600</b>	<b>16.729.600</b>
Legal Reserves		6.899.658	6.899.658
Statutory Reserves		-	-
Extraordinary Reserves		9.829.942	9.829.942
Special Reserves		-	-
Investment and Property Sales Gains		-	-
to be transferred to the share capital		-	-
Translation Reserves		-	-
<b>Net Income/(Loss) for the year</b>		<b>(3.579.124)</b>	<b>31.156.786</b>
<b>Retained Earnings</b>	28	<b>59.815.895</b>	<b>28.659.109</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>228.068.532</b>	<b>227.881.865</b>

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The consolidated financial statements were approved for issue by the Board of Directors on 26 May 2006 and signed on its behalf by General Manager Salih Samim Aydın and Finance Director H. Tanzer Gücüm.

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

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ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2006 AND 31 MARCH  
2005

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

	Notes	31 March 2006	Restated 31 March 2005
<b>Operating revenue</b>			
Sales (net)	36	36.014.585	19.211.358
Cost of sales (-)	36	(31.189.993)	(20.622.759)
Service income (net)	36	-	-
<b>Gross operating profit/loss (-)</b>		<b>4.824.592</b>	<b>(1.411.401)</b>
Operating expenses (-)	37	(7.889.573)	(4.821.821)
<b>Net operating profit/loss (-)</b>		<b>(3.064.981)</b>	<b>(6.233.222)</b>
Other income and profits	38	539.437	266.686
Other expenses and losses (-)	38	(186.336)	(200.118)
Financial expenses	39	(712.552)	(2.435.993)
<b>Income/loss before monetary loss, taxes and minority interests</b>		<b>(3.424.432)</b>	<b>(8.602.647)</b>
Net monetary gain/loss	40	-	-
<b>Minority interests</b>		<b>(8.563)</b>	<b>-</b>
<b>Income/loss before taxes</b>		<b>(3.432.995)</b>	<b>(8.602.647)</b>
Taxes on income	41	(146.129)	5.741.098
<b>Net loss for the year</b>		<b>(3.579.124)</b>	<b>(2.861.549)</b>
<b>Loss per share (Ykr)</b>		<b>(0,27)</b>	<b>(0,21)</b>

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ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2006 AND 31 MARCH 2005

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

	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 2.3)	-	-	-	-	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	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(2.861.549)	(2.861.549)
<b>31 March 2005</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>8.195.215</b>	<b>30.293.836</b>	<b>(2.861.549)</b>	<b>67.812.643</b>
<b>1 January 20056</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	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(3.579.124)	(3.579.124)
<b>31 March 2006</b>	<b>13.500.000</b>	<b>11.785.483</b>	<b>6.899.658</b>	<b>9.829.942</b>	<b>59.815.895</b>	<b>(3.579.124)</b>	<b>98.251.854</b>

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

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**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

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

**NOTE 1 - ORGANIZATION 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, ramp, traffic, cargo, flight operations, airshaft maintenance etc.) and fuel supply to domestic and foreign airlines and cargo companies. The Company operates in İstanbul, İzmir, Ankara, Adana , Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Gaziantep, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, and Sivas airports, which are under the control of the State Airports Administration (DHMI).

The address of the Company is as follows:

Atatürk Havalimanı, Yeşilköy  
34149 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 31 March 2006. Çelebi IC was established in 23 March 2004 based on the “Antalya Airport 2<sup>nd</sup> International Terminal (Terminal) construction, management and transfer agreement” between the Company and 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 to DHMI without any charge. The other main shareholder of Çelebi IC is İċtař İnřaat Sanayi ve Ticaret A.ř. with 49.99% shares.

The Company has also consolidated Çelebi Güvenlik Sistemleri ve Danıřmanlık A.ř. (“Çelebi Güvenlik”) whose 94,8% (2005: 94,8%) of shares belong to the Company. Çelebi Güvenlik maintains security at the Terminal and provides security services to the airline companies.

As of 31 March 2006, the consolidated financial statements of the Company include the Company, Çelebi IC and Çelebi Güvenlik (collectively, the “Group”).

As of 31 March 2006 and 31 December 2005, the average number of employees of the Group was 3.384 and 3.430 respectively.

**NOTE 2 - BASIS OF PRESENTATION**

**2.1 Accounting policies**

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

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

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

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

The Group prepares their books of account and statutory financial statements in New Turkish lira (“YTL”) based on Turkish Commercial Code and Tax Procedural Law. The consolidated financial statements, which are in accordance with CMB Accounting Standards, 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 Consolidation Principles**

- a) The consolidated financial statements include the accounts of the parent company, Çelebi Hava Servisi A.Ş., its Subsidiaries and its Joint Ventures on the basis set out in sections (a) to (d) below. 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.
- b) 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, otherwise has the power to exercise control over financial and operating policies.

The balance sheets and statements of income of the Subsidiaries are consolidated on 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 31 March 2006 is as follows:

	<b>Direct/Indirect control of the Company (%) 31 March 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 in the consolidated financial statements since 30 September 2005.

- c) 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.
- d) 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”.



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STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

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

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

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

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

Financial statements prepared on 31 March 2005 were restated due to the correction in the provision of employment termination benefits. After the restatement, net loss, provision for the employment termination benefits and deferred tax liability (net) for the period ended 31 March 2005 has changed from YTL3.289.512, YTL6.664.794 and YTL1.708.170 to YTL2.861.549, YTL4.764.239 and YTL2.278.337, respectively.

The Company 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 YTL66.873.638 as of 31 March 2006.

**2.4 Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Revenue recognition**

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognized on an accrual basis at the time the Group sells a product to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold and services given less sales returns, discount and commissions (Note 36).

Passenger service income is recognized on an accrual basis, invoiced over amounts determined per traveler with reference to the service contracts to the airport firms or their representatives for the services rendered to the passengers going abroad at 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, 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 DHMI.

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STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 realizable value. 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. Where the carrying amount of an asset is greater than its recoverable amount, it is written down to its recoverable amount, its is written down to its recoverable amount (Note 19). Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

**3.4 Intangible assets**

Intangible assets comprise computer programmers and rights. They are stated at cost less amortization, restated to equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less amortization for the items purchased after 1 January 2005. Amortization 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.

