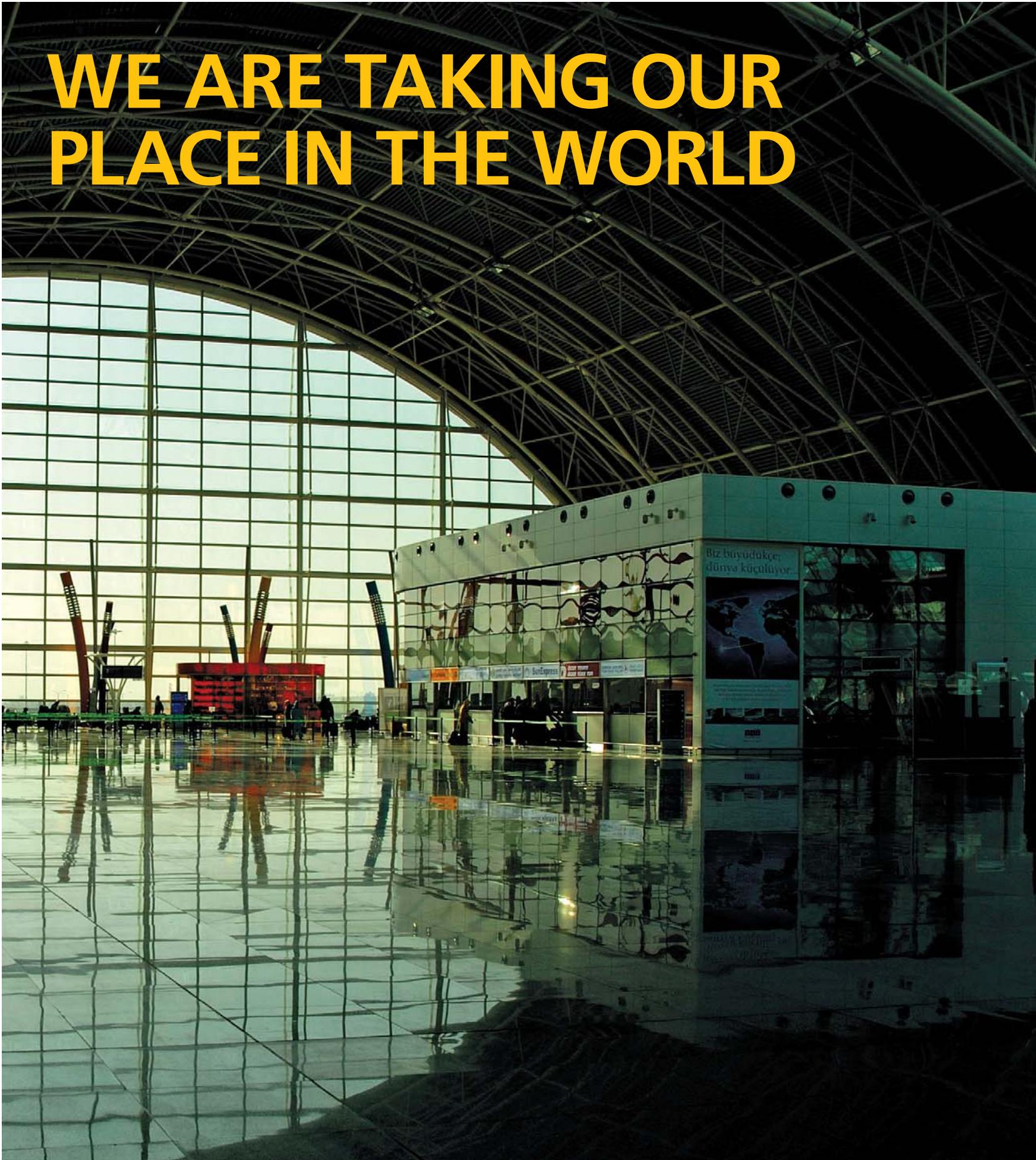


# WE ARE TAKING OUR PLACE IN THE WORLD



ANNUAL REPORT 2006

Tepe Akfen  
**TAV**  
Airports



*“Some people were surprised by our achievements. However, I could clearly see what my actions were going to be and how they would be carried out that I had absolute confidence that this nation would succeed in the end.”*

**M. K. Atatürk**

### **Our Vision**

To become the leader and the pioneer airport operating company in our targeted regions (the Middle East, North Africa, Commonwealth of Independent States, Caucasus and Eastern Europe).

### **Our Mission**

To create the highest value for all stakeholders in airport operations with a customer-focused management approach.

### **Our Corporate Values**

**Professionalism:** TAV employees perform their jobs diligently and at the highest standards while following global developments in relation to their jobs. In all their relationships, their jobs and job-related priorities are taken into consideration.

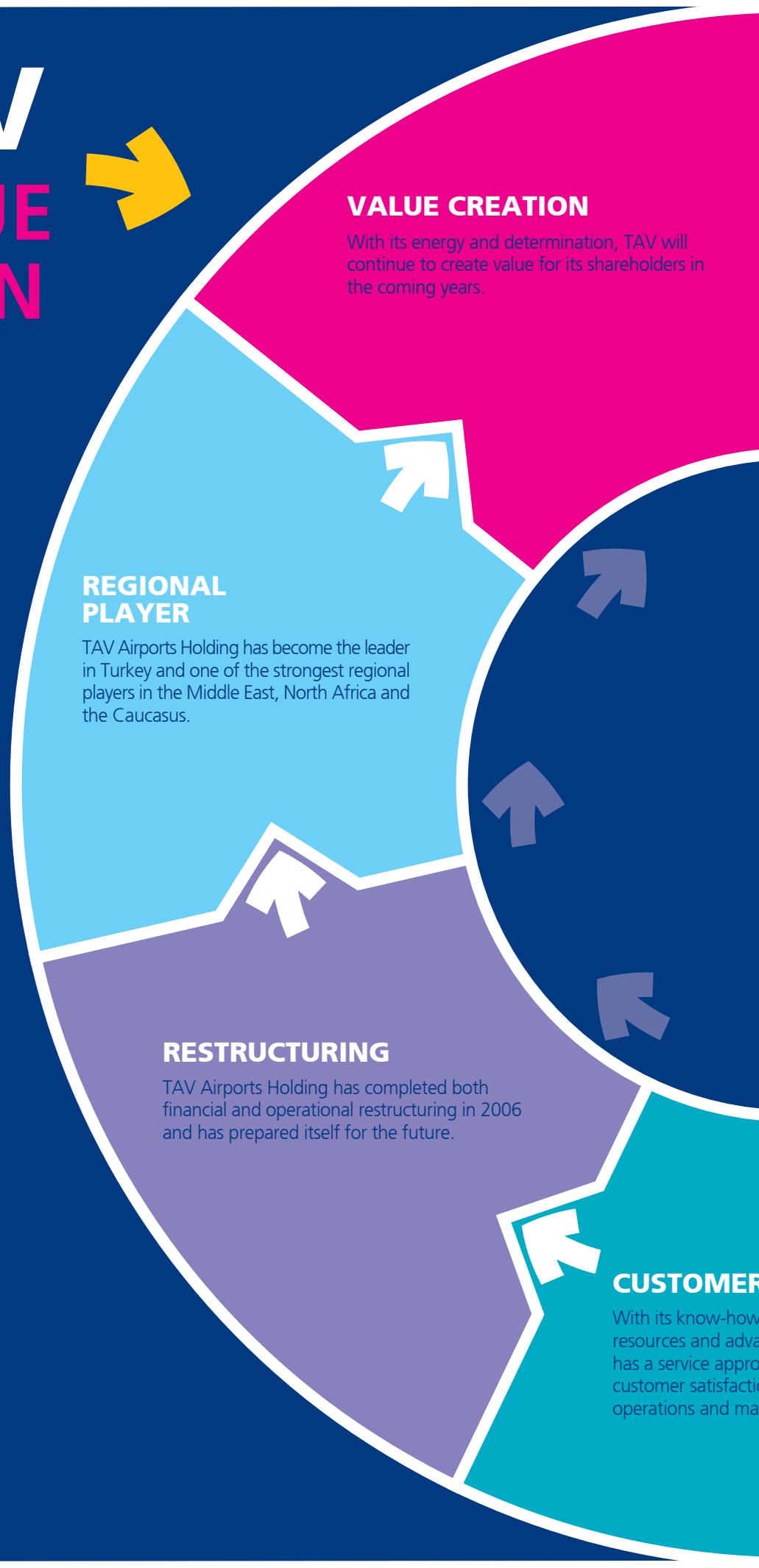
**Respect:** TAV employees prioritize respect for people, environment, laws and regulations and acting in line with the ethical standards as a fundamental rule. They behave in an honest, transparent, fair and responsible manner in all their endeavors.

**Dynamism:** TAV employees have adopted the principle of working dynamically and flexibly. They work in a rapid result-focused manner under all circumstances. Continuously checking the environment and monitoring change, the employees respond and adapt promptly.

**Innovation:** TAV employees constantly create, improve and innovate new opportunities for customer satisfaction-focused processes, aware that the difference stems from innovative practices. They expend their best efforts to make their services different, contemporary and creative.

**Teamwork:** TAV employees are aware that cooperation, interdependency, expertise and the sharing of knowledge are the building blocks of success. They consider teamwork the assurance of personal success as well and support teamwork in all of their work efforts.

# TAV VALUE CHAIN



## VALUE CREATION

With its energy and determination, TAV will continue to create value for its shareholders in the coming years.

## REGIONAL PLAYER

TAV Airports Holding has become the leader in Turkey and one of the strongest regional players in the Middle East, North Africa and the Caucasus.

## RESTRUCTURING

TAV Airports Holding has completed both financial and operational restructuring in 2006 and has prepared itself for the future.

## CUSTOMER

With its know-how, high resources and advanced service approach, TAV has a service approach that ensures high customer satisfaction in all operations and management.

## TAV AIRPORTS HOLDING INC.

### AIRPORTS

#### TAV İSTANBUL

TERMİNAL İŞLETMECİLİĞİ A.Ş. (TAV İSTANBUL)

#### İZMİR ADNAN MENDERES HAVALİMANI

ULUSLARARASI TERMİNAL İNŞ. İŞL. VE YATIRIM A.Ş. (TAV İZMİR)

#### TAV ESENBOĞA

YATIRIM YAPIM VE İŞLETME A.Ş. (TAV ANATOLIA)

#### TAV URBAN GEORGIA LLC. (TAV GEORGIA)

#### TAV TUNISIE SA (TAV TUNISIE)

### SERVICES

#### HAVAŞ

HAVAALANLARI YER HİZMETLERİ A.Ş. (HAVAŞ)

#### BTA

HAVALİMANLARI YİYECEK VE  
İÇECEK HİZMETLERİ A.Ş. (BTA)

#### ATÜ

TURİZM İŞLETMECİLİĞİ A.Ş. (ATÜ)

#### TAV İŞLETME

HİZMETLERİ A.Ş. (TAV O&M)

#### TAV BİLİŞİM

HİZMETLERİ A.Ş. (TAV IT)

#### TAV ÖZEL GÜVENLİK

HİZMETLERİ A.Ş. (TAV SECURITY)

### CONTENTS

TAV Group at a Glance 01

Shareholding Structure 02

Milestones 04

Message from the Management 08

Board of Directors 10

Senior Management 11

Audit Committee 11

Key Financial Data 12

Key Operational Data 14

2006 at a Glance 16

2006 Activities 20

Airport Operations 22

Istanbul Atatürk Airport (TAV Istanbul) 22

Ankara Esenboğa Airport (TAV Esenboğa) 26

Izmir Adnan Menderes Airport International Terminal (TAV Izmir) 28

Georgia Tbilisi and Batumi Airport (TAV Georgia) 30

Tunisia Enfidha and Monastir Airport (TAV Tunisia) 32

Subsidiaries 34

Ground Handling: HAVAŞ 34

Operations and Maintenance Services: TAV O&M 36

Duty Free Shops: ATÜ 38

Catering Services: BTA 40

Information Technology Services: TAV IT 42

Private Security Services: TAV Security 44

Fairs 46

Investor Relations Department 50

TAV Human Resources 51

Code of Ethics 52

Social Responsibility 53

Corporate Governance Principles Compliance 54

Ordinary General Assembly Agenda 66

Statutory Auditors' Report 67

Consolidated Financial Statements and Audit Report 69

## HUMAN QUALITY AND TEAMWORK

TAV has put together a young and dynamic staff from among the most qualified professionals in Turkey and earned a distinguished standing with its human resources. TAV aims to transfer this know-how and experience within the company, develop its own human resources and transform its activities into value-creating enterprises.

## PERFORMANCE

TAV Airports Holding caters to an average of 295 thousand flights and 28 million passengers for approximately 300 airline companies annually. It is one of the leading airport operating companies in the world with that capacity.

## GROWTH

Having become an international brand with its growing business volume and successful operations abroad, TAV Airports Holding is determined to reach its target of "ten airports in ten years."

highly qualified human  
and technology, TAV  
that emphasizes  
construction,  
ement.



## TAV GROUP AT A GLANCE

### TAV: An international brand from Turkey to the world...

To talk about TAV means telling about a leading successful company as much as telling about the future because TAV means teamwork that invests in the future, speed that continuously aims to overtake itself, knowledge that is not content with little and commitment to hard work.

#### We began writing TAV's success story exactly ten years ago.

TAV, Turkey's leading airport operating company, was founded in 1997 as a joint venture between Tepe and Akfen Groups following their success in winning the tender for the İstanbul Atatürk Airport International Terminal. Reflecting Turkey's contemporary architectural style, İstanbul Atatürk Airport is one of the first examples of airport operation projects undertaken under the "Build-Operate-Transfer" model. Always striving to achieve the best with its know-how, highly qualified human resources and advanced technology, TAV has set out with a service approach that emphasizes customer satisfaction in construction, operation and management.

TAV believes in being known as a human resources brand as well as an airport brand. TAV has put together a young, dynamic staff from among the most qualified professionals in Turkey and has earned a distinguished reputation for its human resources. It has aimed at extracting the most out of its efforts through in-house training activities rather than employee transfers. TAV has risen to its current position on the shoulders of this young staff and through its passionate and dedicated hard work.

#### TAV means confident steps in new sectors...

During its ten-year existence, TAV has had accomplishments that were significant enough to be registered in the sector's history both for airport construction projects and in becoming an international brand in a brand-new segment - airport operation.

Through its 11 subsidiary companies, TAV Airports Holding operates the İstanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes, Tbilisi, Tunisia-Monastir and Enfidha airports. It also offers business segments that compliment airport operation such as ground handling, operations and maintenance, duty free shops, catering services, information technology and security services. With a staff of over ten thousand, TAV undertakes projects that are for and about the people in four different countries.

Due to rapid growth in business and new investment opportunities, TAV restructured in 2006 to consolidate the operation and construction services under "TAV Airports Holding" and "TAV Construction," respectively. TAV steadily continues to undertake successful ventures and represents Turkey in the best manner.

#### TAV means quality, comfort and service...

TAV Airports Holding caters to approximately 295 thousand flights for 300 airline companies and on average 28 million passengers each year and is one of the leading airport operating companies in the world with that capacity.

TAV aims to provide services for Turkey at universal quality standards while creating safe and distinctive environments for all of its passengers. TAV sees each airport, visited by thousands of people every day, as a whole, able to provide comprehensive service.

Having become an international brand with its growing business volume and successful operations abroad, TAV Airports Holding is continuing on its path as the leader in Turkey and a strong player in the Middle East, North Africa and the Caucasus.

#### TAV means new goals and applicable strategies...

Consistent with the TAV Group's growth strategies in its target markets, strategic partnerships were formed when some of the world's leading investment banks, the US-based Goldman Sachs International, Australia-based Babcock&Brown, Islamic Development Bank (IDB) Infrastructure Fund (EMP) and Global Investment House, became shareholders of TAV Airports Holding Inc. in 2006. In a bold and radical move, TAV Airports Holding had an initial public offering in February 2007. Already sharing the excitement of millions of passengers at the terminals it serves, TAV Airports Holding is now sharing its profit with the people of this country after its successful initial public offering. TAV Airports Holding quickly became the center of attention for the world's leading investment funds; it was an unavoidable duty to share the fruits of its success with all of Turkey.

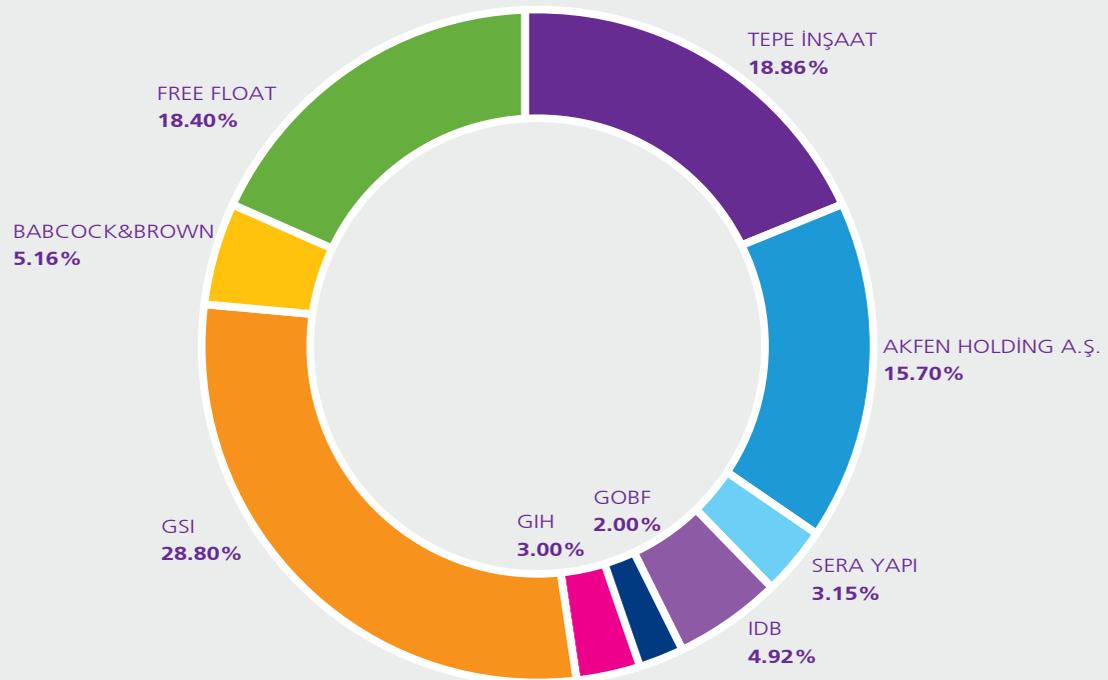
Having picked one of the most important sectors in the world in which to specialize, TAV is striving to realize a common dream with the enthusiasm of its founders and employees. To become a company evolving from local to global reflects upon the continuously developing strength as well as the immense potential of Turkey. TAV is moving forward with its goal to achieve "10 airports in 10 years" as it utilizes its human resources effectively and efficiently.

All people who travel know that there is a frantic pace at airports 24 hours a day, 365 days a year; a place with no room for errors, confusion or indecision. From the car park, security control and check-in to the cafes, duty free shops and boarding gates, the cheerful, experienced staff of TAV is working diligently so that your journey will be comfortable and pleasant and have a happy ending.

## TAV AIRPORTS HOLDING SHAREHOLDING STRUCTURE

International partnerships solidify TAV's strength, maximize its business capacity and facilitate its international market integration.