The Company has reclassified the build-operate-transfer investment at Çelebi IC under intangible assets at the consolidated financial statements on 31 March 2006 whereas it was booked under tangible fixed assets at 31 December 2005. The amortization of the leasehold improvements related with the construction of the terminal has been amortized using the straight-line method based on the operation of the terminal for 54 months.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006**

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

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

**3.5 Impairment of assets**

The Company assesses at each reporting date whether there is any indication that an asset, except for deferred tax asset in impaired ( Note 3.23 and Note 14). If any such indication exists, the recoverable amount of the asset would be estimated. Impairment is recognized in income statement as expense.

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

**3.6 Borrowing costs**

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

**3.7 Trade receivables and impairment**

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Short duration receivables with no stated interest rate there on are measured at the original invoice amount unless the effect of imputed 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 income.

**3.8 Credit finance income/charges**

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Note 39).

**3.9 Financial instruments and risk management**

**Collection risk**

The collection risk of the Group results mainly from trade receivables. Trade receivables are evaluated in view of past experiences and the current economic situation by the group management, and following the provision of the appropriate level of doubtful receivables, they are stated with their net values in the balance sheet. Risk related to liquid funds is limited due to the fact that relevant funds are deposited to bank deposits.

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

**Interest rate risk**

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

**Foreign exchange rate risk**

The Group is exposed to foreign exchange rate risk through the impact of rate changes in the translation of New Turkish lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

**Liquidity risk**

The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities for example by collecting the receivables and the availability of funding through an adequate amount of committed credit lines.

**Fair value of financial instruments**

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

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

The fair values of certain financial assets carried at cost, including cash and cash equivalents and held to maturity investments plus the respective accrued interest are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

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

The fair values of investment securities, which have been determined by reference to market values, approximate carrying values.

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

***Monetary liabilities***

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

Trading liabilities have been estimated at their fair values.

Borrowings that are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of borrowings along with the related accrued interest are estimated to be their fair values.

**3.10 Business Combinations**

None.

**3.11 Foreign currency transactions**

Transactions in foreign currencies have been translated into New Turkish lira at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical costs are translated into New Turkish lira at the foreign exchange rates prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognized in the consolidated statements of income.

**3.12 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. 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.

Earnings per share are determined by dividing net profit of shareholders to the weighted number of issued ordinary shares.

**3.13 Subsequent events**

When events after the balance sheet date occur, following an announcement regarding the decision or disclosure of selected financial information, these financial statements cover all the events between the balance sheet date and authorization date of the publication of the balance sheet (Note 34).

In cases where events requiring adjustment after the balance sheet date occur, the amounts included in the consolidated financial statements are adjusted in accordance with this new situation.

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

**3.14 Provisions, contingent assets and liabilities**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 31).

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.

**3.15 Change in the accounting policies**

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

**3.16 Leases**

*Finance leases*

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Principal lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged 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.

**3.17 Related parties**

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

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

**3.18 Segment reporting**

The Group operates in ground handling security and airport terminal management. All the facilities of the Company are located in Turkey (Note 33).

**3.19 Construction type contracts**

None.

**3.20 Discontinued operations**

None.

**3.21 Government grants and incentives**

Government grants, including non-monetary grants at fair value, are not recognized 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).

**3.22 Investment properties**

None.

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

**3.24 Employment termination benefits**

Provision for employment termination benefit represents 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 Labor Law (Note 23).

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

**3.25 Retirement plans**

None.

**3.26 Agricultural operations**

None.

**3.27 Reporting of cash flows**

Cash flows related to the period are reported, classified according to operating, investment and financial activities (Note 43).

Cash flows resulting from operating activities indicate cash flows resulting from the Group's operating activities.

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, bank deposits and short-term investments that can be easily converted to cash with a due date three months or shorter.

**3.28 Financial non-current assets**

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the intention of holding the investment securities for less than 12 months from the balance sheet date, or unless they will need to be sold to raise working capital, in which case they are included in current assets. Management determines the appropriate classification of its investment securities at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments, which are either immaterial or where a significant influence is not exercised by the Group are carried to consolidated financial statements at cost less any provision for impairment (Note 16).

**3.29 Changes in accounting estimates, assumptions**

Preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of balance sheet date; explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them.



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**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>31 March 2006</b>	<b>31 December 2005</b>
Cash	33.616	26.318
Bank	53.074.232	45.978.324
-Demand deposit	3.435.672	7.290.629
-Time deposit	49.638.560	38.687.695
Other liquid assets	255.000	220.000
	<b>53.362.848</b>	<b>46.224.642</b>

Average interest rates for YTL, EUR and USD time deposits are 13,25-16,35%, 3,85-5,25% and 2,75-3,80%, respectively as of 31 March 2006 (31 December 2005: YTL: %12.83-15.00, USD: %1,20 - 3.80 and EURO: %2,17-4.25).

**NOTE 5 - MARKETABLE SECURITIES**

None (2005: None).

**NOTE 6 - FINANCIAL LIABILITIES**

		<b>31 March 2006</b>	
	<b>Interest Rate (%)</b>	<b>Original Amount</b>	<b>YTL</b>
<b>Short-term borrowings</b>			
<u>Short-term borrowings</u>			
YTL borrowings	-	1.314.113	1.314.113
EURO borrowings	3,2	1.999.760	3.241.811
USD borrowings	5,5	500.000	671.350
Interest accruals	-	-	4.144.058
			<b>9.371.332</b>
<u>Short-term portion of long-term borrowings</u>			
USD Borrowings	5,5 - Libor+2,9	21.506.584	28.876.890
			<b>28.876.890</b>
<b>Long-term borrowings</b>			
USD borrowings	5,5 - Libor+2,9	44.513.169	59.767.831
			<b>59.767.831</b>

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

	<b>31 December 2005</b>		
	<b>Interest Rate (%)</b>	<b>Original amount</b>	<b>YTL</b>
<b>Short-term borrowings</b>			
<u>Short-term bank borrowings</u>			
YTL borrowings	-	697	697
EURO borrowings	3,2	1.999.760	3.174.619
USD borrowings	5,5	1.000.000	1.341.800
Interest accruals	-	-	2.367.563
			<b>6.884.679</b>

Short-term portion of long-term borrowings

USD borrowings	5,5 - Libor+2,9	21.506.584	28.857.535
			<b>28.857.535</b>

**Long-term borrowings**

USD borrowings	5,5 - Libor+2,9	44.513.169	59.727.770
			<b>59.727.770</b>

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

	<b>31 March 2006</b>	<b>31 December 2005</b>
2007	28.876.891	28.857.535
2008	28.876.891	28.857.535
2009 and over	2.014.049	2.012.700
	<b>59.767.831</b>	<b>59.727.770</b>

The borrowings amounting to USD 43.719.753 comprise of the loans used by the joint venture of the company Çelebi IC in the terminal construction as of 31 March 2006. The maturities of the loans which do not have to be repaid in the first two years range from 3,5-4, and repayment will begin in April 2006 and will be realized through six monthly equal installments.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 March 2006	31 December 2005
<b>Short-term trade receivables</b>		
Trade receivables	13.620.391	13.317.095
Notes receivable	-	-
Deposits and guarantees given	7.833	7.833
Less: Provision for doubtful receivables	(2.418.211)	(2.418.211)
Less: Unearned credit finance income	(49.251)	(372.218)
	<b>11.160.762</b>	<b>10.534.499</b>

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

	31 March 2006	31 December 2005
Opening balance	2.418.211	2.387.471
Additions/(disposals)	-	30.740
Monetary gain	-	-
<b>Ending balance</b>	<b>2.418.211</b>	<b>2.418.211</b>

	31 March 2006	31 December 2005
<b>Short-term trade payables</b>		
Trade payables	2.852.148	7.157.646
Notes payable	1.107.994	
Less: Unearned credit finance charges	(15.239)	(92.903)
	<b>3.944.903</b>	<b>7.064.743</b>

	31 March 2006	31 December 2005
<b>Long-term trade payables</b>		
Deposits and guarantees received	2.683	2.934
	<b>2.683</b>	<b>2.934</b>

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

The details of financial leasing receivables and payables as of 31 March 2006 and 31 December 2005 are as follows:

	31 March 2006			31 December 2005		
	Minimum lease payments	Interest	Total obligation	Minimum lease payments	Interest	Total obligation
Less than 1 year	510.843	(23.375)	487.468	658.559	(36.356)	622.203
1 to 2 years	41.312	(885)	40.427	95.322	(2.488)	92.834
2 to 3 years	25.607	(25.607)	-	25.578	(25.578)	-
4 years and more	737	(737)	-	736	(736)	-
	<b>578.499</b>	<b>(50.604)</b>	<b>527.895</b>	<b>780.195</b>	<b>(65.158)</b>	<b>715.037</b>

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

Amounts due from and due to related parties at year ends and a summary of major transactions with related parties during the year are as follows:

	31 March 2006	31 December 2005
<b>Due from related parties</b>		
İçtaş İnşaat Sanayi ve Ticaret A.Ş.	1.389.011	750.219
Çelebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	61.010	2.801.684
IC Antbel Antalya Belek Turizm Yatırım A.Ş.	-	30.397
Çelebi Holding A.Ş.	-	10.730
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	742	84
Less: Unearned financial income from sales on credit terms	(11.077)	(16.205)
	<b>1.439.686</b>	<b>3.576.909</b>
<b>Due from joint ventures</b>		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	418.453	393.870
Less: Unearned financial income from sales on credit terms	(3.227)	(1.777)
	<b>415.226</b>	<b>392.093</b>
<b>Total due from related parties</b>	<b>1.854.912</b>	<b>3.969.002</b>

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

	31 March 2006	31 December 2005
<b>Due to related parties</b>		
Çelebi Holding A.Ş. (*)	1.162.622	-
Çe-Tur Çelebi Turizm Ticaret A.Ş.	296.583	352.680
İçtaş Elektrik Toptan Satış ve Ticaret A.Ş.	68.411	-
IC Antbel Antalya Belek Turizm Yat. A.Ş.	19.029	-
Due to shareholders	557	2.276
Less: Unearned credit finance charges	(14.564)	(5.289)
	<b>1.532.638</b>	<b>349.667</b>

	31 March 2006	31 March 2005
<b>Sales to related parties</b>		
Çelebi - IC Hava Terminali İşletme ve Ticaret A.Ş.	107.007	-
Çelebi Holding A.Ş.	4.316	2.693
Çe-Tur Çelebi Turizm Ticaret A.Ş.	2.877	8.658
Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.	-	11.353
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	629	-
Çelebi Hizmet Gıda İşletmeleri Turizm sanayi ve Ticaret A.Ş.	332	-
	<b>115.161</b>	<b>22.704</b>

	31 March 2006	31 March 2005
<b>Sales to joint ventures</b>		
Çelebi IC Antalya Havalimanı Yatırım ve İşletme A.Ş.	579.157	-
	<b>579.157</b>	-

	31 March 2006	31 March 2005
<b>Rent income from related parties</b>		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	5.099.388	-
	<b>5.099.388</b>	-

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

	31 March 2006	31 March 2005
<b>Transportation expenses payable to related parties</b>		
Çe-Tur Çelebi Turizm Ticaret A.Ş.	911.384	760.019
	<b>911.384</b>	<b>760.019</b>

	31 March 2006	31 March 2005
<b>Contribution to holding expenses (*)</b>		
Çelebi Holding A.Ş.	2.028.898	1.054.800
	<b>2.028.898</b>	<b>1.054.800</b>

	31 March 2006	31 March 2005
<b>General expenses contribution income from related companies (**)</b>		
Çelebi İC Hava Terminali İşletme ve Ticaret A.Ş.	1.019.878	-
	<b>1.019.878</b>	<b>-</b>

	31 March 2006	31 March 2005
<b>Other purchases from related parties (***)</b>		
Çe-Tur Çelebi Turizm Ticaret.A.Ş.	404.150	335.469
İçtaş Elektrik Toptan Satış ve Ticaret A.Ş.	102.668	-
Çelebi Holding A.Ş.	102.021	62.660
İC Antbel Antalya Belek Turizm Yatırım A.Ş.	59.313	-
İçtaş İnşaat Sanayi ve Ticaret A.Ş.	40.132	-
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	2.234
Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.	-	168.835
	<b>708.284</b>	<b>569.198</b>

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

	<b>31 March 2006</b>	<b>31 March 2005</b>
<b>Other purchases from joint ventures</b>		
Çelebi IC Antalya Havalimanı Yatırım ve İşletme A.Ş.	66.413	-
	<b>66.413</b>	<b>-</b>

	<b>31 March 2006</b>	<b>31 March 2005</b>
<b>Fixed asset purchases from related parties</b>		
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	58.937	-
Çelebi Holding A.Ş.	-	3.990
	<b>58.937</b>	<b>3.990</b>

(\*) Due to Çelebi Holding amounting to 976.333 YTL stems from the invoicing for contribution to holding expenses.