### SHAREHOLDING STRUCTURE OF TAV AIRPORTS HOLDING INC.



(\*) 34,875,000 of the shares owned by Goldman Sachs correspond to 14.4% of the issued and outstanding share capital of the Company have been provided by Tepe İnşaat Sanayi A.Ş. (17,437,500 shares), Akfen Holding A.Ş. (14,821,875 shares) and Sera Yapı Endüstrisi ve Ticaret A.Ş. (2,615,625 shares) to Goldman Sachs as collateral and the title of those shares have been transferred to Goldman Sachs for this purpose. There is a pledge granted by Goldman Sachs in favor of Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. As a result, the voting rights, rights to receive dividends and pre-emption rights for participation in cash share capital increases in connection with those shares (except for acquiring gratis shares under any share capital increases) belong to Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş.

Shareholder	Nominal Value (YTL)	Capital Share (%)
Goldman&Sachs International *	69,750,000	28.80
Tepe İnşaat Sanayi A.Ş.	45,672,151	18.86
Akfen Holding A.Ş.	38,022,747	15.70
Babcock&Brown Turkish Airports LLC	12,496,529	5.16
IDB Infrastructure Fund L.P.	11,924,792	4.92
Sera Yapı Endüstrisi ve Tic. A.Ş.	7,621,875	3.15
Global Investment House KSCC	7,265,625	3.00
Global Opportunistic Fund II Company BSCC	4,843,750	2.00
Akfen İnşaat Turizm ve Ticaret A.Ş.	27,529	0.01
Mehmet Cem Kozlu	2	0.00
Free Float	44,562,500	18.40
<b>Total</b>	<b>242,187,500</b>	<b>100.00</b>



### INITIAL PUBLIC OFFERING

The initial public offering of TAV Airports Holding, which is moving decisively toward becoming the leader in Turkey and a leading regional player in the Middle East, North Africa and the Caucasus for airport operation business, was completed successfully in February 2007. There was strong demand for the TAV Airports Holding public offering in both domestic and foreign capital markets; total subscription for the public offering was 16 times the number of shares offered for sale.

TAV Airports Holding collected bids for the initial public offering on February 15-16, 2007 through a large consortium jointly led by Garanti Yatırım Menkul Kıymetler A.Ş. and HSBC Yatırım Menkul Değerler A.Ş. domestically and Credit Suisse and HSBC Bank Plc abroad; the public offering was a complete success. Investor confidence in the initial public offering is a proof of TAV Airports Holding's success. The Company has registered significant accomplishments in a short period of time and is fast becoming well known in the region.

### STRONG DOMESTIC AND INTERNATIONAL DEMAND FOR TAV AIRPORTS HOLDING SHARES...

Demand for the TAV Airports Holding initial public offering totaled US\$ 5 billion, approximately US\$ 3.8 billion came from foreign investors and US\$ 930 million from domestic investors. Total subscription from 149 foreign institutional investors was 19 times the number of shares allotted for this investor group whereas total subscription from 18,428 domestic retail investor was 10.3 times the number of shares allotted for them.

In the initial public offering, 69% of the shares were allocated to foreign institutional investors whereas 30.06%, 0.5% and 0.44% of the shares were allocated to domestic retail investors, domestic institutional investors and high net worth individual domestic investors, respectively.

With an initial public offering share price of YTL 10.00 that was determined based on the bids received, the market capitalization of TAV Airports Holding was US\$ 1,746 billion and the value of the shares floated was US\$ 321 million. As of the date of its initial public offering, TAV Airports Holding was the third largest initial public offering at the Istanbul Stock Exchange to date.

TAV Airports Holding shares have been trading at the Istanbul Stock Exchange since Friday, February 23, 2007.

## MILESTONES: A TEN-YEAR SUCCESS JOURNEY

A successful service adventure - a decade long - a stronger capital structure thanks to international ventures and an international reputation attained through dedicated efforts...

November 11, 1997

### TAV is founded

Founded to undertake the construction and operation of the Istanbul Atatürk Airport International Terminal, TAV began to make a name for itself in the airport construction and operation business with this first project.

1999

### ATÜ and BTA ventures began operations under the TAV roof

#### ATÜ

ATÜ Turizm İşletmeciliği A.Ş. (ATÜ), which was founded on May 26, 1987, was converted into an Akfen, Tepe and Unifree joint venture in 1999. Following the commencement of service at the Istanbul Atatürk Airport New International Terminal in January 2000, it began to operate the duty free shops. TAV Airports Holding Inc. acquired 49.28% of the ATÜ shares from its partners on December 29, 2005.

After the opening of the new international terminals at the Ankara Esenboğa, İzmir Adnan Menderes and Tbilisi Airports, ATÜ began to operate in these terminals as well.

#### BTA

Founded in 1999 to undertake the catering services at the Atatürk International Airport, BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. (BTA) is owned by Bilintur and TAV Airports Holding (66.7%). BTA began its activities as the exclusive operator of the catering areas at the Atatürk Airport New International Terminal.

Currently, catering services at all airports that are operated by the Company are being provided by BTA. BTA's activities are not restricted to the airports; the Company built additional production facilities in 2006 to meet the demand for catering services from external customers.

2000

### TAV began operating the Atatürk Airport International Terminal

Completed eight months before the planned date, Atatürk Airport International Terminal was opened to service by TAV. The terminal was constructed through the Build-Operate-Transfer (BOT) model and commenced service in January 2000. With the additional facility that went into service in May 2004, in exchange for TAV taking on the International Terminal expansion project pursuant to the agreement executed with the General Directorate of State Airports Authority of Turkey (DHMI), TAV's operation contract was extended until July 2, 2005.

2002

### "primeclass" CIP service launched

One of TAV Airports Holding's operation services and the Path to Personal Solutions at the airport, "primeclass," was launched to provide comprehensive services to meet the expectations of all organizations.

2004

### BTA began operating the İstanbul Atatürk International Airport Hotel (Airport Hotel)

### TAV is in charge of the gates of the Capital as well...

Founded after TAV won the Build-Operate-Transfer tender for the construction and operation of the Esenboğa Airport Domestic and International Terminal, TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. (TAV Esenboğa) took over the construction and operations of the Esenboğa Airport Domestic and International Terminal and its Complimentary Facilities pursuant to the agreement executed between TAV and the General Directorate of State Airports Authority of Turkey. According to this BOT Agreement, TAV is required to complete the construction within 36 months of the agreement date and will then have the right to operate the facilities of the Ankara Esenboğa International Airport for a period of 15 years and eight months. TAV Airports Holding has a 75% ownership interest in TAV Esenboğa.

### TAV O&M founded

TAV İşletme Hizmetleri A.Ş. (TAV O&M) was founded on September 20, 2004.



TAV O&M is in charge of the allocation of commercial areas except for those assigned to airline companies, marketing of advertisement spaces and other activities that will increase commercial revenue at the airports operated by the TAV Group. TAV O&M began serving at the Ankara and Tbilisi airports in addition to İstanbul. TAV O&M is successfully continuing its activities with an ever expanding service variety. TAV Airports Holding has a 99.99% ownership interest in TAV O&M.

#### 2005

##### **HAVAŞ shares acquired**

60% of the shares of Havaalanları Yer Hizmetleri A.Ş. (HAVAŞ), one of the first and most successful privatizations in Turkey, were transferred from Park Enerji Yatırım Holding A.Ş. to TAV. Currently HAVAŞ, whose 60% share was acquired by TAV in July 2005, operates under the TAV and Park Enerji Yatırım Holding A.Ş. partnership.

##### **Construction and Operation of the İzmir Adnan Menderes International Terminal transferred to TAV**

Since HAVAŞ is a shareholder of İzmir Adnan Menderes Havalimanı Uluslararası Terminal İnşaatı İşletmeciliği ve Yatırım A.Ş. (TAV İzmir), which was granted the construction and operation privileges of the İzmir Adnan Menderes Airport International Terminal and its complementary facilities pursuant to a Build-Operate-Transfer agreement, control of construction and operation activities of the Adnan Menderes Airport International Terminal were indirectly transferred to TAV since it had acquired a 60% ownership of HAVAŞ.

##### **TAV Havalimanları Terminal İşletmeciliği A.Ş. (TAV İstanbul) founded**

Upon acquiring the concession at a tender to operate the Atatürk Airport International and Domestic Terminal Building Parking Garage and the General Aviation Terminal under a lease agreement, TAV İstanbul Terminal İşletmeciliği A.Ş. (TAV İstanbul) was founded. Following the signing of the concession agreement with DHİM on June 16, 2005, for the operation of the Atatürk Airport International and Domestic Terminal Building Parking Garage and the General Aviation Terminal, TAV İstanbul acquired the right to operate the Atatürk Airport International and Domestic Terminal Building as of July 3, 2005 for a period of 15 years and six months. TAV Airports Holding has a 99.99% ownership interest in TAV İstanbul.

##### **Atatürk Airport Domestic Terminal commenced operations under TAV roof**

In addition to operating the Atatürk Airport International Terminal since 2000, TAV began to operate the Domestic Terminal on July 3, 2005 as well.

##### **TAV Bilişim Hizmetleri A.Ş. (TAV IT) founded**

TAV Bilişim Hizmetleri A.Ş. (TAV IT) was founded on August 29, 2005 to meet the information systems needs of all companies under the TAV roof. The goal of the Company was to develop all kinds of aviation software and systems and to become a service center that can generate solutions by designing, building and operating integrated airport systems. TAV Airports Holding has a 96% ownership interest in TAV IT.

In addition to the services described above, TAV IT provides information technology services to the companies in the TAV Group and assumes their sales and leasing activities.

Thanks to its know-how and professionalism, TAV IT was able to provide its services to airports outside of TAV Airports Holding and to undertake significant projects.

##### **TAV won the Tbilisi Airport tender**

According to the agreement executed on September 6, 2005 with the official body in charge of operating the Tbilisi International Airport, TAV Georgia (founded after TAV was awarded the tender) would construct the Tbilisi and Batumi International Airport new terminals. TAV Georgia would be responsible for the operation of the existing Tbilisi Airport Terminal and the airport until the completion of the new terminal. Under this agreement, when construction is completed, TAV Georgia would operate the new terminal and the airport for a period of ten and a half years. However, in exchange for additional construction commitments at the Tbilisi and Batumi Airports, the duration was extended; TAV Georgia will now be responsible for operations for a total of 20 years. TAV Airports Holding has a 60% ownership interest in TAV Georgia.

TAV Georgia has completed the construction of the Tbilisi Airport and is successfully continuing its operation period, which began on October 31, 2005 at the old terminal, with the addition of the new terminal.

**MILESTONES:**  
**A TEN-YEAR SUCCESS JOURNEY**



#### February 2006

##### **TAV took the first step for its initial public offering**

TAV Airports Holding announced that it has given a consortium comprised of HSBC Bank Plc, Credit Suisse and Garanti Yatırım A.Ş. the responsibility to administer a potential initial public offering planned for 2006.

#### March 2006

##### **TAV Istanbul General Aviation Terminal commenced operation**

TAV launched the General Aviation Terminal for the domestic and international flights of the companies that operate airplanes that are smaller than the conventional passenger airplanes with a "General Aviation" or "Air Taxi" license.

##### **TAV Security founded**

TAV Özel Güvenlik Hizmetleri A.Ş. (TAV Security), which provides security services at the Atatürk Airport control points and car park, was founded on March 6, 2006 as a TAV Airports Holding subsidiary. TAV Security assumed responsibilities at the Esenboğa and Adnan Menderes Airports as well. TAV Airports Holding currently has a 66.66% ownership interest in TAV Security.

#### April 2006

##### **IDB investment in TAV**

Mostly known for its investments in the energy, petrochemical, transportation and telecommunication sectors, IDB Infrastructure Fund L.P., the infrastructure fund of the Islamic Development Bank, in April 2006 invested in TAV Airports Holding that pursues a solid and sustainable growth policy through strategic partnerships. IDB Infrastructure Fund L.P. currently has a 4.92% ownership interest in TAV Airports Holding.

#### August 2006

##### **TAV IT assumed information technology infrastructure of Sabiha Gökçen**

Pursuant to the 36-month agreement executed on August 17, 2006 between TAV IT and HEAŞ, TAV IT assumed responsibility for the renewal of terminal management systems at the Sabiha Gökçen Airport.

##### **The Global Group (GIH) became a TAV shareholder**

Through the Global Investment House KSCC and the Global Opportunistic Fund II Company BSCC, the Global Group, a large investment company in Kuwait, became a TAV Airports Holding partner. Currently, the Global Investment House KSCC and the Global Opportunistic Fund II Company BSCC have 3% and 2% ownership interests in the TAV Airports Holding, respectively.

#### September 2006

##### **İzmir Adnan Menderes Airport International Terminal commenced service**

İzmir Adnan Menderes Havalimanı Uluslararası Terminal İnşaatı İşletmeciliği ve Yatırım A.Ş. (TAV İzmir) began the construction of the Adnan Menderes Airport International Terminal in May 2005. The terminal was completed eight months ahead of schedule and commenced service on September 9, the anniversary of İzmir's liberation. TAV Airports Holding currently has a 94.99% ownership interest in TAV İzmir.

#### October 2006

##### **Esenboğa Airport Domestic and International Terminal commenced operation**

TAV Airports Holding brought its airport operations experience to the capital; in line with its "10 airports in 10 years" goal it commenced service at the Ankara Esenboğa Airport Domestic and International Terminal on October 13, 2006, the date Ankara was declared the capital.

#### December 2006

##### **Goldman Sachs and Babcock&Brown became TAV Airports Holding shareholders**

One of the world's leading investment banks, Goldman Sachs International of USA and Babcock&Brown of Australia, via Babcock&Brown Turkish Airports LLC, its subsidiary based in Delaware, USA, invested in TAV Airports Holding. Goldman Sachs International has a 28.8% ownership interest in TAV Airports Holding, but its controlling shares correspond to 14.4% of the Company's capital. Babcock&Brown Turkish Airports LLC has a 5.16% ownership interest in TAV Airports Holding.

#### February 2007

##### **Initial public offering of TAV Airports Holding completed**

The Company's initial public offering brought 44.56 million shares of TAV Airports to the public. The offering was oversubscribed 16 times. Shares began trading on February 23 with a base price of YTL 10 and closed the day at YTL 11.

##### **Tbilisi International Airport commenced service**

#### March 2007

##### **Construction and operation rights of the Tunisia Enfidha Airport and the tender for the operation of the Monastir Airport were achieved**

It was announced on March 16, 2007 that TAV Airports Holding submitted the best offer in the tender for the operation rights of the Tunisia Enfidha and Monastir airports.

#### May 2007

On May 18, 2007, the concession agreement regarding the Tunisia Enfidha and Monastir airports was executed.

##### **Batumi Airport commenced operation**

TAV Airports Holding launched Batumi Airport into service on May 26.



**Hamdi Akin**  
Chairman of the Board of Directors

**Dr. M. Sani Şener**  
President and CEO

**Ali Haydar Kurtdarcan**  
Vice Chairman of the  
Board of Directors

## MESSAGE FROM THE MANAGEMENT

With completed investments in the first quarter of 2007, TAV Airports Holding is taking decisive steps as it inches closer toward its goal of “10 airports in 10 years”.

The success of TAV Airports stems from its core values constituted by its corporate values, ethical approach, human resources and technology.

## Dear Shareholders,

Turkey continued to benefit from the favorable circumstances created by the stable macroeconomic environment in 2006. As the TAV Group, we also benefited from the favorable developments in Turkey and around the world as we continued to grow and reach our goals one by one. With successful projects and distinguished services, the Company achieved a series of 'firsts' in the sector and for our country.

The Company is facing encouraging conditions in terms of Turkey's position and the significant opportunities presented to us in the segments in which we operate in abroad. The number of commercial airplanes is expected to increase from 17,500 today to 35,000 by 2020; the number of passengers is forecast to grow from 4.2 billion to 9 billion in the same time period. Of the total US\$ 200 billion in airport investments required to accommodate this passenger growth, US\$ 70 billion falls within the Company's target region. The potential within the Company's region gives us the opportunity to sustain the rate of growth achieved so far.

Thanks to the experience, know-how and highly qualified human resources the Company has acquired since its inception, we have become one of the largest airport operating companies today, not just in Turkey, but in the world. With completed investments in the first quarter of 2007, TAV Airports Holding is making decisive steps and inching closer toward our goal of "10 airports in 10 years" - a leader in Turkey and a leading player in the Middle East, North Africa and the Caucasus.

As TAV Airports Holding, we had an extremely busy and successful year. In addition to our crown jewel, the Istanbul Atatürk Airport, we also completed three major investments. Thereby, our investment total to date surpassed EUR 1 billion. We completed the IzmirAdnan Menderes Airport International Terminal and Ankara Esenboğa ahead of schedule and commenced service in the last quarter of 2006. Additionally, the Tbilisi International Airport went into service in the first months of 2007.

In order to continue our activities and growth that started with the Istanbul Atatürk Airport International Terminal in 1997 and grew at a frantic pace over the last decade, we designated 2006 as a year of restructuring. We separated the construction and operation services activities of TAV, which became a major regional brand, into two companies: TAV Construction and TAV Airports Holding. We consolidated our service companies and entities that bring together all the elements necessary for an airport operator under the TAV Airports Holding roof. This restructuring allows us to manage processes more efficiently, increases the strength and efficiency of our companies (organic growth) and thus allows us to better focus on airport tenders (inorganic growth).

As a major success story in the aviation and service sectors, with 11 companies and over 10,000 employees within its corporate structure, TAV Airports Holding continues to strive to create more value for our valued shareholders. In line with this goal, the companies within the TAV Airports Holding corporate structure

expanded quickly beyond Turkey's borders. Our companies primarily operate the Istanbul, Ankara, Izmir, Tbilisi, Tunisia-Monastir and Enfidha airports, but our duty free retailing company ATÜ, ground handling company HAVAŞ, catering services company BTA, information technology company TAV IT, security services company TAV Security and private customer and tourism services company TAV O&M also promote Turkey outside Turkish borders. They have successfully represented the service quality of the TAV Airports Holding as well as the TAV brand.

TAV completed its restructuring process after taking major steps not only operationally, but also financially. We crowned this success by completing one of the largest and most successful initial public offerings of the last few years in the first months of 2007. Through stock sales to an important company in the world financial market, US-based Goldman Sachs, one of Australia's most important infrastructure funds Babcock&Brown, a major investment group from the Gulf region, the Kuwait-based Global Fund and the Islamic Development Bank (IDB) Infrastructure Fund (EMP), we became even stronger both financially and in our geographical target region by incorporating our strategic partners into our corporate structure. Our new partners made significant contributions to TAV Airports Holding financially and with regard to corporate governance. We believe that the strengths of our partners in different areas will accelerate the growth of our Company.

After accelerating our efforts toward it in the last quarter of 2006, we completed the initial public offering in the first months of 2007. The US\$ 5 billion demand from the investors during the bid collection phase of the offering was one of the highest figures reached in the initial public offerings of the last few years. This great interest in the TAV Airports holding shares is a direct result of the confidence primarily in our country and then in our Group. With full awareness of this confidence, we will continue our activities with the same dedication and determination in the upcoming period.

We expect our sector to sustain its rapid growth throughout 2007. In parallel to the sector, TAV Airports Holding will also continue to grow rapidly, inching decisively closer toward our "10 airports in 10 years" goal. Within this context, we took our first step in 2007 and introduced the TAV brand in Tunisia, one of the important countries in North Africa. We reached the sixth step with the two airport operation tenders that we won in Tunisia.

We at TAV Airports Holding will continue to manage our Company successfully and, in line with our growth targets, will invest in profitable projects that add value to our partners again in 2007. We will sustain our motivation and determination as we continue to reach our goals in the coming years. The Company's human resources will carry us much further and transform TAV into the most significant power in its region. The know-how and the financial and operational competence we have acquired, as well as our innovative approach, are an assurance of the value we will create for our shareholders in the future. Together with all of our employees and with strong team spirit, we will continue to take the most solid steps toward our goal in 2007 and beyond.

Respectfully yours,



**Hamdi Akin**  
Chairman of the  
Board of Directors



**Ali Haydar Kurtdarcan**  
Vice Chairman of the  
Board of Directors



**Dr. M. Sani Şener**  
President and CEO



J. Farley M. Kalender A. H. Kurtdarcan S. Güçsav H. Akın M. C. Kozlu M. S. Şener S. Son M. Khan İ. İl S. K. Dash

## BOARD OF DIRECTORS

### **Hamdi Akın**, Chairman of the Board of Directors, 53.

Hamdi Akın was appointed as the Chairman of the Board of Directors of TAV Airports Holding in 1997. He is the founder and the Chairman of the Board of Directors of Akfen Holding, a TAV Airports Holding shareholder. A graduate of Gazi University, Department of Mechanical Engineering, in 1976 Akın founded the Akfen Group, a conglomerate that operates in construction, tourism, commerce and service sectors. In addition to his entrepreneurial activities, he has undertaken infrastructure and construction projects within the scope of privatization. Mr. Akın is the member of Ankara Chamber of Commerce (ATO) and the Association of Turkish Industrialists and Businessmen (TUSIAD).

### **Ali Haydar Kurtdarcan**, Vice Chairman of the Board of Directors, 56.

Ali Haydar Kurtdarcan was appointed as the Vice Chairman of the Board of Directors of TAV Airports Holding in 2000 and is the Chairman of the Audit Committee. He graduated from Middle East Technical University, Department of Civil Engineering in 1973. Kurtdarcan is the Chairman and the Executive Member of the Board of Directors of Tepe Construction, a TAV Airports Holding shareholder. He has held management positions at Tepe Construction, such as the General Manager and the Assistant General Manager, for more than 20 years.

### **Mustafa Sani Şener**, President and CEO, 52.

Mustafa Sani Şener was appointed as the Member of the Board of Directors, President and CEO of TAV Airports Holding in 1997. He graduated from the Black Sea Technical University, Department of Mechanical Engineering in 1977 and received his Masters Degree in 1979 from Sussex University in the UK from the Department of Mechanical Engineering. He also awarded an Honorary Doctorate Degree by the Black Sea Technical University. Şener served as the President of Sera Construction, a TAV Airports Holding shareholder, and has undertaken various domestic and international construction projects between 1980 and 1994.

### **İbrahim Süha Güçsav**, Member of the Board of Directors, 39.

İbrahim Süha Güçsav was appointed as the Member of the Board of Directors of TAV Airports Holding in 2000. He graduated from Istanbul University, Faculty of Economic and Administrative Sciences, Department of Economics in 1992. Güçsav, in 1989, started his professional career in Alexander & Alexander Insurance Brokerage Services Co. and joined the Akfen Group in 1994. He is currently the Vice Chairman of the Board of Directors of Akfen Holding, as well as a Member on the Board of Directors of various companies and subsidiaries within the Group.

### **İlhan İl**, Member of the Board of Directors, 45.

İlhan İl was appointed as the Member of the Board of Directors of TAV Airports Holding in 2005. He also serves as the Chairman and the Executive Member of the Board of Directors of various Tepe Group companies. İl graduated from Ankara University, Faculty of Political Sciences in 1983 and received his Masters Degree from University of West of England in 1994. He began his professional career in 1984 as an Account Specialist in Ministry of Finance and was later employed as a part-time faculty member at Bilkent University, an advisor to the Minister of State responsible for the Economy, an Audit Committee Member at TUPRAS and an Assistant General Manager at the Department of Economic Research and Assessment under the Undersecretariat of the Prime Ministry for Foreign Trade.

### **Mustafa Kalender**, Member of the Board of Directors, 43.

Mustafa Kalender was appointed as the Member of the Board of Directors of TAV Airports Holding in 2005. He graduated from Anadolu University, Department of Business Administration in 1987. Kalender joined the Tepe Group in 1988 as a financial affairs manager and currently serves as an Assistant General Manager responsible for Financial Affairs, where he is also a Member of the Board of Directors. Kalender is also a Member of the Board of Directors of various Tepe Group companies.

### **Mumtaz Khan**, Member of the Board of Directors, 59.

Mumtaz Khan was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006. He is the President and CEO of Bahrain-based Emerging Markets Partnership, as well as a partner and the General Manager of the Islamic Development Bank Infrastructure Fund. Khan was previously worked for the International Finance Corporation (IFC).

### **Mehmet Cem Kozlu**, Member of the Board of Directors, 61.

Mehmet Cem Kozlu was appointed as an Independent Member of the Board of Directors of TAV Airports Holding in 2006 and is also the Chairman of the Corporate Governance Committee. He received his BA from Denison University, Department of Economics in 1969, MBA from Stanford University and PhD from Boğaziçi University in administrative sciences. He has been awarded an Honorary Doctorate Degree by Denison University. Kozlu served as a Member of the Parliament between 1991 and 1995 and currently serves as a Member of the Board of Directors of Hürriyet, Evyap Holding, Coca-Cola

Beverage Co. and the International Airlines Education Fund as well as a Member of the Board of Trustees of Sabancı University. In addition, he is a consultant for Coca-Cola's Eurasia Group. He previously worked for the Komili Group, Procter&Gamble in Switzerland, National Cash Register Co. in Ohio and the Coca-Cola Company in various positions and for Turkish Airlines as the President and CEO.

### **Shailesh Kumar Dash**, Member of the Board of Directors, 37.

Shailesh Kumar Dash was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006 and is currently serving as the Senior Vice President of the Global Investment House. He has over 13 years experience in fundamental finance areas such as private equity investments, corporate finance and research (buy-sell side) and holds an MBA and a CFA degree. Dash joined the Global Investment House in Kuwait in 2000 and has been directing the strategic investment initiative at the GIH since January 2005. He is also a member of the Investment Committee of Barings Private Equity Asia Limited, ABANA (Arab Bankers Association of North America) and the CFA Institute.

### **Şeref Eren**, Member of the Board of Directors, 56.

Şeref Eren was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006 and also serves as a Member of the Audit Committee. He graduated from Istanbul University, Faculty of Economics, Department of Economics-Business Administration in 1974 and completed his graduate education in business administration at IIE in 1975. Eren joined the TAV Group in 1998 and served as the Financial and Administrative Affairs Manager as well as the Vice President. In 2007, he was appointed as a Consultant to the CEO. Before joining the TAV Group, Eren worked at various Turkish companies including Söğüt Seramik as the General Manager.

### **Süleyman Son**, Member of the Board of Directors, 59.

Süleyman Son was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006. A graduate of the Middle East Technical University, Department of Mechanical Engineering, he is currently the General Manager as well as a Member of the Board of Directors of Tepe Construction. He was previously employed by Tepe Construction as the Assistant General Manager responsible for Business Development. Son began his professional career as a Chief Engineer in the Turkish Electricity Company in 1971 and later worked for various companies and project teams.

### **James Bernard Farley**, Member of the Board of Directors, 52.

James Bernard Farley was appointed as the Member of the Board of Directors of TAV Airports Holding in 2007 and is also a Member of the Audit Committee. He graduated from Duke University in 1976 and received his JD from Fordham University, Faculty of Law in 1979. Currently working as an Executive Officer in Babcock&Brown, Farley joined the firm in 1999 to expand infrastructure opportunities in the private equity and principal finance. He was previously employed at senior management posts by Nomura International, Chase Investment Bank in London and Price Waterhouse in New York. Farley began his professional career in the US Attorney's Office in Southern District of New York in 1978 and worked with Judge Richard Owen from US District Court, Southern District of New York in 1979.

### **Mehmet Erdoğan**, Member of the Board of Directors, 47.

Mehmet Erdoğan was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006. He graduated from Anadolu University, Department of Business Administration in 1982 and received insurance education from the Turkish Insurance Institute for two years. Erdoğan currently serves as Corporate Relations Coordinator at TAV Airports Holding and had worked at various Turkish companies before joining the Group.

### **İrfan Erciyas**, Member of the Board of Directors, 54.

İrfan Erciyas was appointed as the Member of the Board of Directors of TAV Airports Holding in 2006. He graduated from Gazi University, Department of Economics and Public Finance in 1977. Erciyas assumed the position of the Member on the Board of Directors as well as the Vice Chairman of Akfen Holding in 2003. He began his professional career as an Auditor in Board of Internal Auditors of Türkiye Vakıflar Bankası in 1978 and was appointed as the General Manager of Türkiye Vakıflar Bankası in 2002 after serving in that company at various positions.

### **Pierre de Champfleury**, Member of the Board of Directors, 61.

Pierre de Champfleury was appointed as an Independent Member of the Board of Directors of TAV Airports Holding in 2007. He graduated from the Ecole des Hautes Etudes Commerciales in Paris in 1967 and received his MBA from Stanford University in 1971. Champfleury began his 30-year-career in the luxury consumption goods segment in Eli Lilly and, in addition to other duties he has assumed, worked with Yves Saint Laurent, Austin Nichols and Co. and Manuel Canovas as the CEO.

## SENIOR MANAGEMENT

### **Mustafa Sani Şener**, President and CEO, 52.

Mustafa Sani Şener was appointed as the Member of the Board of Directors, President and CEO of TAV Airports Holding in 1997. He graduated from the Black Sea Technical University, Department of Mechanical Engineering in 1977 and received his Masters Degree in 1979 from Sussex University in the UK from the Department of Mechanical Engineering. He also awarded an Honorary Doctorate Degree by the Black Sea Technical University. Şener served as the President of Sera Construction, a TAV Airports Holding shareholder, and has undertaken various domestic and international construction projects between 1980 and 1994.

### **Murat Uluğ**, Finance Director, 37.

Murat Uluğ was appointed as the Finance Director of TAV Airports Holding in 2006 and is also the Member of the Corporate Governance Committee. He graduated from Istanbul Technical University, Faculty of Electrical and Electronic Engineering, Department of Electronics and Communication Engineering in 1992. Uluğ completed the Executive MBA program jointly held by Istanbul Bilgi University and Manchester Business School in 2003. He has 11 years of banking experience at ABN Amro, HSBC and Garanti Bank. He was working for Akfen Holding as the Finance Coordinator before joining the TAV Group.

### **Serkan Kaptan**, Business Development and Investments Director, 36.

Serkan Kaptan was appointed as the Business Development and Investments Director of TAV Airports Holding in 2003. He graduated from Istanbul University, Department of Business Administration in 1995 and received his MBA from Marmara University in 2002. Kaptan worked as an airport consultant at Airport Consulting Vienna before joining the TAV Group in 2002. His previous employment includes various positions at the Birgenair Charter Group and Ser Automotive.

### **Özlem Tekay**, Human Resources Director, 35.

Özlem Tekay was appointed as the Human Resources Director of TAV Airports Holding in 2006 and is also the Member of the Corporate Governance Committee. She graduated from the Middle East Technical University, Department of Political Science and Public Administration in 1994. Tekay obtained her Masters Degree in "organizational analysis of efficiency and effectiveness" at the Social Sciences Institute of the Middle East Technical University in 1996. She began her professional career in 1994 and held posts with special focus on corporate strategy, human capital management, executive assessment and development, internal communication and corporate communication in Eczacıbaşı Holding, Bayındır Holding and the Umut Foundation before joining the TAV Airports Group.

### **Ümit Kazak**, Logistics and Contracts Director, 37.

Ümit Kazak was appointed as the Logistics and Contracts Director of TAV Airports Holding in 2007 and also serves as the Member of the Corporate Governance Committee. He received his undergraduate and masters degrees from the Middle East Technical University in 1992 and 1996, respectively, from the Department of Civil Engineering. Kazak joined the TAV Group as a Technical Manager in 2001 and assumed the posts of TAV Esenboğa International Airport Technical Manager in 2004 and TAV Adnan Menderes International Airport Project Manager in 2005. Between 1996 and 2001, he worked for Tepe Turner Joint Venture, Yalçın Technical Consultancy, Prokon Engineering and Key Construction at various positions.

### **Altuğ Koraltan**, Internal Audit Director, 44.

Altuğ Koraltan was appointed as the Internal Audit Director of TAV Airports Holding in 2007 and also serves as a the Member of the Audit Committee. He graduated from Istanbul University, Department of Business Administration in 1986 and began his professional career as an External Auditor in Peat Marwick & Mitchell from 1986 to 1988. Koraltan worked as a Sales Representative in the Baghdad Office of ENKA Marketing between 1988-1990 and as the Finance Manager in Effemex-Mars in 1990. He was then employed by Osmanlı Bank for five years as an Internal Auditor, the Assistant Manager of the Securities Department and a Foreign Exchange Dealer in Treasury Department. He worked as the Head of Inspection in Oyak Bank from 1996-1997. Before joining the TAV Group, he worked for ABN AMRO Bank as the Country Head of Audit responsible for operations in Turkey and Greece.

### **Ersagun Yücel**, General Secretary, 35.

Ersagun Yücel was appointed as the General Secretary of TAV Airports Holding in 2002. He graduated from Department of Serigraphy at Yıldız Technical University in 1994 and attended the New York University Advertising and Marketing Program in 1997. Yücel is currently pursuing his MBA at Newport University. He began his professional career as a graphic artist in MIR Com Graphics in 1993 and later worked as a public relations manager in various companies. In addition to his responsibilities as General Secretary of TAV Airports Holding, Yücel also oversees the corporate communications activities of the TAV Group.

### **Kemal Ünlü**, General Manager, TAV Istanbul, 48.

Kemal Ünlü was appointed as the General Manager of TAV Istanbul in 2005. He graduated from Gazi University, Department of Electrical Engineering in 1983. Ünlü joined the TAV Group in 2004 after leaving his post as the Principal in Charge of Atatürk Airport of State Airports Authority (SAA). He held various positions at the SAA Esenboğa, Antalya and Istanbul Airports between 1978 and 2004.

### **Murat Örnekol**, General Manager, TAV Esenboğa, 48.

Murat Örnekol was appointed as the General Manager of TAV Esenboğa in 2006. He graduated from the Middle East Technical University, Department of Industrial Engineering in 1980. Before joining the TAV Group, Örnekol served as the General Manager at Beretta Holding and held various management positions at the Bayındır Group companies between 1991 and 2000. He has also worked for Bordata and Kutlutaş Holding.

### **Ömer Vanlı**, General Manager, TAV Adnan Menderes, 59.

Ömer Vanlı was appointed as the General Manager of TAV Adnan Menderes in 2006. He graduated from Ankara University, Department of Chemical Engineering in 1976. Before joining the TAV Group, Vanlı was an Assistant Principal of Esenboğa and İzmir Airports and Principal in Charge of Antalya and Atatürk Airports of State Airports Authority, Quality Manager at Çelebi Ground Handling and the Assistant General Manager of the Antalya Airport International Terminal I.

### **Ersel Göral**, General Manager, TAV Georgia, 35.

Ersel Göral was appointed as the General Manager of TAV Georgia Tbilisi International Airport in 2005. He graduated from Istanbul University, Department of Business Administration in 1998 and joined TAV Istanbul in 1999 where he worked as Terminal Operations Manager and the Assistant General Manager. He began his professional career as an Operations Chief at Çelebi Ground Handling in 1993 and later worked as the Assistant Station Manager at Gözen Aviation.

### **Hakan Döker**, General Manager, ATÜ, 40.

Hakan Döker was appointed as the General Manager of ATÜ in 2005. He finished Kuleli Military High School and graduated from Istanbul University, Department of Business Administration in 1994. Döker began his career in Unifree Duty Free in 1989 and held various positions such as sales representative, project manager and product manager.

### **Saadettin Cesur**, General Manager, BTA, 34.

Saadettin Cesur was appointed as the General Manager of BTA Catering Services in 2000. He is a graduate of Istanbul Tourism and Hotel Management School. Before joining the TAV Group, he worked for various companies including Çınar Hotel, Parka Hilton, Conrad Istanbul and Four Seasons Hotel.

### **Müjdat Yücel**, General Manager, Havaş, 56.

Müjdat Yücel was appointed as the General Manager of Havaş in 2005. He held various positions at Turkish Airlines from 1972 to 2003 in Turkey, Singapore, Iran, the USA and the UK before joining Havaş in 2004.

### **Eda Özelmas**, General Manager, TAV Operations Services, 38.

Eda Özelmas was appointed as the General Manager of TAV Operations Services in 2006. She graduated from Eastern Mediterranean University, Department of Business Administration and Economics in 1991. Özelmas worked as the marketing manager at various companies before joining the TAV Group in 1997 as the Commercial Affairs Manager.

### **Bırol Bakırsever**, General Manager, TAV IT, 45.

Bırol Bakırsever was appointed as the General Manager of TAV IT in 2006. He graduated from the Darüşşafaka High School and Boğaziçi University, School of Applied Disciplines, Department of Computer Technology. Before joining the TAV Group, Bakırsever was employed as an information technology manager at various companies including Dusa and Bristol Myers Squibb.

### **Yusuf Acıbirer**, General Manager, TAV Security, 48.

Yusuf Acıbirer was appointed as the General Manager of TAV Private Security in 2006. He graduated from the Police Academy in 1980 and worked as supervisor and manager at various levels in the Turkish General Directorate of Security until 1999. Acıbirer also served as Security Manager for Istanbul Atatürk Airport between 1995 and 1996 and has branch training in various areas, primarily in civil aviation security, intelligence and anti-terrorism. He is a published author of two books, *Security Systems and Equipment and Private Security Organization Airport Security Training*, which are recommended by the Ministry of the Interior to be used in private security training.

## AUDIT COMMITTEE

### **Ali Haydar KURTDARCAN** (Chairman)

Vice Chairman of the Board of Directors, TAV Airports Holding Inc.

### **Önder SEZGİ**

Financial Affairs and Audit Coordinator, Bilkent Holding Inc.

### **Şeref EREN**

Consultant and Member of the Board of Directors, TAV Airports Holding Inc.

### **Oktay UĞUR**

Financial Affairs Coordinator, Akfen Holding Inc.

### **Tansel SARAÇ**

Capital Markets Manager, Akfen Holding Inc.

### **James Bernard FARLEY**

Member of the Board of Directors, Babcock&Brown Turkish Airports LLC

### **Halil EMECEN**

Director, Goldman Sachs International

### **Nrupaditya SINGHDEO**

Senior Investments Manager, Global Investment House KSCC

### **Altuğ KORALTAN**

Internal Audit Director, TAV Airports Holding Inc.



## KEY FINANCIAL DATA

As a major success story in the aviation and service sectors, with 11 companies and over 10,000 employees, TAV Airports Holding continually strives to create more value for our valued shareholders.

Summary Income Statement (EUR) *	2005	2006
Operating Income	304,785,684	399,813,192
Operating Expenses	(276,740,025)	(381,845,113)
Net Operating Profit	28,045,659	17,968,079
Profit/(Loss) Before Tax	30,651,711	(55,220,797)
Income Tax Benefit/(Expense)	9,889,549	(9,100,933)
Profit/(Loss) for the Period	40,541,260	(64,321,730)
Minority Interest	3,288,133	(5,056,256)
EBITDA	79,374,057	34,270,940
EBITDAR	149,289,238	167,527,833

Summary Cash Flow Statement	2005	2006
Net cash used in Operating Activities	(4,554,188)	(70,235,194)
Net cash used in Investing Activities	(805,489,165)	(166,063,418)
Net cash provided from Financing Activities	803,262,304	237,042,767

Summary Balance Sheet	2005	2006
Cash and Cash Equivalents	10,928,081	11,672,235
Restricted Bank Balances	135,428,001	318,106,441
Total Assets	1,149,142,528	1,356,212,762
Bank Loans	884,628,432	870,427,273
Total Liabilities	982,385,409	1,022,572,475
Total Equity	166,757,119	333,640,287
Net Debt	738,272,350	540,648,597

\* Note: IFRS consolidated financial statements



**OPERATING INCOME**  
(EUR thousands)



 **31%**

*Total revenue reached EUR 399.8 million in 2006 with a 31% increase from EUR 304.8 million in 2005.*

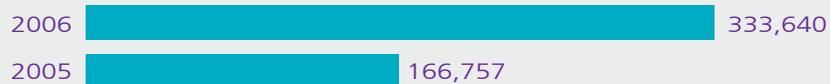
**TOTAL ASSETS**  
(EUR thousands)



 **18%**

*Total assets reached EUR 1,356 million in 2006 with an 18% increase from EUR 1,149 million in 2005.*

**TOTAL EQUITY**  
(EUR thousands)



 **100%**

*Shareholders' Equity of TAV Airports Holding Inc. rose from EUR 166.8 million in 2005 to EUR 333.6 million in 2006.*



## KEY OPERATIONAL DATA

According to DHMI data, passenger traffic through Turkish airports grew 8% in 2006, whereas passenger traffic through the airports operated by TAV Airports Holding via its Turkish and Georgian subsidiaries rose 10% to 27.8 million. TAV Airports Holding is the sector leader in Turkey with a 46% market share.