(\*\*) Contribution paid to Çelebi Holding A.S are for services (legal counseling, 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 the criteria such as staff numbers, company turnovers and asset sizes.

(\*\*\*) Contribution income comprise of rent income of offices and locations rented 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 with in the terminal.

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

Guarantees given to related parties as of 31 March 2006 and 31 December 2005 is given below:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	USD	YTL	USD	YTL
Çelebi Holding A.Ş.	2.000.000	1.600.000	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.

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

**Remuneration paid to top management:**

	<b>31 March 2006</b>	<b>31 December 2005</b>
Remuneration paid to top management	1.030.501	2.206.840
	<b>1.030.501</b>	<b>2.206.840</b>

**NOTE 10 - OTHER RECEIVABLES AND LIABILITIES**

	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Other short-term receivables</b>		
Value-added tax (VAT) to be refunded	777.651	676.713
Advances given to suppliers	152.864	237.045
Income accruals	84.807	90.477
Advances given to personnel	53.718	85.978
Other miscellaneous receivables	1.991	13.753
	<b>1.071.031</b>	<b>1.103.966</b>

**NOTE 11 - BIOLOGICAL ASSETS**

None (31 December 2005: None).

**NOTE 12 - INVENTORIES**

	<b>31 March 2006</b>	<b>31 December 2005</b>
Trade goods	310.478	337.586
Other inventories	2.009.786	1.307.764
Order advances given	90.725	355
	<b>2.410.989</b>	<b>1.645.705</b>

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



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

None (31 December 2005: None).

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

**Deferred tax**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for the CMB Communique purposes and their 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 30% (2005: 30%).

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

	<b>Cumulative Temporary Differences</b>		<b>Deferred Tax Assets/(Liabilities)</b>	
	<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Deferred tax assets</b>				
Unutilized investment incentive	(19.346.486)	(19.987.758)	5.803.946	5.996.327
Provision for doubtful receivables	(49.781)	(49.781)	14.934	14.934
Unearned finance charges	(390.202)	(390.200)	146.301	117.059
Accrued personnel expenses	(350.058)	(401.248)	105.017	120.375
Provision for vacation pay	(1.219.662)	(1.010.632)	365.899	303.189
Accrued sales commissions	(1.620.338)	(1.231.390)	486.101	369.417
Tax losses carried forward	-	(48.154)	-	14.446
Provision for employment termination benefits	(3.467.452)	(3.480.575)	1.040.235	1.044.172
Other	(4.741)	(182.801)	1.422	54.840
<b>Deferred tax liabilities</b>				
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	41.626.633	41.318.247	(12.487.988)	(12.395.472)
Unearned financial income	257.798	506.666	(77.337)	(151.999)
Other	3.813	402	(1.146)	(121)
<b>Net deferred tax liability</b>			<b>(4.602.616)</b>	<b>(4.512.833)</b>

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

	<b>1 January 2006</b>	<b>Charged/(credited) to profit and loss</b>	<b>31 March 2006</b>
<b>Deferred tax assets</b>			
Unutilized investment incentive	5.996.327	(192.381)	5.803.946
Provision for doubtful receivables	14.934	-	14.934
Unearned finance charges	117.059	29.242	146.301
Accrued personnel expenses	120.375	(15.358)	105.017
Provision for vacation pay	303.189	62.710	365.899
Accrued sales commissions	369.417	116.684	486.101
Tax losses carried forward	14.446	(14.446)	-
Provision for employment termination benefits	1.044.172	(3.937)	1.040.235
Other	54.840	(53.418)	1.422
<b>Deferred tax liabilities</b>			
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	(12.395.472)	(92.516)	(12.487.988)
Unearned financial income	(151.999)	74.662	(77.337)
Other	(121)	(1.025)	(1.146)
<b>Net deferred tax liabilities</b>	<b>(4.512.833)</b>	<b>(89.783)</b>	<b>(4.602.616)</b>

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

	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Other current assets</b>		
Prepaid expenses	806.901	1.331.347
Corporate tax receivable (Note 41)	-	285.480
Prepaid taxes	538.238	145.386
Value-added tax ("VAT") receivable	133.345	85.375
	<b>1.478.484</b>	<b>1.847.588</b>
<b>Other non-current assets</b>		
Prepaid expenses	235.539	24.750
Deposits and guarantees given	403	402
	<b>235.942</b>	<b>25.152</b>

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**NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND OTHER CURRENT/NON-CURRENT LIABILITIES (Continued)**

	31 March 2006	31 December 2005
<b>Other short-term liabilities</b>		
Wages payable	2.846.741	2.075.061
Social security payables	1.270.256	1.067.601
Taxes and duties payable	799.834	962.886
Temporary tax payable (Note 41)	56.346	-
Accrued bonus payable	350.058	401.248
Deferred income	96.114	287.277
Other	44.890	43.281
	<b>5.464.239</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).

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

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

	<b>1 January 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2006</b>
<b>Costs</b>					
Machinery and equipment	113.601.327	556.235	(29.600)		- 114.127.962
Vehicles	3.672.552	-	-		- 3.672.552
Furniture and fixtures	10.469.663	239.182	(8.686)		- 10.700.159
Leasehold improvements (*)	51.249.046	689.657	-		- 51.938.703
Construction in progress	-	-	-		-
Advances given	243.844	375.329	-		- 619.173
	<b>179.236.432</b>	<b>1.860.403</b>	<b>(38.286)</b>		<b>- 181.058.549</b>
<b>Accumulated depreciation</b>					
Machinery and equipment	67.580.896	1.659.992	(1.386)		- 69.239.502
Vehicles	2.824.443	87.068	-		- 2.911.511
Furniture and fixtures	8.910.341	164.809	-		- 9.075.150
Leasehold improvements (*)	15.248.111	862.399	-		- 16.110.510
	<b>94.563.791</b>	<b>2.774.268</b>	<b>(1.386)</b>		<b>- 97.336.673</b>
<b>Net book value</b>	<b>84.672.641</b>				<b>83.721.876</b>

(\*) The land plots where the stations 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 using the Group initiative and recorded in the tangible assets of the Group as leasehold improvements. As of 31 March 2006 the net book value of these stations was YTL 35.824.492. The lease contract signed by the Group and DHMI is valid for one year. If no objection arises from any of the parties, the agreement is renewed automatically. The Group amortizes these station buildings over 15 years which corresponds to their economic life. If DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

For the quarter ended 31 March 2006, total depreciation expense is allocated as YTL 599.475 to operating expenses and YTL 2.174.793 to cost of sales.