Passengers Traffic <sup>(1)</sup>	2005	2006	Change (%)
<b>Atatürk Airport</b>	<b>19,293,769</b>	<b>21,265,974</b>	<b>10</b>
International	11,781,487	12,174,281	3
Domestic	7,512,282	9,091,693	21
<b>Esenboğa Airport <sup>(2)</sup></b>	<b>3,829,854</b>	<b>4,547,578</b>	<b>19</b>
International	1,189,250	1,259,993	6
Domestic	2,640,604	3,287,585	25
<b>İzmir Airport <sup>(3)</sup></b>	<b>1,676,755</b>	<b>1,451,061</b>	<b>(13)</b>
<b>TURKEY TOTAL</b>	<b>54,525,727</b>	<b>58,778,131</b>	<b>8</b>
International	34,583,035	32,133,681	(7)
Domestic	19,942,692	26,644,450	34
<b>Tbilisi Airport <sup>(4)</sup></b>	<b>547,150</b>	<b>567,402</b>	<b>4</b>
International	536,405	563,034	5
Domestic	10,745	4,368	(59)
<b>TAV-TOTAL</b>	<b>25,347,528</b>	<b>27,832,015</b>	<b>10</b>
International	15,183,897	15,448,369	2
Domestic	10,163,631	12,383,646	22

Source: Turkish State Airports Authority (DHMI), Georgian Authority for Tbilisi Airport

(1) Arriving and departing passenger total, excluding transit passengers

(2) Operation commenced on October 16, 2006 under the TAV corporate structure

(3) International Terminal went into operation on September 13, 2006

(4) The new terminal went into operation on February 7, 2007

(5) Commercial flights only



Air Traffic Movements <sup>(5)</sup>	2005	2006	Change (%)
<b>Atatürk Airport</b>	<b>204,214</b>	<b>225,549</b>	<b>10</b>
International	123,408	130,539	6
Domestic	80,806	95,010	18
<b>Esenboğa Airport <sup>(2)</sup></b>	<b>39,833</b>	<b>47,434</b>	<b>19</b>
International	10,700	12,502	17
Domestic	29,133	34,932	20
<b>İzmir Airport <sup>(3)</sup></b>	<b>12,351</b>	<b>11,475</b>	<b>(7)</b>
<b>TURKEY TOTAL</b>	<b>471,637</b>	<b>522,785</b>	<b>11</b>
International	266,321	262,228	(2)
Domestic	205,316	260,557	27
<b>Tbilisi Airport <sup>(4)</sup></b>	<b>11,262</b>	<b>10,834</b>	<b>(4)</b>
International	9,650	9,692	0
Domestic	1,608	1,142	(29)
<b>TAV-TOTAL</b>	<b>267,660</b>	<b>295,292</b>	<b>10</b>
International	156,109	164,208	5
Domestic	111,547	131,084	18

#### TOTAL PASSENGER TRAFFIC



# 10%

According to the DHMI data, passenger traffic through Turkish airports grew 8% in 2006, whereas passenger traffic through the airports operated by TAV Airports Holding rose 10% to 27.8 million.

#### TOTAL AIR TRAFFIC MOVEMENTS



# 10%

Number of flights reached 295.3 thousand in 2006 from 267.7 thousand in 2005.

## 2006 AT A GLANCE

TAV, which has been operating the International Terminal of the Atatürk Airport since 2000, began operating the domestic terminal, car park and the general aviation terminal and acquired 60% of Havaş shares in July 2005. TAV started to operate the existing airport in Tbilisi in November 2005; and in 2006, İzmir Adnan Menderes International Terminal (September 13) and Ankara Esenboğa Airport (October 16) commenced service.

### FINANCIAL RESULTS

- According to DHMI data, passenger traffic through Turkish airports grew 8% in 2006, whereas passenger traffic through the airports operated by TAV Airports Holding rose 10% to 27.8 million. TAV Airports Holding is the sector leader in Turkey with a 46% market share.
- The Company's operations grew rapidly after June 2005. TAV, which has been operating the International Terminal of the Atatürk Airport since 2000, in July 2005 began operating the Domestic terminal, car park and the general aviation terminal and acquired 60% of Havaş shares. TAV started to operate the existing airport in Tbilisi in November 2005; in 2006 İzmir Adnan Menderes International Terminal (September 13) and Ankara Esenboğa Airport (October 16) went into service.
- Total operating income of the Company reached EUR 399.8 million in 2006 with a 31% increase from EUR 304.8 million in 2005. Aviation income along with ground handling and duty free shopping services were the drivers behind this increase.
- Average duty free shopping services revenue per passenger at the Atatürk Airport rose from EUR 14.8 in 2005 to EUR 16 in 2006.
- EBITDAR (EBITDA before concession rent payments) reached EUR 167.5 million in 2006 with a 12% increase over EUR 149.3 million in 2005.
- The Company reported a net loss of EUR 64.3 million for year 2006 after reporting a net profit of EUR 40.5 million in 2005. The reasons for the net loss in 2006 were higher financial costs, a net loss from foreign currency translation (as opposed to a net profit in 2005), amortization and depreciation expenses of recently completed airports, non-recurring expenses related to the Company's restructuring and the expiration of tax exemptions for investments.
- The Company's net debt decreased from EUR 738 million in 2005 to EUR 541 million in 2006.

### ASSESSMENT OF FINANCIAL RESULTS

- **Total operating income** of the Company reached EUR 399.8 million in 2006 with a 31% increase from EUR 304.8 million in 2005. Aviation income along with ground handling and duty free shopping services were the drivers of this increase.  
  
A large share of Company operating income is in foreign currency (both euros and US dollars). In 2006, 38% of the Company's total operating income was from aviation activities (including ground handling), whereas 62% came from activities other than aviation.
- **Aviation income** grew 32% in 2006 to EUR 99.8 million, up from EUR 75.9 million in 2005. The primary driver of this growth was that the Company began operating the Domestic Terminal as well as the General Aviation Terminal on July 3, 2005, in addition to the Atatürk Airport International Terminal. Furthermore, the Company obtained EUR 4.4 million operating income from TAV Georgia, which became operational the same year. TAV İzmir, which commenced operations on September 13, 2006, contributed EUR 4.1 million to the Company's aviation income whereas the contribution of TAV Esenboğa, which commenced service on October 16, 2006, was EUR 3.5 million.
- **Sales of duty free goods** grew 15% in 2006 and reached EUR 106.6 million. Average duty free spend per passenger at the Atatürk Airport rose from EUR 14.8 in 2005 to EUR 16 in 2006. This increase resulted from the expansion of the duty free shopping area at the arrivals section of the Atatürk Airport as well as the reconstitution of the product portfolio in response to passenger expectations.
- **Ground handling income** increased 123% in 2006 to reach EUR 51 million from EUR 22.8 million in 2005. However, a comparison between 2005 and 2006 is not meaningful due to the acquisition of 60% of Havaş shares on July 5, 2006. In addition, Havaş secured ground handling service contracts from many airlines, including Qatar Airlines, in 2006 and executed a new agreement with Turkish Airlines as well.



- **Concession fee-duty free** rose 28% to EUR 48.8 million in 2006 from EUR 38 million in 2005. The concession payments made to TAV Istanbul by ATÜ, which corresponded to 35% of ATÜ's revenue during the BOT phase of the Atatürk Airport, increased to 43% after July 3, 2005. Average duty free spend per passenger also increased 8% in 2006 to EUR 16.
- **Catering services income** grew from EUR 23.3 million in 2005 to EUR 26.3 million in 2006 with a 12% year-over-year increase. The growth in catering services income, which is almost exclusively in Turkish liras, was lower on a euro basis due to the devaluation of the Turkish lira against the euro.
- **Operating expenses** increased 38% in 2006 to EUR 381.8 million from EUR 276.7 million in 2005. This increase was a result of higher rent expenditures, increase in cost of services rendered and employee benefit expense. On the other hand, the drop in amortization and depreciation expenses limited the increase in operating expenses to some extent.
- **Concession rent expenses** increased 91% in 2006 to EUR 133.3 million from EUR 70 million in 2005. The rent expenses consist of rent payments made to DHMI pursuant to the concession contract of the Atatürk Airport. Since the concession agreement with DHMI was executed in July 2005, rent expenses in 2005 and 2006 are not directly comparable.
- **Cost of duty free inventory sold** rose 15% in 2006 to EUR 45.9 million from EUR 39.9 million in 2005. This cost item corresponded to approximately 43% of the sales revenue from the duty free shops in both years.
- **The cost of catering inventory sold**, which was EUR 5.9 million in 2005, rose 30% to EUR 7.7 million in 2006 due to the increase in the area where catering services are provided.
- **Employee benefit expenses** grew from EUR 40.8 million in 2005 to EUR 69.8 million in 2006 for a 71% increase. This increase resulted from the higher number of employees hired due to the acquisition of Havaş in July 2005, the agreement executed with Turkish Airlines in January 2006 and the commencement of service at new terminals in 2006.
- **Cost of services rendered** rose 68% in 2006 to EUR 24.9 million from EUR 14.8 million in 2005. This item, which is comprised of the operating expenses of BTA that was acquired in December 2005, TAV O&M and the consolidated portion of Havaş, is not comparable between those two periods.
- **Amortization and depreciation expenses** decreased 68% in 2006 to EUR 16.3 million in 2006 from EUR 51.3 million in 2005. The depreciation expense in 2005 was related to the Atatürk Airport, which was being operated pursuant to the BOT contract with DHMI before July 2005. In this period until July 2, 2005 when the BOT concession was in effect, assets were subjected to depreciation. No provisions for depreciation were made after that date and in 2006 since the Atatürk Airport is operated pursuant to a lease agreement. On the other hand, following the commencement of operations at the Izmir Adnan Menderes Airport International Terminal and Ankara Esenboğa Airport, the BOT investments are being subjected to depreciation over the life of the BOT contract using the straight line depreciation method. The depreciation expense of Izmir was EUR 5.4 million in 2006 whereas the depreciation expense of Ankara was EUR 3.3 million.
- **Other operating expenses** rose 55% to EUR 83.9 million in 2006 to EUR 54.1 million in 2005. This increase was caused by a hike in non-recoverable VAT expenses as well as the cost of consulting services procured during the Holding's reorganization process (one time expenditures totaled approximately EUR 15 million in 2006). Furthermore, EUR 11 million of other operating expenses stemmed from the new terminals that came into service recently.
- **Operating profit** dropped from EUR 28 million in 2005 to EUR 18 million in 2006 for a 36% decrease due to the reasons mentioned above.
- **EBITDA** decreased 57% in 2006 to EUR 34.3 million from EUR 79.4 million in 2005.

## 2006 AT A GLANCE

Average duty free spend per passenger at the Atatürk Airport rose from EUR 14.8 in 2005 to EUR 16 in 2006.

- **EBITDAR (EBITDA before concession rent payments)** grew 12% to EUR 167.5 million in 2006 from EUR 149.3 million in 2005.
- **Finance costs** rose 108% in 2006 to EUR 83.7 million from EUR 40.3 million in 2005. This increase was caused by bank borrowing necessitated by the cash payment stipulated in the Atatürk Airport lease agreement, Izmir and Ankara BOT investments as well as the acquisition of HAVAŞ shares.
- **Transaction gain (loss)** reflects the gain or loss from the Company's financial assets and liabilities denominated in US dollars and Turkish liras due to the movement in exchange rates. The Company has swung from a transaction gain of EUR 27.2 million in 2005 to a EUR 9.8 million transaction loss in 2006 due to the depreciation of the US dollar and the Turkish lira against the euro.
- **Income tax benefit (expense)** constitute the deferred taxes and corporate taxes. An income tax benefit of EUR 9.9 million in 2005 turned into an income tax expense of EUR 9.1 million in 2006. The Company had enjoyed a tax advantage in 2005 by exercising its tax incentives that had not been written off before. However, due to the amendment in the tax legislation, unused investment incentives and the related deferred tax assets were expensed in 2006 and as a result the Company was unable to benefit from the tax advantage.
- **Minority interests** reflects 25% of TAV Esenboğa (9M06: 99%) and 33.33% of BTA.
- **Net loss:** TAV Airports Holding has swung from a profit of EUR 40.5 million in 2005 to a loss of EUR 64.3 million in 2006 due to the reasons discussed above.

### Key Financial Data for 2006 (Company basis)

(EUR millions)	Revenue	EBITDA (*)	EBITDA Margin (%)	Net Debt
<b>Airports</b>	<b>249.7</b>	<b>147</b>	<b>58.8</b>	<b>526</b>
Istanbul	230.4	146	63.4	332
Ankara	6.1	(3)	(52.1)	102
Izmir	6.9	1	18.6	77
Tbilisi (%60)	6.2	3	44.8	15
<b>Service Companies</b>	<b>241.3</b>	<b>21</b>	<b>8.7</b>	<b>15</b>
ATÜ (50%)	108.6	4	3.5	16
BTA	35.1	3	8.6	(0.5)
Havaş (60%)	62.3	5	8.4	(0.3)
Other	35.3	9	25.1	(0.4)
<b>Total</b>	<b>491.0</b>	<b>168</b>	<b>34.2</b>	<b>541</b>
Eliminations	(91.2)	(0)		
<b>Consolidated</b>	<b>399.8</b>	<b>168</b>	<b>41.9</b>	<b>541</b>

\* EBITDAR figure is used for Istanbul.



## ➤ OVERVIEW OF THE YEAR

- I. **A new beginning in 2006:** A direct comparison of 2006 with the previous years does not yield meaningful results. Almost all of the financial statements reported for 2005 that ended on December 31, 2005 and the first nine months until September 30, 2006 consisted almost entirely of income and expenses from the operation of the Atatürk Airport International Terminal (BOT period until July 2, 2005 and the Lease Agreement period afterwards). The Company's activities grew rapidly after June 2005. TAV, which has been operating the International Terminal of the Atatürk Airport since 2000, began operating the Domestic terminal, the car park and the general aviation terminal and acquired 60% of Havaş shares in July 2005. TAV started to operate the existing airport in Tbilisi in November 2005; in 2006 İzmir Adnan Menderes International Terminal (September 13) and Ankara Esenboğa Airport (October 16) went into service.
- II. **Increased financial costs:** Finance costs nearly doubled in 2006. This increase was caused by the bank borrowing necessitated by the cash payment stipulated in the Atatürk Airport lease agreement, İzmir and Ankara BOT investments as well as the acquisition of HAVAŞ shares.
- III. **Depreciation expenses of recently completed airports:** Following the commencement of operations at the İzmir, Esenboğa and Tbilisi airports, the BOT investments are being subjected to depreciation over the life of the BOT contracts using the straight line depreciation method. On the other hand, construction and finance costs were capitalized during the construction process.
- IV. **The first full year of concession rent payment:** Depreciation expenses related to the BOT period of the Atatürk Airport were included in the income statement for the period between January 1 and July 2, 2005. Beginning on July 3, 2005, when the lease agreement became effective, concession rent payments were included in the income statement as a rent expense. 2006 is the first full year the Company included the rent payments in its full-year income statement. Therefore, we believe that it is more appropriate to use EBITDAR (EBITDA before concession rent payments) in order to compare operating profitability.
- V. **VAT not recoverable:** In addition to the annual rent payments, the Company also pays VAT share, most of which is non-recoverable in nature, to DHMI. This non-recoverable portion of VAT payments rose from 2% of total operating expenses in 2005 to 4% of total operating expenses in 2006.

- VI. **Non-recurring expenses related to restructuring:** The Company has approximately EUR 10 million of one time expenses related to its restructuring efforts on its books for year 2006.
- VII. **Transaction loss:** The Company has swung from a transaction gain of EUR 27.2 million in 2005 to a EUR 9.8 million transaction loss in 2006 due to the depreciation of the US dollar and the Turkish lira against the euro.
- VIII. **Deferred tax expense:** The Company enjoyed an income tax benefit in 2005 thanks to the tax incentives. However, due to an amendment in tax legislation, unused investment incentives and related deferred tax assets were expensed in 2006 and as a result the Company was unable to benefit from the tax advantage.

## ➤ POSITIVE OUTLOOK FOR 2007

- Based on the DHMI statistics, passenger traffic through the Company's airports increased 15% during the first quarter of 2007. Passenger growth rates at the Esenboğa Airport (26%) and at the İzmir International Terminal (25%) in the same period were equally impressive.
- The Company's operations with its new corporate structure will be observable for a full year in 2007. Since TAV İzmir and TAV Esenboğa commenced operations in the final months of 2006, they were unable to contribute to operating revenue on a full-year basis.
- Most of the Company's operating expenses are fixed costs. Rent payments to DHMI constituted 35% of the Company's total operating costs in 2006. Because the share of variable costs in the Company's business model is low, increase in passenger traffic results in higher profit margins.
- Following the expiration of the BOT contract for the Atatürk Airport on July 2, 2005, of the US\$ 60 million investments that needed to be undertaken by the Company pursuant to the BOT agreement, the Company completed US\$ 5 million in 2005 and the remaining part in 2006. There is no budgeted investment expenditure of comparable magnitude for the remaining period of the lease agreement aside from the regular maintenance and repair expenses. Maintenance and repair requirements are very limited since all of the terminals operated by the Company are new.

## 2006 ACTIVITIES

In order to continue its activities and growth, which began with the İstanbul Atatürk Airport International Terminal in 1997 and developed at a frantic pace over the last decade, TAV designated 2006 as a "restructuring year."





## 2006 ACTIVITIES AIRPORT OPERATIONS



**İSTANBUL  
ATATÜRK  
AIRPORT**

**ANKARA  
ESENBOĞA  
AIRPORT**

**İZMİR ADNAN  
MENDERES  
AIRPORT  
INTERNATIOAL  
TERMINAL**

**GEORGIA  
TBILISI  
AIRPORT**

**BATUMI  
AIRPORT**

**TUNISIA  
ENFIDHA  
AIRPORT**

**MONASTIR  
AIRPORT**



### Reference point of success: TAV Istanbul

The success of TAV Airports Holding in operating the İstanbul Atatürk Airport International Terminal has turned into a school of airport operation and set an example for many companies.



*The most advanced aviation technology is employed at the Atatürk Airport, which serves 340 airlines from all over the world.*



### Istanbul Atatürk Airport

Airport operation is truly a test in Istanbul, which is the most visited and most populated city in Turkey. From this perspective, Istanbul Atatürk Airport, from its contemporary architecture to service quality, is a principal point of reference for the experience and success of TAV.

The success of TAV Airports Holding in operating the Istanbul Atatürk Airport International Terminal has turned into a school of airport operations and set an example for many companies.

Istanbul Atatürk Airport International Terminal sits on an area of 256 thousand square meters. The terminal was constructed under the Build-Operate-Transfer model in a record-breaking 22 months; it was completed and went into service in January 2000. With the additional facility that was put in operation in 2004, annual passenger capacity for international flights rose from 14 million to 20 million.