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

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

	<b>1 January 2005</b>	<b>Consolidation resulted additions</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2005</b>
<b>Costs</b>						
Machinery and equipment	109.917.033	70.543	3.614.820	(1.069)	-	113.601.327
Vehicles	4.581.039	-	94.460	(1.002.947)	-	3.672.552
Furniture and fixtures	9.595.976	239.822	842.802	(523.614)	314.677	10.469.663
Leasehold improvements (*)	44.054.873	4.105	2.318.511	(1.907)	4.873.466	51.249.046
Construction in progress	3.341.331	-	1.532.135	-	(4.873.466)	-
Advances given	353.535	-	2.920.441	(2.983.619)	(46.513)	243.844
	<b>171.843.787</b>	<b>314.470</b>	<b>11.323.168</b>	<b>(4.513.157)</b>	<b>268.164</b>	<b>179.236.432</b>
<b>Accumulated depreciation</b>						
Machinery and equipment	61.009.092	22.883	6.548.928	(7)	-	67.580.896
Vehicles	3.196.490	-	432.139	(804.186)	-	2.824.443
Furniture and fixtures	8.194.398	166.574	644.105	(94.736)	-	8.910.341
Leasehold improvements	12.023.007	37	3.225.448	(380)	-	15.248.111
	<b>84.422.987</b>	<b>189.494</b>	<b>10.850.620</b>	<b>(899.309)</b>	<b>-</b>	<b>94.563.791</b>
<b>Net book value</b>	<b>87.420.800</b>					<b>84.672.641</b>

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

**NOTE 20 - INTANGIBLE ASSETS**

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

	<b>1 January 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2006</b>
<b>Costs</b>					
Rights	541.894	-	-	-	541.894
Software	2.111.068	83.365	-	-	2.194.433
Build-operate-transfer investment(*)	85.075.985	111.961	-	-	85.187.946
	<b>87.728.947</b>	<b>195.326</b>	<b>-</b>	<b>-</b>	<b>87.924.273</b>
<b>Accumulated depreciation</b>					
Rights	393.143	13.939	-	-	407.082
Software	1.402.296	60.024	-	-	1.462.320
Build-operate-transfer Investment(*)	13.541.259	4.773.049	-	-	18.314.308
	<b>15.336.698</b>	<b>4.847.012</b>	<b>-</b>	<b>-</b>	<b>20.183.710</b>
<b>Net book value</b>	<b>72.392.249</b>				<b>67.740.563</b>

(\*) Build-operate-transfer investment net book value of which is YTL 66.873.638 comprises the advances and progress payments given to contracting firms which were capitalized as of 31 March 2006 related to construction of Antalya Havalimanı 2. Dış Hatlar Terminal with respect to the terminal building operation and transfer processes between Çelebi IC and DHMI. Group will depreciate the special costs related to the terminal building within the operating period of 54 months.

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**NOTE 20 - INTANGIBLE ASSETS (Continued)**

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

	1 January 2005	Additions resulted from consolidation	Additions	Disposals	Transfers	31 December 2005
<b>Costs</b>						
Rights	1.786	539.075	1.033	-	-	541.894
Software	1.763.829	-	421.345	(74.106)	-	2.111.068
Build-operate-transfer						
Investments(*)	37.862.347	-	48.299.180	(817.378)	(268.164)	85.075.985
	<b>39.627.962</b>	<b>539.075</b>	<b>48.721.558</b>	<b>(891.484)</b>	<b>(268.164)</b>	<b>87.728.947</b>
<b>Accumulated depreciation</b>						
Rights	200	378.753	14.190	-	-	393.143
Software	1.137.560	-	285.291	(20.555)	-	1.402.296
Build-operate-transfer						
Investments(*)	211.279	-	13.795.829	(465.849)	-	13.541.259
	<b>1.349.039</b>	<b>378.753</b>	<b>14.095.310</b>	<b>(486.404)</b>	<b>-</b>	<b>15.336.698</b>
<b>Net book value</b>	<b>38.278.923</b>					<b>72.392.249</b>

For the quarter ended 31 March 2006, of the current period total depreciation expenses, YTL 13.320 is allocated to operating expenses and YTL 4.833.692 is allocated to cost of sales.

**NOTE 21 - ADVANCES RECEIVED**

	31 March 2006	31 December 2005
Advances received	66.950	48.732
	<b>66.950</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.

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**NOTE 23 - PROVISIONS**

	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Short-term provisions</b>		
Accrued sales commissions	1.620.338	1.231.390
Provision for vacation pay	1.219.662	1.010.632
DHMI expense provision	791.220	-
Other liability provisions	260.269	-
Financial consultancy expenses	-	94.461
	<b>3.891.489</b>	<b>2.336.483</b>
<b>Long-term provisions</b>		
DHMI agreement depreciation provision (*)	3.207.729	1.713.781
Provision for employment termination benefits	3.467.452	3.480.575
	<b>6.675.181</b>	<b>5.194.356</b>

(\*) DHMI agreement depreciation is the amount that will be paid to 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 DHMI in 2009.

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 31 March 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:

	<b>31 March 2006</b>	<b>31 December 2005</b>
Discount Rate (%)	5,49	5,49
Turnover rate to estimate the probability of retirement (%)	98,7	93,9

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 reserve for employment termination benefits in every six months the maximum amount of YTL1.770,62 which is effective from 1 January 2006 (1 January 2005: YTL1.648,90) has been taken into consideration in calculations.