One of the newest and most modern airports in Europe, Istanbul Atatürk Airport is also one of the most exemplary airports in the world in terms of passenger flow speed and comfort. The car park of the airport is the largest one in Europe under a single roof.

#### **60 thousand passengers, 600 flights every day...**

On average 60 thousand passengers use the airport daily and approximately 600-650 airplanes land and take off every day. During peak seasons, the daily passenger count reaches 75-80 thousand with between 750-800 airplanes landing and taking off.

The most advanced aviation technology is employed at the Atatürk Airport, which serves 340 airlines from all over the world. Primary examples of such technology is the automation system CUTE, which links the world's airlines to each other with common software and thus saves passengers from checking in baggage at each transfer. Additionally, the baggage handling system is another example of this technology, able to sort 10,000 pieces of baggage hourly.

Istanbul Atatürk Airport Domestic Terminal joined this system in July 2005. As of this date, TAV assumed the operation of Atatürk Airport Domestic Terminal as well.

#### **Comprehensive operation services**

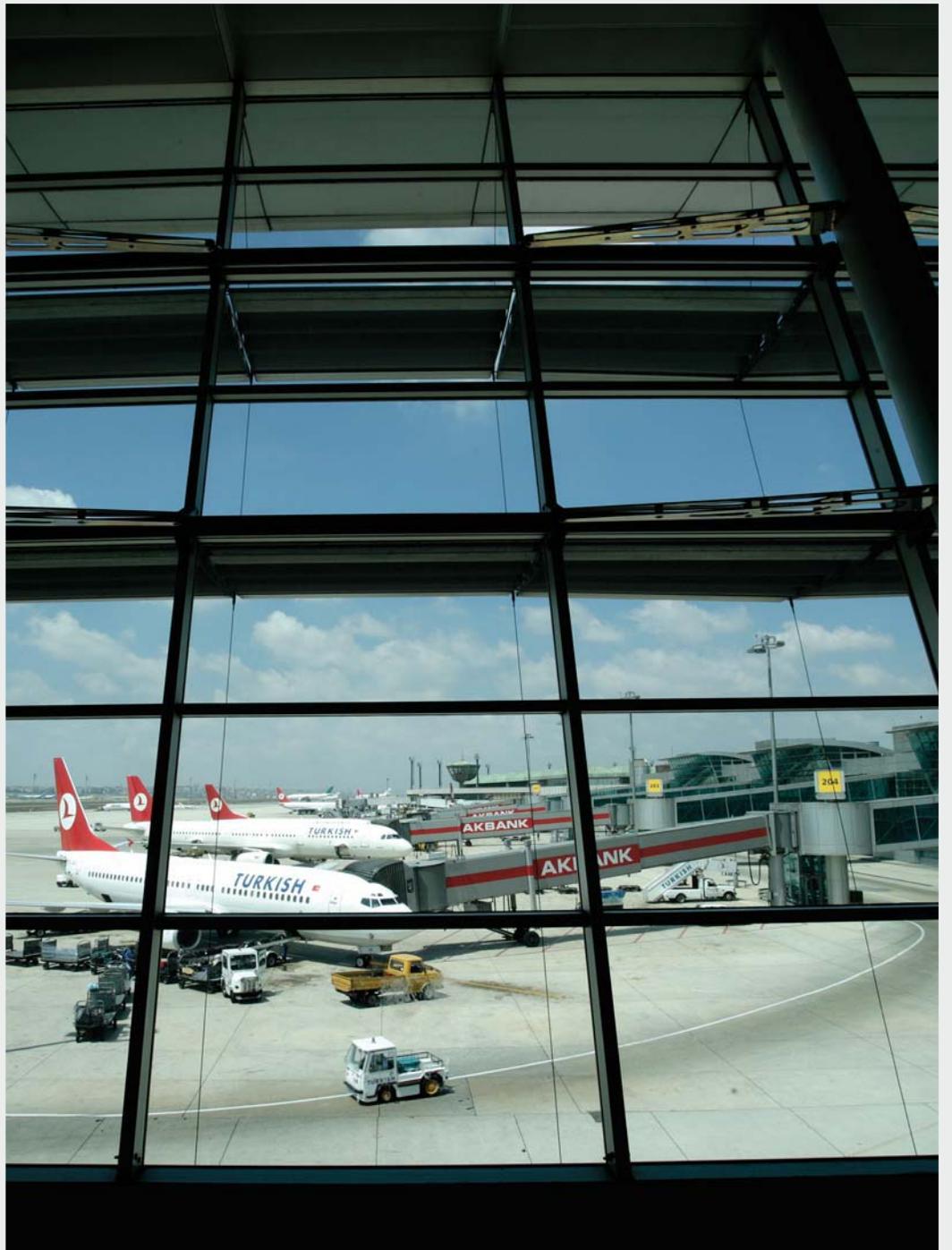
Upon assuming operations of this facility, which serves on average 7.5 million passengers annually (9 million in 2006) on its 62,500 square-meter site, TAV planned a major investment and renovated the Domestic Terminal, which was built 25 years ago, to meet the expectations and requirements of the day.

Thanks to these efforts undertaken in 2006, Atatürk Airport Domestic Terminal reached International Terminal standards in terms of both appearance and new technological systems that facilitate comfortable and rapid passenger flow.

## 2006 ACTIVITIES AIRPORT OPERATIONS

## İSTANBUL ATATÜRK AIRPORT

Istanbul Atatürk Airport International Terminal is located on a 256,000 square meters site. The terminal was constructed under the Build-Operate-Transfer model in a record-breaking 22 months and completed and placed into service in January 2000. With the additional facility put in operation in 2004, annual passenger capacity for international flights rose from 14 million to 20 million.





*One of the newest and most modern airports in Europe, İstanbul Atatürk Airport is one of the most exemplary airports in the world in terms of passenger flow speed and comfort.*

TAV operates the airport of İstanbul, an incomparable crossroads city where East meets West and is Turkey's window to the world. Therefore, responsibility is a top priority and reigns 24 hours a day and 365 days a year at TAV İstanbul and the giant system that rapidly, confidently and comfortably serves tens of thousands of passengers in motion at each instant is managed with great success.

#### **International Terminal**

Operation Duration	: 15 years 6 months
Terminal Passenger Capacity	: 20 million passengers/year
Total Area	: 256,000 m <sup>2</sup>
Car Park Capacity	: 7,076 vehicles
Number of Check in Counters	: 224
Duty Free Area	: 5,961 m <sup>2</sup>
Catering Area	: 9,810 m <sup>2</sup>

#### **Domestic Terminal**

Operation Duration	: 15 years 6 months
Terminal Passenger Capacity	: 7.5 million passengers/year
Number of Check in Counters	: 108
Commercial Area	: 493 m <sup>2</sup>
Catering Area	: 2,293 m <sup>2</sup>

#### **İstanbul Atatürk Airport international awards**

- 1. Second Best Airport:** Atatürk Airport came in second in the "Best Airport" rankings of the 2003 Aviation Awards presented by the world's best travel website [www.travelquality.com](http://www.travelquality.com).
- 2. Europe's Most Comfortable International Terminal:** According to a survey conducted by Frankfurt-based Deutsche Aeroconsult in 2002, Atatürk Airport left behind the world's most prestigious airports such as Athens, Munich, Oslo, Zurich, Cologne, Madrid and Paris and was named Europe's Most Comfortable International Terminal.
- 3. First Turkish Project to win the Engineering Academy Award:** Atatürk Airport received the ACEC (American Council of Engineering Companies) Grand Award for Engineering Excellence with the project that incorporated seismic isolators in the terminal building. TAV became the first Turkish company to win this award.
- 4. Safest Airport in the Middle East and Balkans:** Atatürk Airport International Terminal was deemed the Safest Airport in the Middle East and Balkans by the Federal Aviation Administration of USA based on its surveys conducted without prior notice.



## 2006 ACTIVITIES AIRPORT OPERATIONS

 TAV ANATOLIA

## The most contemporary airport in Europe: TAV Anatolia

Ankara Esenboğa Airport, which brought a breath of fresh air into the Turkish capital's transportation with an all around contemporary new look, is the first and only airport in Turkey to combine domestic and international terminals under a single roof. It has the capacity to handle ten million passengers per year.



### Ankara Esenboğa Airport

Having transformed the Atatürk Airport into a global brand thanks to its successful operation, TAV Airports Holding has brought experience in this field to the capital's airport in 2006. TAV set out to bring the distinguished

service that Ankara needs since it is subject to heavy traffic based on its political and economic locale. TAV Construction completed the Domestic and International Terminals of Esenboğa Airport one year ahead of schedule and has been operating them since October 16, 2006. TAV added a modern face to the Turkish capital with these terminals.

Constructed under the Build-Operate-Transfer model and operated by TAV Esenboğa Yatırım, Yapım ve İşletme A.Ş., Esenboğa Airport has the distinction of being the newest and the most contemporary airport not only in Turkey, but also in Europe, employing the latest technology for its services. All systems and services utilized by passengers at Esenboğa are under constant supervision, from entering the car park and check-in procedures to passport control and boarding the plane. TAV makes sure that they operate in a continuous and integrated manner.

### Prestige of Ankara...

Ankara Esenboğa Airport is the only airport in Turkey to combine the domestic and international terminals under a single roof. The unique architectural design of the terminal allows the passengers easy access to wherever they are going while providing them with a spacious and open perspective that allows them to see the whole area from any point in the terminal.

Having brought a breath of fresh air into the Turkish capital's transportation and gotten an all around contemporary new look, the Ankara Esenboğa Airport has the capacity to handle ten million passengers per year.

Esenboğa Airport is operated with a strategic approach and with the awareness that it constitutes the first impressions of our country to foreign statesmen entering Turkey.

Operation Duration	: 16 years 8 months
Terminal Passenger Capacity	: 10 million passengers/year
Total Area	: 182,000 m <sup>2</sup>
Car Park Capacity	: 4,088 vehicles
Number of Check in Counters	: 132
Duty Free Area	: 2,235 m <sup>2</sup>
Catering Area	: 5,094 m <sup>2</sup>

*Ankara Esenboğa Airport has the distinction of being the newest and the most contemporary airport not only in Turkey, but also in Europe.*



## 2006 ACTIVITIES AIRPORT OPERATIONS

### ➔ TAV IZMIR

#### ➔ Izmir Adnan Menderes Airport International Terminal

Izmir has always been a significant harbor city as well as a center of commerce, culture and entertainment throughout the ages. Adnan Menderes International Airport International Terminal is one of the most

distinguished areas where TAV combined its distinctive design and strong experience as well as its vision for development of tourism. Through its operation of the Izmir Airport, TAV Airports Holding is lending support to efforts to add a whole new dimension to tourism and commerce in the Aegean Region and opening the region to the international arena.

TAV completed construction of the Izmir Adnan Menderes Airport International Terminal eight months ahead of schedule; it went into service on September 13, 2006. TAV has been in charge of operation of this airport since then. With the new international terminal constructed under the Build-Operate-Transfer model on an area of 110,000 square meters, annual passenger capacity rose from three to five million.

#### Investments from TAV that transforms the center of tourism into the future...

Izmir Adnan Menderes Airport is a regional center that accommodates the ever increasing trade volume in Anatolia. Acting with vision and a real sense of social responsibility, TAV lends support to the efforts undertaken for enhancing the tourism potential of Izmir and its surrounding region. The collaboration between the Company and the Destination Izmir Promotion and Business Development Group, founded by tourism service providers of Çeşme, Kuşadası, Ephesus and Izmir, ranks among such efforts. TAV Izmir is a contributor to this group that promotes the tourism potential of Izmir and its surrounding region, positioning Izmir as an alternative location for tourism.

Operation Duration	: 8 years 4 months
Terminal Passenger Capacity	: 5 million passengers/year
Total Area	: 110,000 m <sup>2</sup>
Car Park Capacity	: 2,200 vehicles
Number of Check in Counters:	166
Duty Free Area	: 2,353 m <sup>2</sup>
Catering Area	: 3,403 m <sup>2</sup>

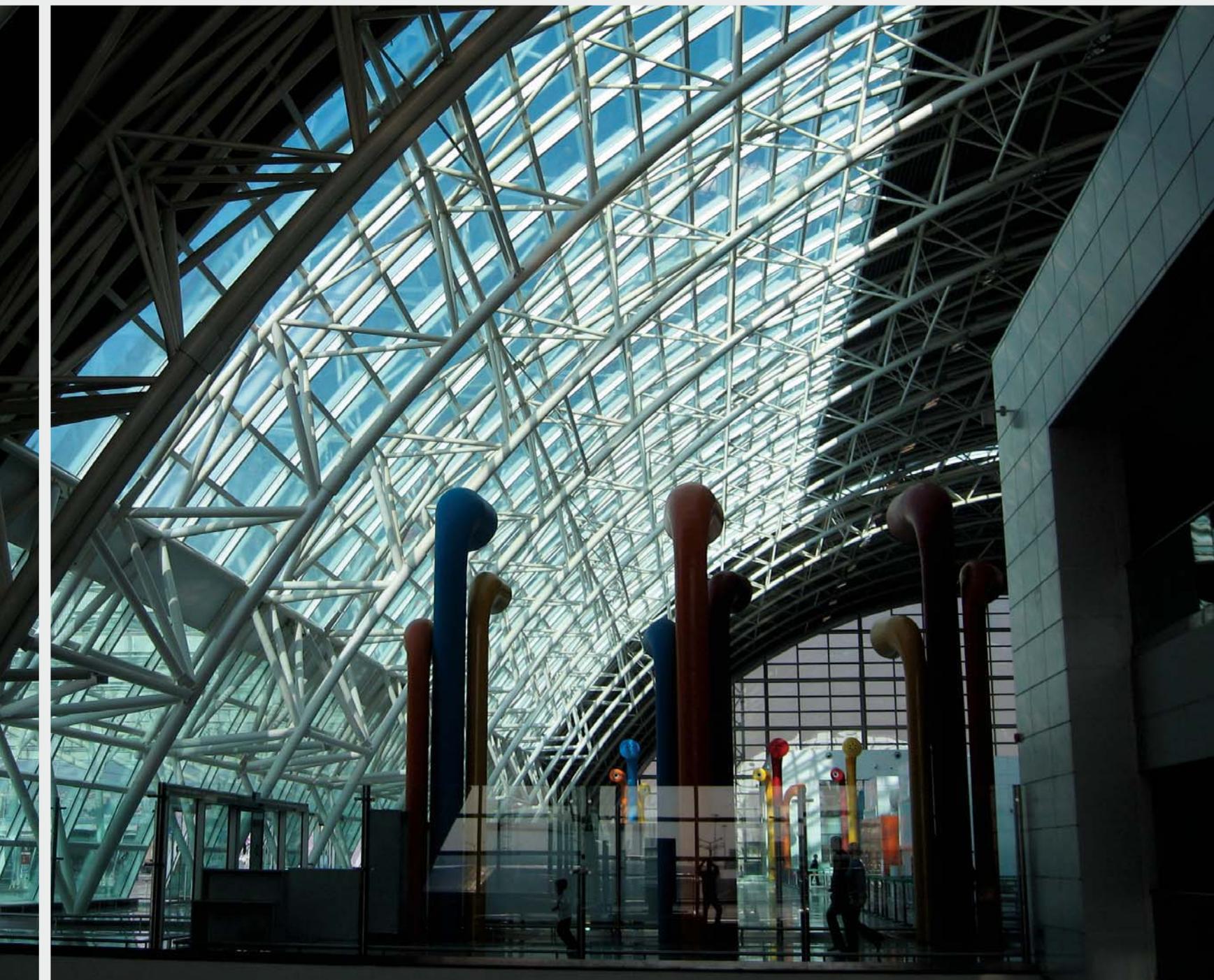




*With the new international terminal on a 110,000 square-meter site, the annual passenger capacity of İzmir Adnan Menderes Airport rose from three to five million.*

## **Aegean Region's gateway to the world: TAV İzmir**

Through its operation of the İzmir Airport, TAV Airports Holding is lending support to the efforts to add a whole new dimension to tourism and commerce in the Aegean Region helping to open the region to the international arena.



2006 ACTIVITIES AIRPORT OPERATIONS



## A new and contemporary company in Georgia: TAV Georgia

TAV represents a comprehensive, integrated operations approach at the Tbilisi Airport both inside and outside the terminal as well as ground handling services, duty free and regular retail shops and catering companies.





*Tbilisi International Airport is a product of contemporary and functional design as well as advanced technology.*

### Georgia Tbilisi Airport

Tbilisi International Airport is a clear indication that, in the area of airport operation, TAV is not content to be just a leader within the Turkish market and is quickly proceeding to become a regional company.

Through its subsidiary TAV Urban Georgia LLC, TAV Airports Holding has been operating the airport in Georgia's capital Tbilisi since October 31, 2005. It is predicted to serve as a bridge between Europe and Asia for air transportation in the future. TAV Urban Georgia LLC has been operating the new passenger terminal that it constructed as well, since its commencement February 2007.

TAV represents a comprehensive and integrated operations approach at the Tbilisi Airport with all aspects of the operations inside and outside the terminal as well as ground handling services, duty free and regular retail shops and catering companies.

#### Respected companies at strategic locations

Having undertaken significant projects in the Caucasus, North Africa and Middle East, TAV Airports Holding aims to use its experience in the aviation sector to accelerate the development of Georgia's civil aviation sector and contribute to the Georgian economy.

### Georgia Batumi Airport

The Tbilisi International Airport in Georgia's capital Tbilisi has been operated by TAV Airports Holding since 2005; it has set an example for Turkish investors.

TAV has the right to operate the Tbilisi International Airport for 20 years. With its 2.8 million passenger capacity per year, Tbilisi International Airport Passenger Terminal is a privileged project for TAV as the first and a significant step for the Company's projects geared toward airport operating business abroad.

The Tbilisi International Airport Terminal is a product of contemporary and functional design as well as advanced technology. The terminal was designed to provide the best route for the passengers and their baggage all the way from the car park until departure time. In addition, its flexible architectural structure allows for expansion in the future without interruption of operation. With functional contemporary spaces, the terminal building is equipped with most advanced systems with a special focus on passenger comfort and efficiency of terminal operations. The Tbilisi International Airport provides safe landing and takeoffs and movement areas for aircraft with an expanded runway and recently built apron areas and taxi routes.

Operation Duration	: 20 years
Terminal Passenger Capacity	: 2.8 million passengers/year
Total Terminal Building Area	: 24,500 m <sup>2</sup>
Number of Passenger Bridges	: 3
Number of Check in Counters	: 24
Number of Baggage Claim Carousels	: 3
Duty Free Area	: 360 m <sup>2</sup>
Catering Area	: 920 m <sup>2</sup>
Car Park Capacity	: 230 vehicles

#### Second TAV signature in Georgia: Batumi Airport

TAV Airports Holding has been operating the Tbilisi International Airport since 2005; now it is also assuming operation of Georgia's second airport, Batumi. The new airport, with a capacity of 562,500 passengers per year features a new runway, taxi route, apron and terminal building. In addition, for the first time in the region, the Batumi Airport will be jointly used by Georgia and Turkey and thus assumes an important role in regional development and the reinforcement of the good relations between the two countries.

## 2006 ACTIVITIES AIRPORT OPERATIONS

## TAV TUNISIE

## Two new airports in North Africa: TAV Tunisie

TAV Airports Holding added another project to its portfolio of airports abroad by winning the tender for the operation of Tunisia's Enfidha and Monastir airports. TAV Airports Holding will assume operation of both airports for 40 years.