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**NOTE 23 - PROVISIONS (Continued)**

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

	<b>31 March 2006</b>	<b>31 December 2005</b>
Balance at the beginning of the year	3.480.575	4.898.445
Paid during the year	(159.070)	(917.062)
Decrease/increase during the year	145.947	(500.808)
<b>Balance at the end of the year</b>	<b>3.467.452</b>	<b>3.480.575</b>

**NOTE 24 - MINORITY INTEREST**

Changes in the minority interest are as follows:

	<b>31 March 2006</b>	<b>31 December 2005</b>
Balance at the beginning of the period	-	-
Increase in the affiliates subsidiaries included in the consolidation (Çelebi Güvenlik)	60.906	52.343
<b>Ending balance</b>	<b>60.906</b>	<b>52.343</b>

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

At 31 March 2006, the authorized and paid-in share capital of the Company is YTL13.500.000 comprising of 1.350.000.000 registered shares with a YKr1 (TL10.000) face value each (31 December 2005: 1.350.000.000 shares).

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

	<b>Shares (%)</b>	<b>31 March 2006</b>	<b>Shares (%)</b>	<b>31 December 2005</b>
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>100,00</b>	<b>13.500.000</b>	<b>100,00</b>	<b>13.500.000</b>



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**NOTE 26 - CAPITAL RESERVES**

The restated amounts and the shareholders' equity restatement differences are as follows:

**31 March 2006**

	<b>Historical Amounts</b>	<b>Restated Amounts</b>	<b>Restatement Difference</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>

**31 December 2005**

	<b>Historical Amounts</b>	<b>Restated Amounts</b>	<b>Restatement Difference</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>

**NOT 27 - PROFIT RESERVES**

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

	<b>31 March 2006</b>	<b>31 December 2005</b>
Legal Reserves	6.899.658	6.899.658
Extraordinary Reserves	9.829.942	9.829.942
	<b>16.729.600</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.

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

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

Effective from 1 January 2004, the IFRS net income computed in accordance with 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 in condition not to be less than 30% of profits distributed; or as a combination of both.

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

Shareholders' equity restatement 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, used in the distribution of bonus shares and distributions of dividends to shareholders. Additionally, for capital increases made by internal resources, the lower of the amount found by IFRS account applications and legal booking amounts should be recorded.

The details of retained earnings as of 31 March 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
Employment termination benefit adjustment-net	(141.051)
<b>31 December 2005 balance</b>	<b>28.659.109</b>
Transfer from net profit for the year 2005	31.156.786
<b>31 March 2006 balance</b>	<b>59.815.895</b>

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**NOTE 29 - FOREIGN CURRENCY POSITION**

**31 March 2006**

	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	
<b>Assets:</b>						
Cash and cash equivalents	21.586.352	28.983.995	6.799.365	11.022.451	13.243	40.019.689
Trade receivables	4.261.965	5.722.540	2.468.596	4.001.841	-	9.724.381
Due from related parties	65.888	88.468	241.175	390.969	-	479.437
Other	100.091	134.392	41.800	67.762	2.497	204.651
	<b>26.014.296</b>	<b>34.929.395</b>	<b>9.550.936</b>	<b>15.483.023</b>	<b>15.740</b>	<b>50.428.158</b>
<b>Liabilities</b>						
Short-term financial liabilities	(3.518.087)	(4.723.735)	(2.056.309)	(3.333.483)	-	(8.057.218)
Short portion of long-term financial liabilities	(21.506.584)	(28.876.890)	-	-	-	(28.876.890)
Long-term financial liabilities	(44.513.169)	(59.767.831)	-	-	-	(59.767.831)
Trade payables	(1.578.208)	(2.119.060)	(95.627)	(155.021)	-	(2.274.081)
Due to related parties	(23.597)	(31.684)	-	-	-	(31.684)
Short-term financial leasing liabilities	(323.972)	(434.997)	-	-	-	(434.997)
Long-term financial leasing liabilities	(69.186)	(92.896)	-	-	-	(92.896)
Other	(36.765)	(49.364)	(1.368)	(2.218)	-	(51.582)
	<b>(71.569.568)</b>	<b>(96.096.457)</b>	<b>(2.153.304)</b>	<b>(3.490.722)</b>	<b>-</b>	<b>(99.587.179)</b>
<b>Net foreign currency position:</b>	<b>(45.555.272)</b>	<b>(61.167.062)</b>	<b>7.397.632</b>	<b>11.992.301</b>	<b>15.740</b>	<b>(49.159.021)</b>

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**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)**

**31 December 2005**

	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	
<b>Assets:</b>						
Cash and cash equivalents	9.426.334	12.648.255	15.596.470	24.759.396	46.623	37.454.274
Trade receivables	4.758.610	6.385.103	2.525.601	4.009.392	-	10.394.495
Due from related parties	61.505	82.527	448.976	712.749	-	795.276
Other	232.371	311.795	4.476	7.106	-	318.901
	<b>14.478.820</b>	<b>19.427.680</b>	<b>18.575.523</b>	<b>29.488.643</b>	<b>46.623</b>	<b>48.962.946</b>
<b>Liabilities</b>						
Short-term financial liabilities	(2.764.468)	(3.709.363)	(1.999.760)	(3.174.619)	-	(6.883.982)
Short portion of long-term financial liabilities	(21.506.584)	(28.857.535)	-	-	-	(28.857.535)
Long-term financial liabilities	(44.513.169)	(59.727.770)	-	-	-	(59.727.770)
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)
Short-term financial leasing liabilities	(463.711)	(622.203)	-	-	-	(622.203)
Long-term financial leasing liabilities	(69.186)	(92.834)	-	-	-	(92.834)
Other	(36.765)	(49.331)	(1.368)	(2.172)	-	(51.503)
	<b>(70.796.061)</b>	<b>(94.994.151)</b>	<b>(2.170.846)</b>	<b>(3.446.218)</b>	<b>(4.999)</b>	<b>(98.445.368)</b>
<b>Net foreign currency position:</b>	<b>(56.317.241)</b>	<b>(75.566.471)</b>	<b>16.404.677</b>	<b>26.042.425</b>	<b>41.624</b>	<b>(49.482.422)</b>

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**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 actual investment incentive allowance to be utilized by the Group is YTL19.346.486 (2005: YTL19.987.758 ).

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

**Provisions**

Provisions in consolidated financials as at 31 March 2006 and 31 December 2005 are explained in Note 23.