## TAV TUNISIE

According to the concession agreement executed on May 18, 2007 in Tunisia, which has been classified as investment grade (Standard and Poor's "BBB") for many years, the Company will take over operations at the existing

Monastir Habib Bourguiba Airport as of January 1, 2008. The Company will assume the operation of the Enfidha Airport following the completion of the investment, which is planned to be no later than October 1, 2009. The concession period for both airports will continue until May 2047 and activities in Tunisia will be run by TAV Tunisie SA, a wholly owned subsidiary of TAV Airports Holding. The Company forecasts the total investment cost of the Enfidha Airport's construction to be approximately EUR 400 million.

Almost all of the passengers at the Monastir Airport are booked on international flights since this is a tourist stopover. Although it currently has a capacity of 3.5 million passengers per year, the Monastir Airport served 4.2 million passengers in 2006. It is estimated that the capacity of the Enfidha Airport will initially reach seven million passengers per year, but it will increase to 22 million with the investments made throughout the operation period.

The operation of the Monastir and Enfidha Airports will encompass all aspects of airport operation except for air traffic control.

The group companies under the TAV Airports Holding corporate structure (e.g. ATÜ, BTA, TAV O&M) are envisaged to serve at the Enfidha Airport, whereas there currently are service companies at the Monastir Airport with ongoing contracts.

### Tunisia Enfidha Airport

Total indoor area construction	
Together with the annexes	: 130,000 m <sup>2</sup>
Airport area	: 4,300 hectares
Terminal seating area	: 44,000 m <sup>2</sup>
Terminal usage area	: 90,000 m <sup>2</sup>
Terminal capacity	: 7,000,000 passengers/year
Number of boarding bridges	: 18
Car park area	: 52,000 m <sup>2</sup>
Car park capacity	: 804 vehicles
Nearby apron area	: 72,000 m <sup>2</sup>
Nearby apron capacity	: 18 airplanes
Remote apron area	: 57,000 m <sup>2</sup>
Remote apron capacity	: 14 airplanes
Length of runway	: 3,300 m
Width of runway	: 75 m

### Tunisia Monastir Airport

Terminal usage area	: 28,000 m <sup>2</sup>
Terminal seating area	: 18,000 m <sup>2</sup>
Terminal capacity	: 3,500,000 passengers/year
Length of runway	: 3,000 m
Apron area	: 115,000 m <sup>2</sup>
Existing docking area	: 25 airplanes

*Annual passenger capacity of the Tunisia Enfidha Airport will reach an estimated seven million with investments expected to be completed in the first half of 2009.*

## 2006 ACTIVITIES SUBSIDIARIES

**HAVAŞ**  
GROUND  
HANDLING

**TAV O&M**

**ATÜ**  
DUTY FREE

**BTA**  
CATERING  
SERVICES

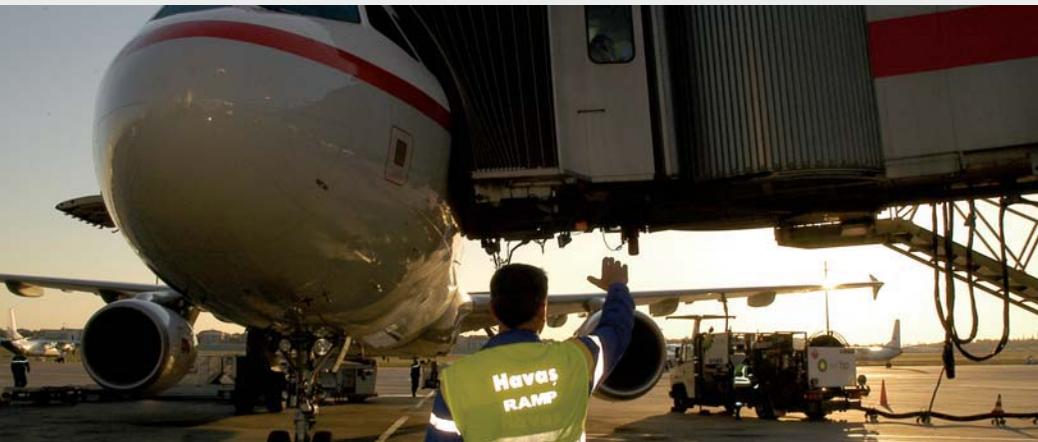
**TAV IT**

**TAV SECURITY**



### Turkey's first ground handling company: HAVAŞ

Havaş has an extensive portfolio of over 200 airlines catering to scheduled as well as chartered flights.



*Havaş has received various awards from the leading global airlines.*



#### **HAVAŞ** GROUND HANDLING

TAV also provides ground handling services within the scope of airport operations. Havaş was founded as a state enterprise in 1933 as the first company to provide ground handling services in Turkey.

Currently 60% of the shares of

Havaş are owned by TAV Airports Holding and the remaining 40% are owned by Park Enerji Yatırım Holding A.Ş.

Havaş is responsible for providing passenger and baggage transactions, unit loading, vehicle control, ramp, aircraft cleaning, load control and communication, cargo, flight operation, transportation, representation and monitoring services. The Company operates at the İstanbul, Ankara, İzmir, Adana, Antalya, Bodrum, Dalaman, Gaziantep, Trabzon, Kayseri and Nevşehir airports.

Havaş has an extensive portfolio of over 200 airlines catering to scheduled as well as chartered flights. The Company has received various awards from leading global airlines many times. Havaş provides passenger transportation services between the airport and the city center at the İstanbul Atatürk, İstanbul Sabiha Gökçen, Ankara, İzmir, Antalya, Bodrum, Dalaman, Malatya and Samsun airports as well as car park services at the Antalya and Bodrum airports.

#### **Havaş-International Awards**

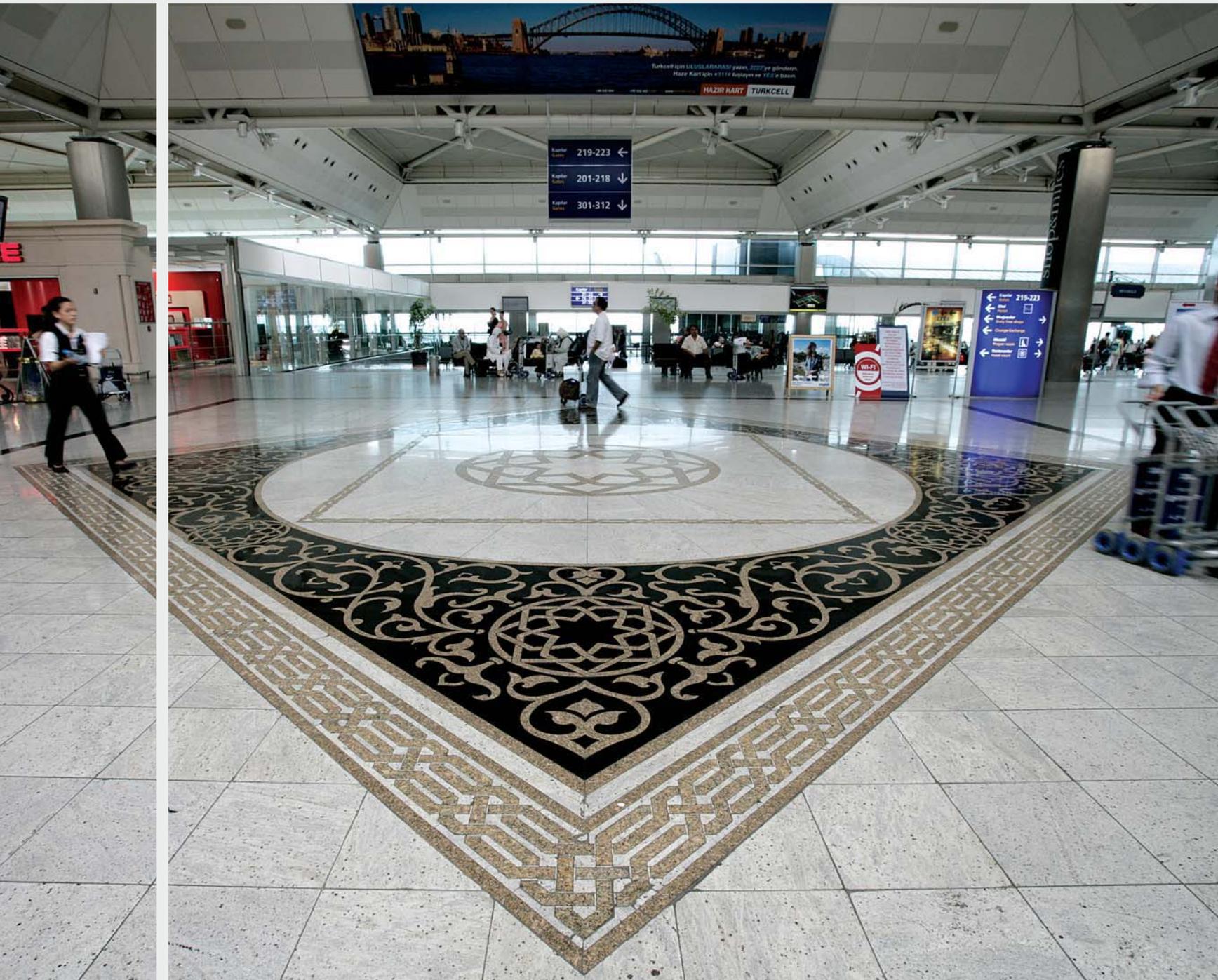
- 1 **KLM Royal Dutch Airlines 2002:** KLM Royal Dutch Airlines' second biggest award "4 Crown"
- 2 **KLM Royal Dutch Airlines 2004:** Nominated for the "5 Crown" award
- 3 **British Airways 2004:** "One of the three best ground handling services received by British Airlines"
- 4 **First Choice Airlines 2004:** "World's best ground handling company" (1: Dalaman) (2: Bodrum)
- 5 **TÜV 2004:** "The world's best ground handling company in terms of quality management system practices"

## 2006 ACTIVITIES SUBSIDIARIES



## A contemporary and innovative service approach: TAV O&M

In addition to operating airports and aviation operations, TAV also has a presence in creating income sources outside of aviation.





*TAV reaches out to the passengers in a comprehensive manner through the non-aviation services it has devised along with a full array of aviation services.*



## TAV O&M

TAV does not regard airports as mere transit points and reaches out to the passengers in a comprehensive manner through the non-aviation services it has devised along with a full array of aviation services.

TAV O&M is in charge of devising and managing non-aviation revenue sources from services such as area allocation, business development with new commercial activities, marketing of advertisement and promotion areas, Havaş Tourism & Travel Agency, GATE airport magazine, primeclass CIP passenger service, CIP lounge operations, Primevale and luggage wrapping.

### Commercial areas

**Distinguished companies from Turkey and from around the world are at the airports...**

Various stores and offices at TAV Airports meet the needs of passengers who spend varying amounts of time at the airport. These areas are allocated to the distinguished companies from Turkey and around the world to provide services to those waiting; services such as gift shops, convenience stores, car rental, banking and hair styling.

### Advertisement areas

**The eyes of 58,580 people are on you every day...**

Advertisements for prestige purposes as well as to promote special promotional campaigns can be displayed through various advertising channels such as fixed boards, network system and stand areas.

### Personal services: "primeclass"

**primeclass, a complete personal services package, is offered as a TAV brand at all terminals operated by TAV Airports Holding.**

Offered as a TAV brand, the complete personal services package "primeclass" is designed to facilitate every step of the passenger's trip, both inside and outside the airport. This service is available at all terminals operated by TAV Airports Holding.

"primeclass" offers services to individuals as well as to groups. Any passenger can use the primeclass service regardless of airline or flight class. The passengers who request "primeclass" service are greeted at the terminal gate by a porter and a CIP representative and their security, check-in and passport

procedures are carried out quickly and without a long wait with the assistance of designated personnel. The guests are hosted at primeclass lounges with every conceivable element to assure their comfort. They are escorted by a CIP representative to the boarding gate with a mini golf cart in time for their flight. These services are available for passengers for both domestic and international flights, at both departure and arrival.

Another service provided by "primeclass" is CIP lounge operation. Pursuant to the collaboration with Turkish Airlines, "primeclass" also operates Turkish Airlines Domestic and International Terminal CIP Lounges. primeclass sees to the comfort of all of its distinguished guests.

### Havaş Tourism & Travel Agency

**Havaş takes care of airplane tickets, hotel reservations, car rentals, tour programs and convention, seminar and meeting organizations, while you enjoy your trip...**

An A-Class IATA-member travel agency, Havaş Tourism & Travel Agency provides services with the assurance of TAV O&M. Havaş offers services for domestic and international plane ticket reservations, hotel reservations, tour organizations, car rentals and convention-seminar-meeting organizations as well as its other travel products with a professional service approach and an expert staff.

### A service that simplifies your life: Prime valet

Thanks to this private valet service provided by TAV, passengers can hand over their vehicles to the valet staff at the terminal entrance and perform their check-in transactions without losing any time.

### Your baggage is in safe hands...

The baggage wrapping machines located on the departure floors of both Domestic and International Terminals at Atatürk Airport allow passengers to wrap their baggage and parcels with stretch film. The baggage wrapping service, which facilitates safer transportation and less wear and tear, is available 24 hours a day, 7 days a week.

### A magazine exclusively for passengers: The GATE

One of Turkey's highest circulation magazines, The Gate is among the most important channels to reach almost everyone who visits an airport. A magazine for people from the business community from around the world as well as those who experience their travel with a difference, The Gate is now available to its readers on the Internet.



## 2006 ACTIVITIES SUBSIDIARIES

 **ATÜ DUTY FREE**

## Pleasure of shopping for famous brands: ATÜ

ATÜ makes shopping a pleasure and is an indispensable part of the excitement of travel, by offering extensive choices in spacious and luminous areas.

 **ATÜ  
DUTY FREE**

Duty free stores are an inseparable part of airports. TAV offers duty free shopping service at all international terminals it operates. ATÜ, a TAV Airports Holding company, gives the passengers the opportunity to shop for thousands of products from among the world's most famous brands at attractive prices.

Today, TAV operates 39 different stores in the most important centers in Turkey and in Tbilisi. Deemed the second best Duty Free operator in the world in 2000 by Frontier, a sector magazine, ATÜ has successfully implemented an online pre-ordering system for the convenience of its customers.

Founded as a joint venture of TAV Airports and Unifree, ATÜ began providing its services within the TAV Group following the commencement of operation of İstanbul Atatürk Airport, the first project of TAV. In 2006, TAV began operating the new international terminals of İzmir Adnan Menderes and Ankara Esenboğa Airports under the Build-Operate-Transfer model. As a consequence, ATÜ added these two new terminals to its operations area. At the beginning of 2007, Tbilisi International Airport, TAV's first terminal abroad, also joined ATÜ.

*ATÜ, a TAV Airports Holding company, gives passengers the opportunity to shop for thousands of products from the world's most famous brands at attractive prices.*



## 2006 ACTIVITIES SUBSIDIARIES

### ➤ BTA CATERING SERVICES

#### ➤ BTA CATERING SERVICES

It is important to appeal to the passengers' tastes as well!.. BTA Catering Services, a TAV company, provides food catering services at all airports operated by TAV. At these airports, BTA offers catering services via almost 100

cafes, bars, restaurants and kiosks on a 24-hour a day basis. BTA's goal is produce high quality food that complies with international food safety standards for passengers from many different countries and cultures as quickly as possible in a limited period of time.

BTA serves 20,671 people daily with a seating capacity for 9,253 and combines a rich menu selected from world cuisines and served with traditional Turkish hospitality. The Company offers its customers different tastes with meticulous service at the airports it operates.

In 2007, BTA Catering Services won the International Tourist, Hotel and Food Industry Award, which has 40 candidate country participants and is organized by the Trade Leaders' Club, whose members include the world tourism sector leaders.

BTA Catering Services has earned the ISO 9001:2000 Quality Management System certificate as well as the HACCP (Hazard Analysis and Critical Control Points) certificate, an indicator of 100% food safety and flawless food production in the food production sector. For the coming period, BTA is extending beyond airport limits and rapidly proceeding to become an international brand in the catering sector.

BTA Catering Services recently added a new brand to its portfolio of world-known brands, Cakes&Bakes. Bakery products, sandwiches and cakes are on offer at all Cakes&Bakes locations.

### Comfort of home at the airport: İstanbul International Airport Hotel

Airport Hotel provides its customers with the comfort of home away from home. All rooms have TV complete with flight details, a music system, Internet access and a mini bar.

Hotels are the most practical service points at the airports. Like at almost all of the leading airports in the world, an elegant hotel was designed at the İstanbul Atatürk Airport International Terminal for the comfort of the passengers.

İstanbul International Airport Hotel is operated by BTA Catering Services, a TAV company.

The hotel provides luxury accommodations and is divided into 21 air side rooms and 64 land side rooms. In the transit zone, also known as the air side, the hotel offers hourly as well as daily accommodations. All rooms contain television sets that show flight details, a music system, Internet access and a mini bar.

The Airport Hotel is under the same roof as the airport, thus offering a practical and comfortable service. In addition to the daily accommodations from the land side, it is also possible to wait comfortably and peacefully for your flight time beyond the passport control point, taking advantage of the hourly accommodation option offered by the Airport Hotel.

With its service quality and variety, Airport Hotel offers ideal accommodations for business travelers and tourists alike.



*BTA's goal is produce high quality food that complies with international food safety standards for passengers from many different countries and cultures as quickly as possible in a limited period of time.*

## The taste and color of world cuisines: BTA

With both talent and experience, the staff working in BTA's kitchen, serves approximately 20,671 people daily and has a seating capacity for 9,253 at 44 different points within the Atatürk Airport International Terminal.



2006 ACTIVITIES SUBSIDIARIES

TAV IT



## For aviation solutions: TAV IT

TAV IT develops new integrated software and systems for the aviation sector and produces aviation solutions for the global and local usage.





*Terminal flight management systems and software are the principal systems developed by TAV IT.*

## TAV IT

TAV, building modern airports equipped with the most advanced technology in Turkey and abroad, produces its airport software systems and solutions within the Group.

Terminal flight management systems and software are the principal systems developed by TAV IT. These systems facilitate both operational and financial optimization.

TAV IT is in use at all airports where TAV operates. Today TAV IT has the distinction of being one of the few companies in the world that can design, build and operate integrated airport systems for turn-key operations within the same company.

The products of TAV IT are used at the İstanbul Atatürk Airport, Ankara Esenboğa Airport Domestic and International Terminals, İzmir Adnan Menderes Airport International Terminal and Tbilisi International Airport.

The integrated airport systems developed by TAV IT were used outside of TAV companies for the first time in February 2007 when installed at the Sabiha Gökçen Airport.

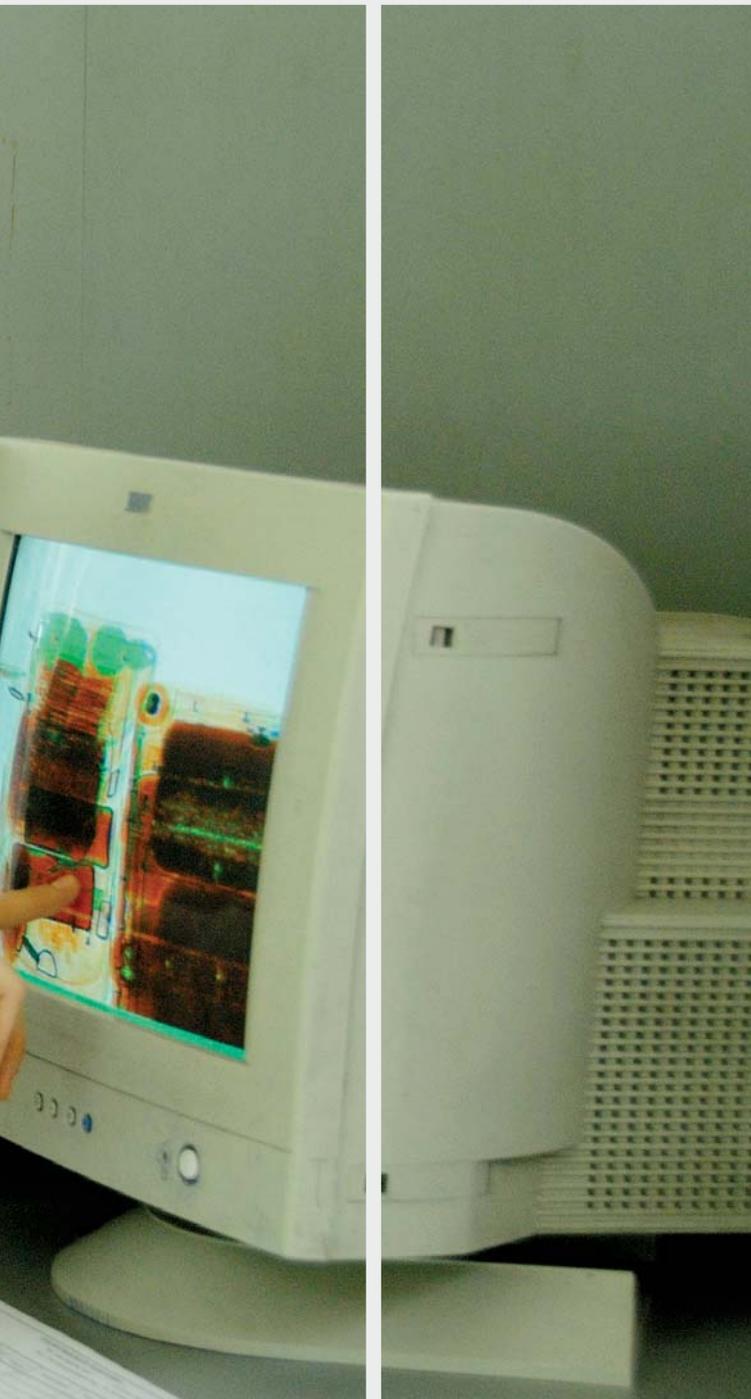
## 2006 ACTIVITIES SUBSIDIARIES

 TAV SECURITY

## You are safe at the airport: TAV Security

The extensive management staff of TAV Security consists of employees who have police, military and civilian backgrounds, international professional experience and training in domestic and international programs at civil aviation security areas as well as foreign language skills.





## TAV SECURITY

Security tops the list of vital subjects for airports that are visited by thousands of passengers every day. TAV Security serves alongside the police at all terminals operated by TAV, at all control points as well as in the car park area.

TAV Security operates in accord with the National Civil Aviation Security Program as well as the international standards and directives. The Company combined the experience and know-how of the public sector with the advantages of the private sector while forming its expert management staff. TAV security staff consists of expert employees who are police and military retirees as well as civilians with international professional experience, training in domestic and international programs in the civil aviation security area and foreign language skills.

*TAV Security serves alongside the police at all terminals operated by TAV, at all control points and the car park area.*

## 2006 ACTIVITIES FAIRS

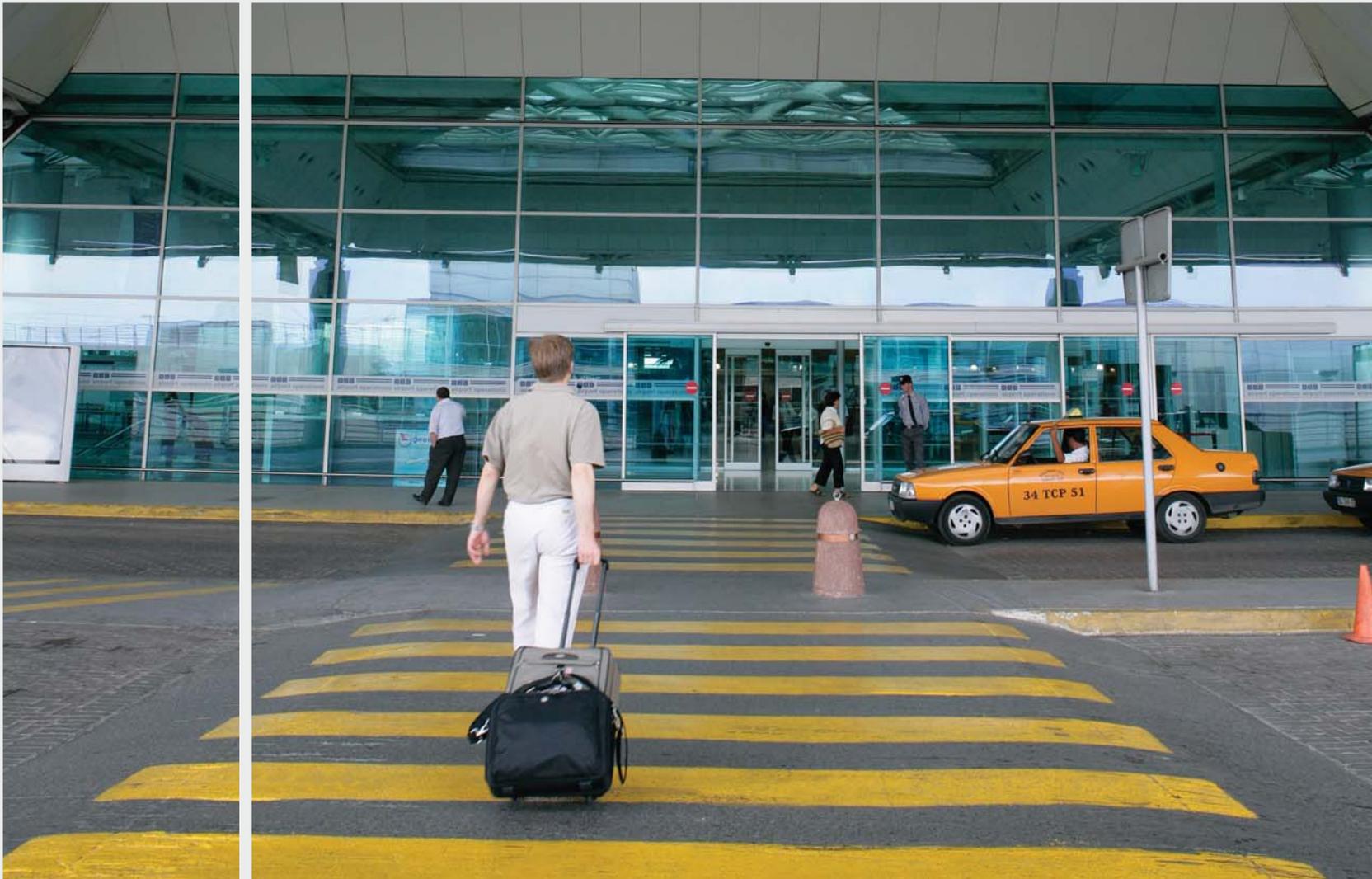


**AIREX 2006  
EXHIBITION**

**AIRSHOW  
FAIR**

**INTERNATIONAL  
TOURISM  
EXCHANGE FAIR**

**AVEX 2006  
AVIATION  
EXPO**



TAV continues to participate in trade fairs that contribute to the development of the Turkish aviation sector.



*It is extremely important for TAV Airports Holding to participate in this trade fair, representing Turkey's international brand.*

Trade fairs that bring together domestic and foreign aviation companies have worldwide significance. Following the developments in its sector closely, TAV Airports Holding participated in many of these events during the previous year and was met with great interest.

Observing that aviation and aviation technology is the fastest growing sector in the world, TAV management supports every effort that contributes to the Turkish aviation sector's development in the same direction and at the same pace as the rest of the world. Determined to maintain its leadership in this area with the projects it undertakes, TAV Airports Holding is focused on the decisive strategic position of Turkey in the best possible manner.

#### **AIREX 2006 Exhibition**

**The civil aviation trade fair Airex opened its doors to enthusiasts for the sixth time in its ten-year history. TAV Airports Holding was one of the main sponsors of this fair that had 40 airplanes and 113 companies on exhibit.**

TAV Airports Holding was a main sponsor of the Airex 2006 International Civil Aviation and Airports Exhibition, the largest civil aviation fair in the region after Paris and Dubai. At the exhibition organized on a total of 41,000 square meter site including 6,000 square meters of indoor area, including all major companies from the world of civil aviation, the TAV stand drew a lot of interest with its domestic and international projects as well as its ATÜ, BTA, HAVAŞ, TAV Air and primeclass companies.

Opened on June 8 at the İstanbul Atatürk Airport General Aviation Apron, the Airex Exhibition displayed the world's newest passenger planes, business jets and helicopters to their enthusiasts.

#### **Airshow Fair**

As a supporter of all efforts that contribute to the Turkish aviation sector in parallel with global innovations, TAV Airports Holding participated in the Airshow 2006 Fair that was held in Ankara on June 15-18.

Many companies that operate in the aviation sector exhibited their technology and products for the first time at Airshow 2006, which was organized by CNR International Fair Organizer at the Ankara Etimesgut Turkish Aeronautical Association facilities.

#### **International Tourism Exchange Fair**

TAV Airports Holding took part in the ITB International Tourism Exchange Fair that was held in Berlin, Germany on March 7-11, 2007. The TAV Airports Holding exhibition representing its duty free shopping services provider ATÜ, catering services provider BTA, ground handling company Havaş and TAV O&M subsidiaries Havaş Tourism and primeclass, was visited by the Turkish Minister of Tourism and Culture, Atilla Koç on the first day of the fair.

It is extremely important for TAV Airports Holding to participate in this expo as Turkey's international brand and primarily to promote Turkey as the face of the nation in Europe. The Company believes that airports are Turkey's most important windows to the rest of the world. As the

## 2006 ACTIVITIES FAIRS

Following developments in its sector closely, TAV Airports Holding participated in many fairs during the year and was met with great interest.





*TAV management supports every effort that contributes to the Turkish aviation sector's development paralleling the direction and the pace of the sector around the world.*



operator of these airports in the three largest Turkish cities, İstanbul Atatürk, Ankara Esenboğa and İzmir Adnan Menderes, TAV Airports Holding has an important responsibility in this respect.

TAV İzmir, an operating company within TAV Airports Holding, participated in the expo jointly with the Destination İzmir Group to promote the tourism potential of İzmir and its surrounding area. Destination İzmir aims to promote İzmir as a new destination for tourism while positioning itself abroad as a brand synonymous with excellent service.

#### **AVEX 2006 Aviation Expo**

TAV participated in the AVEX 2006 Aviation Expo that was held for the second time in Sharm El Sheikh, Egypt.

In addition to the aviation industry-related equipment and accessory companies, 53 leading aviation companies, such as Bombardier, Fraport A.G. and Dassault Aviation, from around the world participated in the expo that took place over four days.

TAV was the only Turkish company represented at this expo and drew heavy interest. It featured a static outdoor aircraft exhibit, a dynamic air show, an indoor exhibit for airplanes, related products and services, press conferences, seminars and technical sessions.

## INVESTOR RELATIONS DEPARTMENT

Compliance with the Corporate Governance Principles, transparency to the shareholders, equality, excellent service and confidence are among the indispensable principles of TAV.

The Investor Relations Department of TAV Airports Holding has been operational within the Company since September 2006. Following the public offering in February 2007, daily public disclosures to the shareholders are being carried out by this department. TAV Airports Holding management strives to be in a transparent, equal and close relationship with its shareholders in a manner compatible with the corporate governance principles.

The Department responded to information requests from many investors and equity analysts before and after the public offering and continuously provided information about financial reporting periods as well as new developments. The Department held meetings with approximately 113 investors and analysts before the public offering in major financial centers such as London, Frankfurt, Amsterdam, The Hague, Dubai, Stockholm, Paris, Milan and Zurich. As a result of these efforts, a corporate investor portfolio came about and domestic and international research departments began publishing TAV Airports Holding reports.

The duties and responsibilities of the Investor Relations Department are listed below:

- Ensuring that the records about the shareholders are kept accurately, reliably and up-to-date,
- Responding to written or verbal information requests from shareholders and potential investors about the Company unless the requested information is publicly unavailable, confidential or a trade secret, ensuring that publicly disclosed information reaches everybody accurately and simultaneously, and updating existing information,
- Preparing and sending the material disclosures to the Istanbul Stock Exchange,
- Inspecting all announcements to be made about the Company and preparing the announcements about financial results,
- Creating and updating the Investor Relations section on the Company website in order to transmit information to shareholders and potential investors, and using electronic communication means,
- Creating a database of domestic and foreign institutional investors and equity and sector analysts,
- Ensuring that the Company is represented in investor meetings in Turkey and abroad,
- Examining analyst reports,
- Monitoring General Assembly meetings for compliance with legislation in force, Company's Articles of Association and other Company rules,
- Preparing documents that will be beneficial to shareholders for the General Assembly meeting,
- Ensuring that meeting minutes are sent to the shareholders and
- Monitoring and overseeing every aspect of the public disclosure process for compliance with legislation.

Investor Relations Department makes every effort to use electronic communication means and the Company website in all of its endeavors. The contact information for the Investor Relations Department is posted on the [www.tavyatirimciliskileri.com](http://www.tavyatirimciliskileri.com) website and published in the working reports. Investor Relations Department can be reached at [yatirimciliskileri@tav.aero](mailto:yatirimciliskileri@tav.aero) for all requests and questions.

The following information is posted on the [www.tavyatirimciliskileri.com](http://www.tavyatirimciliskileri.com) website:

- Company history
- Current management and shareholding structure
- Summary balance sheet, income statement and cash flow statement
- Corporate governance guidelines
- Code of Ethics
- Board of Directors and Board Committees
- Most recent version of the Articles of Association and the dates and issue numbers of the trade registry gazettes where the amendments were published
- Prospectuses and public offering circular
- Trade registry information
- General Assembly meeting agenda, proxy form, minutes from meetings
- Periodic financial statements and reports
- Financial calendar
- Material disclosures
- Presentations
- Share information
- News updated by the data provider company
- Frequently asked questions
- Contact information

The Company presents its investors information about the sector outlook, Company's market share and profit/loss for the period as well as year-to-date profit/loss during the investor meetings organized by the Company. The Company also shares with its stakeholders its important projects and all other information that might be of interest to investors. All information about the meetings organized for this purpose is also posted on the Company website.

Upon receiving a question or an information request in writing directed to the Company, Investors Relations Department representatives respond to the inquiring person or entity and submit the answer or the requested information in writing or verbally based on all publicly disclosed information about the Company.

Investor Relations Department aims to continue to transmit strategic agenda and implementation plans to investors and analysts and maintain its close dialogue and relations with the existing and potential shareholders and analysts.

## TAV HUMAN RESOURCES

TAV Airports considers the investments in human resources as investments in the Company's future, quality and sustainability.

### Human Resources Policy

Being a company, managing its human capital, the main foundations of its success, at universal standards and with employees proud to be working for, is one of the main principles of TAV Airports Holding.

The main policy of the Company is to combine the requirements of the work with the skills and the capabilities of the individuals, and to select, develop, assess, and manage human resources in compliance with international standards, and with the principle of equal opportunities.

The human resources management is committed to create a dynamic atmosphere that allows development and innovation, to increase the performance of the employees, and therefore, to help accomplish the Company objectives in an effective and efficient manner. Accordingly, structural and corporate structures are created to meet the existing and future human resources requirements, and thus, to support the Group management.

### Corporate Governance

TAV Airports Holding, performing its business through employees and executives led by CEO, with oversight of the Board, has set out the Corporate Governance Principles in order to both meet the objectives of the Company, and to maintain and enhance the value created for the stakeholders.

The Board reviews the Company's corporate governance principles and practices regularly. TAV Management recognizes the impact of its business practices on third parties and that all Company initiatives must be responsive to the interest of customers, shareholders, employees, public officials, suppliers and community in general.

The Board established and has the responsibility for the administration of the TAV Code of Ethics in order to prevent ethical risks, provide guidance to the management to effectively recognize and deal with ethical issues, utilize mechanisms of reporting of unethical conduct, and help to foster and sustain a culture of honesty and accountability within the Company.

All directors, executives and employees accept the TAV Code of Ethics and the responsibility to avoid situations that present a potential or actual conflict between personal and Company's interests.

TAV Airports Holding conducts its business in compliance with applicable laws, rules and regulations. No director, executive or employee shall be involved in any unlawful activity in conducting its business and daily duties.

## CODE OF ETHICS

### **Conflict of interest**

While undertaking their corporate responsibilities, the employees are expected to hold the Company's interests above their own interests as well as interests of their families and acquaintances. The employees are to avoid any conduct that may be construed as pursuing the interests of their own or acquaintances. The possible cases of conflict of interests and the cases defined by the Company Management are shared with the employees and the management takes the necessary precautions.

### **Responsibility to take care in their duties**

The employees are responsible to carry out their duties carefully and to conduct their relations with the other employees, business partners and shareholders in compliance with the Code of Ethics. No employee may obtain benefits from third parties or corporations in relation with the works, may not engage in personal business activities, nor may demand/make payments.

### **The responsibility to protect the company assets and interests**

The employees are responsible to protect the assets and interests of the Company; and they have to abstain from all activities that may damage these. The employees may not utilise company means for their personal interests.

### **Confidentiality and responsibility to keep secrets**

All employees, regardless of whether it is related with their duties, are obliged to keep the information and trade secrets they have acquired regarding the work and the company. This liability survives after the termination of their relationship with the Company.

### **Public disclosure responsibility**

Information on behalf of the Company to third parties can only be disclosed by the employees authorised by the Management. The information to be given to the press, investors, and financial analysts is prepared in line with the disclosure policies of the Company.

### **The responsibility to comply with the laws, Company principles and rules**

All employees are obliged to comply with the laws; the rules and internal regulations stipulated by the Management regarding compliance, discipline, work safety and health.

### **The responsibility to be careful in conduct and relationships**

The employees are obliged to work in harmony with their colleagues and executives; to have good and proper relations with people and institutions that are related to the workplace, and to carry out his/her in line with ethical standards and in time.

## SOCIAL RESPONSIBILITY

The Company expends maximum effort to be sensitive to its social responsibilities in its operations.

### They also will Sponsor a Child's Education

Tenth of TAV Airports Holding's social responsibility project aimed to support children who need financial assistance to continue their education was carried out successfully.

Proceeds amounting to YTL 22,500 from the campaign organized by TAV Airports Holding was donated to the Turkish Human Resources Foundation and the Bilkent Foundations. This campaign known as the - Sponsor a Child's Education / One Book from You - provided educational support to needy children. 3,823 pieces of personal property, which were forgotten at the Terminal and reached the Lost & Found Office but were not claimed by their owners within the legal timeframe were offered to the Atatürk Airport staff for purchase at a sale held on September 16, 2006. These items, including clothes, suitcases, accessories, electronic devices, cell phones, cameras and video cameras, offered at the sale were met with great interest. Over 3,000 articles of clothing, which were not sold, were donated to the Büyükçekmece Municipality Social Assistance Foundation and Bahçelievler Shelter for Homeless Children.

YTL 158,000 in proceeds from the campaigns organized in previous years by TAV Airports Holding were donated to the Turkish Human Resources Foundation and the Bilkent Foundations, to provide educational support to needy children.

### Freddie Cole Took Stage in İstanbul

Freddie Cole, the younger brother of Nat King Cole, a legendary name in jazz history, and a jazz virtuoso at least as successful as his older brother, took stage in July at the İstanbul Jazz Center in an event sponsored by TAV Airports Holding. The world-renowned musician gave an unforgettable performance to the delight of jazz enthusiasts. Freddie Cole has an international fan base thanks to albums produced in the 1970s by British and European record companies. With his sincere, harmonious and comprehensible vocals and unique style, Freddie Cole is one of the most admired artists of the jazz world.

### TAV Airports Support at Musical Get-togethers

During the previous months, TAV participated as a sponsor to the International Music Convention and International Music Festival, events which attract great interest in the world of music.