**Commitments and Contingent liabilities**

	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Guarantees received:</b>		
Guarantee letters received	6.462.100	7.219.872
Guarantee notes received	760.427	780.003
Guarantee checks received	472.488	468.157
	<b>7.695.015</b>	<b>8.468.032</b>
<b>Guarantees given:</b>		
Guarantee letters given	7.578.933	8.011.059
Guarantee notes given	-	-
	<b>7.578.933</b>	<b>8.011.059</b>

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**NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

Guarantees given concerning credits to related parties as of 31 March 2006 and 31 December 2005 are stated below:

	<b>31 March 2006</b>		<b>31 December 2005</b>	
	USD	YTL	USD	YTL
Çelebi Holding A.Ş.	2.000.000	1.600.000	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.

Furthermore, the Company has contingent assets amounting to YTL1.087.517 due to the legal cases in favor of the Company as of 31 March 2006.

**NOTE 32 - BUSINESS COMPINATIONS**

None (2005: None).

**NOTE 33 - SEGMENT REPORTING**

**1 January -31 March 2006**

	<b>Reportable segments</b>			<b>Consolidation Eliminations</b>	<b>After Consolidation</b>
	<b>Ground Handling Services</b>	<b>Airport Security Services</b>	<b>Airport Terminal Construction and Management</b>		
Sales income (net)	25.039.330	1.733.485	10.108.016	(866.246)	36.014.585
Cost of sales	(22.986.343)	(1.291.026)	(7.802.096)	889.472	(31.189.993)
Gross operating profit	2.052.987	442.459	2.305.920	23.226	4.824.592
Operating expenses	(6.880.513)	(232.242)	(778.746)	1.928	(7.889.573)
Net operation profit/loss	(4.827.526)	210.217	1.527.174	25.154	(3.064.981)
Ordinary profit	7.189.501	235.447	868.423	(11.717.803)	(3.424.432)
<b>Net income/(loss)</b>	<b>7.535.014</b>	<b>156.112</b>	<b>447.553</b>	<b>(11.717.803)</b>	<b>(3.579.124)</b>

**31 March 2006**

**Balance sheet**

Total assets	147.625.350	2.028.260	96.313.473	(17.898.551)	(228.068.532)
Total equity	86.744.029	1.171.269	27.433.982	(17.097.426)	98.251.854

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

**1 January -31 March 2005**

	<b>Reportable segments</b>			<b>Consolidation Eliminations</b>	<b>After Consolidation</b>
	<b>Ground Handling Services</b>	<b>Airport Security Services</b>	<b>Airport Terminal Construction and Management</b>		
Sales income (net)	19.211.358	-	-	-	19.211.358
Cost of sales	(20.622.759)	-	-	-	(20.622.759)
Gross operating profit	(1.411.401)	-	-	-	(1.411.401)
Operating expenses	(3.872.385)	-	(949.436)	-	(4.821.821)
Net Operating profit/(loss)	(5.283.786)	-	(949.436)	-	(6.233.222)
Ordinary profit/(loss)	(6.397.347)	-	(2.205.300)	-	(8.602.647)
<b>Net period profit/(loss)</b>	<b>(4.353.136)</b>	<b>-</b>	<b>1.491.587</b>	<b>-</b>	<b>(2.861.549)</b>

**31 December 2005**

**Balance sheet**

Total assets	121.817.382	-	82.656.917	(19.557.990)	184.916.309
Total equity	66.483.473	-	17.099.219	(15.770.048)	67.812.644

**NOTE 34 - SUBSEQUENT EVENTS**

- Çelebi Hava Servisi operates cargo and storage operations in a 5.075m<sup>2</sup> warehouse located in Atatürk Airport. This warehouse and installations are insured against all types of risks. This warehouse was damaged in the fire at Atatürk Airport on 24 May 2006.

The monetary loss from the fire will be determined after detailed analysis is performed. Meanwhile, cargo and storage operations are being continued in an alternative warehouse (Güneşli Warehouse) and in other locations in Atatürk Airport managed by Celebi Hava Servisi.

- At the General Shareholders' Assembly, meeting held on 28 April 2006, it was decided to make a payment to shareholders amounting to YTL12.201.929,17 from the net profit of YTL31.156.786 in the consolidated financial statements on 31 December 2005.

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**NOTE 34 - SUBSEQUENT EVENTS (Continued)**

**2005:**

- Ahmet Cemil Erman, the previous General Manager of the Company, resigned from his role as of 31 March 2006; and Salih Samim Aydın has been assigned to this position.
- 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:

<b>Capital</b>	<b>Current Status</b>		<b>31 December 2005</b>	
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).

**NOTE 36 - OPERATING INCOME**

	<b>31 March 2006</b>	<b>31 March 2005</b>
Ground handling services	22.252.381	16.322.892
Warehouse storage service income	2.985.968	2.031.833
Passenger service income(*)	3.368.171	-
Non-aeronautical rent income(**)	5.333.727	-
Aeronautical fuel sold	464.242	1.043.219
Airport security services	933.235	-
Aeronautical rent income(***)	232.167	-
Contribution income to general expenses(****)	1.107.955	-
Less: Returns and discounts	(663.261)	(186.586)
<b>Sales (net)</b>	<b>36.014.585</b>	<b>19.211.358</b>
Cost of service given	(30.783.424)	(19.643.504)
Cost of fuel sold	(406.569)	(979.255)
<b>Cost of sales (-)</b>	<b>(31.189.993)</b>	<b>(20.622.759)</b>
<b>Gross operating profit</b>	<b>4.824.592</b>	<b>(1.411.401)</b>



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**NOTE 36 - OPERATING INCOME (Continued)**

- (\*) 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, 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 a 3% over the previous year. After reaching the guaranteed passenger number in one operating year, the entire passenger fare will be transferred DHMI.
- (\*\*) The rent income, which does not relate to aviation, consists of the rent of certain commercial places and officers.
- (\*\*\*) Rent income related to aviation comprise of income from services such as bridges, desk, water, PCA and 400Hz that Çelebi IC obtained in the Second International Terminal Building.
- (\*\*\*\*) Contribution income comprise of rent income of offices and locations rented 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 with in the terminal.

**NOTE 37 - OPERATING EXPENSES**

	<b>31 March 2006</b>	<b>31 March 2005</b>
General administrative expenses	7.889.573	4.821.821
	<b>7.889.573</b>	<b>4.821.821</b>

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

	<b>31 March 2006</b>	<b>31 March 2005</b>
<b>Other income:</b>		
Rent income	113.969	106.335
Other income	425.468	160.351
	<b>539.437</b>	<b>266.686</b>
<b>Other operating expenses:</b>		
Provision expenses	-	(151.992)
Insurance claim recoveries	(24.140)	-
Other expenses	(162.196)	(48.126)
	<b>(186.336)</b>	<b>(200.118)</b>
	<b>353.101</b>	<b>66.568</b>

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**NOTE 39 - FINANCIAL EXPENSES - (NET)**

	<b>31 March 2006</b>	<b>31 March 2005</b>
Foreign exchange gains	7.826.558	429.775
Interest income	570.248	88.257
Unearned financial income	594.261	-
Foreign exchange losses	(7.151.747)	(2.506.249)
Interest expense	(1.609.200)	(446.271)
Unearned financial expenses	(940.616)	-
Other financial expenses	(2.056)	(1.505)
	<b>(712.552)</b>	<b>(2.435.993)</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 the companies operating in Turkey.

Consequently, since inflation adjustment is not made for periods beginning on or after 1 January 2005, there is no monetary gain/loss for the period ended 31 March 2006.

**NOTE 41 - TAXATION**

	<b>31 March 2006</b>	<b>31 December 2005</b>
Corporate Tax	56.346	-
Less: Prepaid taxes	-	-
Taxes liability (net) - (Note 15)	56.346	-
Deferred tax liability (net)- (Note 14)	4.602.616	4.512.833
	<b>4.658.962</b>	<b>4.512.833</b>

The corporation tax rate of the fiscal year 2006 is 30% (2005: 30%). Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed (except for the stoppage paid in the ratio of 19,8% calculated from the allowance amount if the interest allowance falls within the scope of article 61 of the Temporary Tax Law).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set-off against other liabilities to the government.

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**NOTE 41 – TAXATION (Continued)**

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish currency. For inflation adjustment according to aforementioned law article, the last 36-month cumulative inflation rate (SIS WPI increase rate) must exceed 100% and the last 12-month inflation rate (SIS WPI increase rate) must exceed 10%. Since the conditions in question do not exist, an inflation adjustment has not been done in 2006.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are several exemptions provided in Corporate Tax Law. Those concerning the Company are explained below:

**Investment income exception**

Income earned from investment in another company shares is an exception in the calculation of the corporate tax (Dividend income gained related to the participation in investment funds and investment trust shares is excluded).

**Investment allowance exception**

Capital expenditures, with some exceptions, over YTL10.000 are eligible for an investment incentive allowance of 40%, which is deductible from taxable income prior to the calculation of corporate income tax, without the requirement of an investment incentive certificate. The amount of allowance is not subject to withholding tax. If the investment allowance exceeds taxable income of the Company, it is transferred to the following years. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 in the scope of temporary article 61 of Income Tax Law, are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

Therefore, in the calculation of corporate tax, the matters mentioned have been taken into consideration for the determination of the tax base of the Company.

In addition to the exceptions above, exceptions according to the Corporate Tax Law No.14 and Tax Law No.40 are also valid in calculating the corporation tax base.

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**NOTE 41 - TAXATION (Continued)**

Tax income in the consolidated statement of income for the year ended 31 March 2006 is summarized below:

	<b>31 March 2006</b>	<b>31 March 2005</b>
- Current year corporate tax	(56.346)	-
- Deferred tax income	(89.783)	5.741.098
	<b>(146.129)</b>	<b>5.741.098</b>

**NOTE 42 - EARNINGS PER SHARE**

Earnings per share is determined by dividing net loss amounting to YTL 3.579.124 to that class of shares by the weighted average number of such shares outstanding during the year concerned (1.350.000.000 shares, 2005: 1.350.0000 shares). The calculation is as follows:

**Net profit/(loss) per share**

	<b>31 March 2006</b>	<b>31 March 2005</b>
Net loss for the period	(3.579.124)	(2.861.549)
<b>Weighted average number of share</b>		
Weighted average number of ordinary shares (Unit-thousand)	1.350.000.000	1.350.000.000
Loss per share with face value of YTL 1 each (Ykr per share)	(0,27)	(0,21)

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**NOTE 43 - STATEMENT OF CASH FLOWS**

	Notes	31 March 2006	31 March 2005
<b>Cash flow from operating activities</b>			
Loss before tax		(3.432.995)	(8.602.647)
<b>Adjustments to reconcile gain before tax to net cash inflows from operating activities</b>			
Depreciation	19-20	7.621.280	2.684.947
Provision for employment termination benefits	23	145.947	(143.483)
Change in provision for doubtful receivable	7		(19.041)
Minority interest	24	8.563	-
<b>Net cash before changes in assets and liabilities</b>		<b>4.342.795</b>	<b>(6.080.224)</b>
<b>Changes in assets and liabilities</b>			
Change in trade receivables		(626.263)	(448.855)
Change in due from related parties		2.114.090	(8.179)
Change in inventories		(765.284)	106.283
Change in other current receivables		32.935	(9.471)
Change in other current/non-current assets		158.314	404.917
Change in trade payables		(3.120.091)	2.501.681
Change in due to related parties		1.182.971	(219.733)
Change in short-term liability provisions		1.555.006	1.042.778
Change in other short-term liabilities		588.757	499.281
Change in long-term liability provisions		1.493.948	-
Paid earning termination benefit		(159.070)	9.277
<b>Cash flow from operating activities</b>		<b>2.455.313</b>	<b>3.877.979</b>
<b>Investment operations</b>			
Purchase of tangible assets	19	(1.823.503)	(38.058.515)
Impairment provision of tangible assets			- 179.312
Purchase of intangible assets	20	(195.326)	(53.614)
Change in construction in progress	19	-	(486.669)
Change in financial assets	16	-	64.953
Income from sale of tangible assets		-	262.645
<b>Cash flow from investment operations</b>		<b>(2.018.829)</b>	<b>(38.091.888)</b>
<b>Financial operations</b>			
Change in borrowings	6	2.546.069	34.642.940
Change in short-term leasing liabilities net (short)	8	(134.735)	(282.856)
Change in long-term leasing liabilities net(long)	8	(52.407)	187.555
<b>Cash flow from financial operations</b>		<b>2.358.927</b>	<b>34.547.639</b>
Net change in cash and cash equivalents		7.138.206	(5.746.494)
<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>53.362.848</b>	<b>7.592.062</b>

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**ÇELEBİ HAVA SERVİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE  
MONTH PERIOD ENDED 31 MARCH 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 31 March 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.

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