The International Music Convention, organized by the Ministry of Culture of Turkey and Bilkent University to help document the inventory of Turkey's music culture, was held on May 29-31. The Convention took place at the Harbiye Military Museum under the honorary chairmanship of Professor Halil İnalçık. Eighty academic papers were presented, concerts were held at Aya İrini (St. Irene), İstanbul Archaeology Museum and Topkapı Palace and various workshops were organized during the Convention. The Convention was attended by foreign academics in addition to famous Turkish names such as Zülfü Livaneli, Orhan Gencebay, Leman Sam, Yalçın Tura, Erkan Oğur, Bülent Forta and İbrahim Yazıcı and was also followed by UNECSO.

The İstanbul Music Festival was another organization of worldwide importance for which TAV served as sponsor. Organized for the 34th time, İstanbul Music Festival brought music fans together from June 8 through June 24, 2006.

### Investment in the Environment by TAV Airports

TAV İzmir Forest is now blooming under the wings of airplanes approaching İzmir. TAV Airports Holding is contributing to the proliferation of forest areas in İzmir, the pearl of the Aegean.

Adopting environmentally sensitive policies as an inseparable part of its corporate values and corporate culture, TAV Airports Holding supported the tree-planting project in the area located three kilometers southwest of the İzmir Adnan Menderes Airport International Terminal. With the 100,000 trees donated by TAV, the TAV İzmir Forest was established. Residing on 625,000 square meters of land, TAV İzmir Forest noticeably enhanced İzmir's green areas. TAV İzmir Forest was established in an area of 2.75 hectares that had previously been destroyed by fire. The Environment and Forestry Directorate of the City of İzmir and the Aegean Forestry Foundation helped with this project. In a ceremony on April 26, 2006, TAV Airports Holding received a plaque from the Speaker of the Turkish Parliament, Bülent Arınç, recognizing its contributions to İzmir.

### Jack Welch's Winning

Jack Welch, creator of the General Electric legend, reveals the secrets of excelling at the corporate game in his book, Winning. From leadership to the choice of people who can effect change and the know-how to succeed, Welch details all aspects of life within a company.

In his foreword to the book, Dr. M. Sani Şener, CEO of TAV Airports states: "The primary reason for our contribution to the publication of this book in Turkey is our Company's commitment to social awareness as well as my faith in the validity of the management style promoted by Jack Welch's book and its relevance toward becoming a global company."

### Atatürk Photography Exhibit

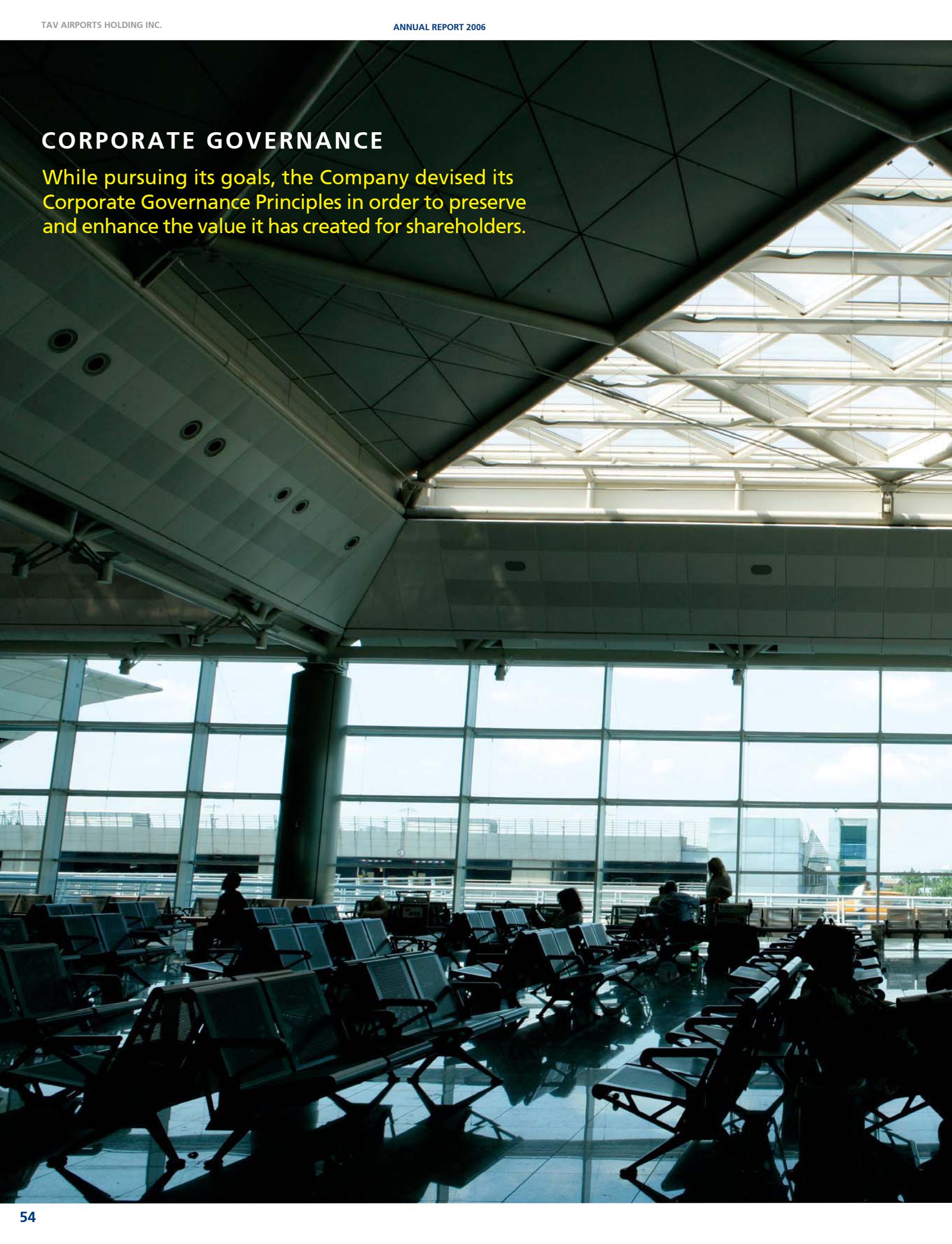
TAV Airports Holding, Turkey's international brand for airport operations, organized the Atatürk Photography Exhibit at the İstanbul Atatürk Airport, Ankara Esenboğa Airport Domestic and International Terminals and İzmir Adnan Menderes Airport International Terminal in celebration of the Turkish Republic Day on October 29th. These hand-picked photographs of the founder of modern Turkey, Mustafa Kemal Atatürk, reflect the first years of the Republic and have captured the admiration and interest of art enthusiasts. They were on display, from October 29 to November 10, 2006.

### Mine and Fatma Ünsal Art Exhibit

On December 28, 2006, with contributions from BTA, ATÜ, Adriyatik and Steelbird, the Mine and Fatma Ünsal art exhibit was opened to visitors at the Atatürk Airport International Terminal Departure Area and on display until January 12. In paintings that blend melancholy and irony together with her expressionist style, Mine Ünsal highlights subjective and imaginary sentiments rather than depicting objective facts. Fatma Ünsal, on the other hand, paints pictures showing the dynamics of life by setting them off from the ordinary.

## CORPORATE GOVERNANCE

While pursuing its goals, the Company devised its Corporate Governance Principles in order to preserve and enhance the value it has created for shareholders.





# TAV AIRPORTS HOLDING CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. Declaration of Compliance with the Corporate Governance Principles

TAV Airports Holding ("The Company") makes every effort, and will continue to make every effort, to comply with the Capital Markets Board Corporate Governance Principles originally published in July 2003 and later revised in February 2005, by the Capital Markets Board (CMB).

The Board of Directors, senior management and all employees of TAV Airports Holding have always supported the adoption of Corporate Governance Principles within the Company at every stage. Following the adoption of the Corporate Governance Principles, the Corporate Governance Report was announced to the public where the Company declares that all activities shall be undertaken in line with the principles of equality, transparency, accountability and responsibility.

## SECTION I-SHAREHOLDERS

### 2. Shareholder Relations Unit

The Company complies with the legislation, Articles of Association and other Company regulations on the issue of exercise of shareholder rights and takes necessary measures to facilitate the exercise of shareholder rights.

In order to oversee all relations with shareholders and establish the channels of communication between the Company and the shareholders, the Investor Relations Department was established within the Company in September 2006, before the initial public offering in February 2007.

Primary responsibilities of the Investor Relations Department are:

- Ensuring that the records about the shareholders are kept accurately, reliably and up-to-date,
- Responding to written or verbal information requests from shareholders and potential investors about the Company unless the requested information is publicly unavailable, confidential or a trade secret, ensuring that publicly disclosed information reaches everybody accurately and simultaneously, and updating existing information,
- Preparing and sending the material disclosures to the Istanbul Stock Exchange,
- Inspecting all announcements to be made about the Company and preparing the announcements about financial results,
- Creating and updating the Investor Relations section on the Company website in order to transmit information to shareholders and potential investors, and using electronic communication means,
- Creating a database of domestic and foreign institutional investors and equity and sector analysts,
- Ensuring that the Company is represented in investor meetings in Turkey and abroad,
- Examining analyst reports,
- Monitoring General Assembly meetings for compliance with existing legislation, Company's Articles of Association and other Company rules,

- Preparing the documents that will be beneficial to shareholders for the General Assembly meeting,
- Ensuring that meeting minutes are sent to the shareholders and
- Monitoring and overseeing every aspect of public disclosure process for compliance with legislation.

18.4% of the Company's shares are publicly held, approximately 90% of which reside in the portfolios of foreign investors.

The contact information for the Investor Relations Department is posted on <http://www.tavhavalimanlari.com.tr> and <http://www.tavyatirimciiliskileri.com> websites and published in the working reports. Investor Relations Department can be accessed at [yatirimciiliskileri@tav.aero](mailto:yatirimciiliskileri@tav.aero) for all requests and questions.

Persons in charge of relations with the shareholders are listed below:

Nursel İlgen, CFA - Investor Relations Manager  
Phone: +90 (212) 465 5555  
Facsimile: +90 (212) 465 3100  
e-mail: [nursel.ilgen@tav.aero](mailto:nursel.ilgen@tav.aero)  
[yatirimciiliskileri@tav.aero](mailto:yatirimciiliskileri@tav.aero)  
[investorrelations@tav.aero](mailto:investorrelations@tav.aero)

Mehmet Emin Zümrüt - Investor Relations Specialist  
Phone: +90 (212) 465 5555  
Facsimile: +90 (212) 465 3100  
e-mail: [mehmetemin.zumrut@tav.aero](mailto:mehmetemin.zumrut@tav.aero)  
[yatirimciiliskileri@tav.aero](mailto:yatirimciiliskileri@tav.aero)  
[investorrelations@tav.aero](mailto:investorrelations@tav.aero)

### 3. The Use of Shareholder's Right to Obtain Information

It is the Company's principle to treat all shareholders, potential investors and analysts equally with respect to exercise of rights to obtain and analyze information as well as to make all information disclosures to everybody simultaneously and with identical content. All information sharing is performed within the scope of the content previously disclosed to the public.

All information necessary for proper exercise of shareholder rights is shared promptly and conscientiously within the scope of the content previously disclosed to the public and in compliance with the information stipulated in Corporate Governance Principles Section II Article 1.11.5.

Many written and verbal information requests from the shareholders were responded to on an expedited basis under the supervision of the Investor Relations Department and in compliance with the Capital Markets Law. The Articles of Association currently do not recognize requests for assignment of a special auditor as an individual right. The Company did

not receive any requests for appointment of special auditors. However, Article 20.1 of the Company's Articles of Association authorizes shareholders to direct the attention of auditors to doubtful matters and request necessary explanations.

All necessary information that can impact the exercise of rights, regarding the matter of enhancement of shareholders' rights to obtain information, is presented to the shareholders in an up-to-date form on the Company website. All information on the Company website is presented in Turkish as well as in English in order to treat all shareholders, domestic and foreign, equally.

#### 4. Information on General Assembly

##### Information on General Assembly Meetings Held during 2006 and in Early 2007

The Ordinary General Assembly meeting regarding 2005 activities was held on April 5, 2006. In addition, during 2006 and in early 2007, four Extraordinary General Assembly meetings were held; the first one on April 28, 2006, the second one on July 21, 2006, the third one on December 8, 2006 and the fourth one on January 10, 2007. All of these General Assembly meetings took place before the TAV Airports Holding was listed on the Istanbul Stock Exchange. In compliance with Article 370 of the Turkish Commercial Code, all General Assembly meetings in 2006 were held with the participation of all shareholders and without public announcements. Decisions at all General Assembly meetings mentioned above were taken with unanimous vote.

##### Information on Ordinary General Assembly Meeting regarding 2006 Activities that will be Held on May 28, 2007

The Ordinary General Assembly meeting regarding 2006 activities will be held on May 28, 2007 at 10 a.m. at the Company headquarters. The announcement for the General Assembly including the necessary information about the meeting date and time, meeting location, agenda items, procedures for the attendance of shareholders in the meeting, proxy forms and arrangement procedure was published on pages 116 and 117 of the Turkish Trade Registry Gazette issue no. 6806 dated May 11, 2007. The announcement was also published in the daily Dünya Newspaper dated May 7, 2007.

In addition to the procedures stipulated by legislation, the General Assembly meeting announcement was also made available at the Company headquarters and on the Company website ([www.tavyatirimciiliskileri.com](http://www.tavyatirimciiliskileri.com)) 21 days prior to the meeting in an attempt to reach the maximum number of shareholders possible.

The General Assembly meeting announcement posted on the Company website included the meeting date and time, meeting location, agenda, the fact that the invitation was being extended by the Board of Directors and the procedures for the attendance of shareholders in the meeting.

The Company does not have any registered shares.

As of the date of the announcement inviting shareholders to the General Assembly meeting, financial statements and reports and the General Assembly agenda items were made available for examination at locations most easily accessible by shareholders.

There have been no major changes in the management or operational organization of the Company during the previous reporting period, nor are any such changes being planned for the subsequent periods.

Sample proxy statements are provided prior to the General Assembly meeting for those who want to attend the meeting by proxy and posted on the Company's website for shareholder use.

The Company did not receive any requests from the shareholders for adding items to the agenda.

The meeting procedure of the General Assembly facilitates maximum participation by shareholders.

The General Assembly meetings are carried out with the simplest possible procedures, at the lowest possible cost for the shareholders and in a manner that does not create any inequality between shareholders.

The Akfen Meeting Hall at the Company headquarters where the General Assembly meeting will take place can accommodate all shareholders.

The Company was unable to hold its Ordinary General Assembly meeting until the end of March since the Company must have reported its financial statements at the latest by the end of the first week of March for a General Assembly meeting to be held at the end of March. Since the Company is a holding company and is required to prepare its financial statements on a consolidated basis pursuant to the International Financial Reporting Standards (IFRS), preparation and public reporting of the financial statements within such a short amount of time was not possible. On the other hand, the CMB and ISE regulations allow the reporting of financial statements for year 2006 until April 13, 2007 (April 27, 2007 for TAV Airports Holding due to the additional two weeks granted to the Company). Therefore, the Ordinary General Assembly meeting to discuss the 2006 activities took place, as mentioned above, on May 28, 2007, in compliance with all required announcement periods. In conclusion, we believe that this practice violates neither the Capital Markets Law nor the Corporate Governance Principles.

During the General Assembly meeting, agenda items are presented in an objective, detailed, clear and comprehensible manner and the expressions do not allow for different interpretation; shareholders are given equal opportunity to voice their opinions and ask questions, thus creating a healthy discussion environment.

Minutes of the meetings are available on the Company website following the conclusion of the General Assembly meeting.

Pursuant to the Corporate Governance Principles of the Capital Markets Board, there are two independent members on the Company's Board of Directors. Shareholders were given the necessary information about the second independent Board member elected by the Board of Directors two weeks prior to the General Assembly date.

According to a provision of the Company's Articles of Association, the Board of Directors, without prejudice to the resolutions of the General Assembly, is authorized to take and give motions of waiver at the land registries on behalf

## TAV AIRPORTS HOLDING CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

of the Company regarding the purchase and sale of immovable property and assets, qualified as immovable pursuant to the Turkish Civil Code and associated rights, establish charges in favor of third parties on such immovable property and assets qualified as immovable and associated rights in short, medium and long term borrowings by presenting them as collateral, accept all charges presented by third parties in favor of the Company at any level and grade at the land register office, sign documents associated with such transactions and terminate such charges as necessary. Conversely, there are no provisions in the Company's Articles of Association requiring General Assembly resolution for important decisions such as splitting the company or purchase, sale or leasing of significant amount of property. In fact, we are of the opinion that if General Assembly resolutions were required for the mentioned or similarly significant decisions, the Company's activities would be significantly impeded, the management's ability to react to dynamic and fluid business opportunities would be harmed and all of the Company's partners would be harmed as a result.

### 5. Voting Rights and Minority Rights

#### Voting Rights

The Company avoids practices that make it difficult to exercise voting rights; all shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient manner.

According to the Company's Articles of Association, there are no privileges associated with voting rights. Therefore, there are no preferred stocks or different classes of shares in the Company.

Each share is entitled to one vote in the Company.

There is no Company regulation that restricts the exercise of shareholders' voting rights for a certain time period following the acquisition date of their shares.

The Company's Articles of Association do not contain any provision that prevents non-shareholders from voting in proxy as a representative of a shareholder.

The share capital of the Company does not involve any cross-shareholdings.

According to a provision in the Company's Articles of Association, votes are cast by raising hands at the General Assembly meetings unless resolved to secret ballot by a simple majority of all shareholders.

#### Minority Rights

The Company's Articles of Association contain a provision which stipulates that minority rights shall be granted to shareholders collectively holding at least 5% of the paid-in capital.

Exercise of minority rights in the Company is subject to the Turkish Commercial Code, the Capital Markets Law and related legislation, and communiqués and resolutions of the Capital Markets Board; the Company's Articles of Association do not contain any provisions in addition to the provisions mentioned above. The Company takes utmost care to ensure the exercise of minority rights in accord with the relevant legislation.

The Company's Articles of Association do not provide for cumulative voting.

#### Principle of equal treatment of shareholders

All shareholders, including minority and foreign shareholders, are treated equally.

### 6. Dividend Policy and Timing of Distribution

The Company makes its dividend distribution determinations taking into account the Turkish Commercial Code, Capital Markets Law, Capital Markets Board communiqués and resolutions, the Tax Laws and provisions of other relevant legislation as well as the Company's Articles of Association.

Accordingly, in principle, at least 20% of the "attributable net profit for the period," calculated based on the financial statements prepared within the scope of the Capital Markets Law and in compliance with the International Financial Reporting Standards (IFRS), is distributed, based on the General Assembly resolution, either in cash or as gratis shares issued by adding that amount to the Company's capital. It is among the Company's primary goals to adhere to this dividend policy barring investment and other fund requirements of the Company or its subsidiaries and affiliates necessitated by their long term growth prospects and extraordinarily unfavorable developments in the economy.

### 7. Transfer of Shares

The Company's Articles of Association do not contain any provisions that make it difficult for the shareholders to freely transfer their shares.

## SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Disclosure Policy of the Company

The Company has adopted behavior within the framework of equality, truthfulness, impartiality, consistency and promptness principles in information disclosure to all shareholders and other stakeholders.

#### Public Disclosure Principles and Tools

The information to be disclosed to the public is disseminated in a prompt, accurate, complete, comprehensible, easy to interpret, easily accessed with little cost and equal manner that will assist the persons and companies who will benefit from the disclosure in their decision making. TAV Airports Holding complies with the capital markets legislation and the Istanbul Stock Exchange regulations in all of its practices

regarding the issue of public disclosures. Having been offered to the public recently, the Company will also formulate and publicly announce the public disclosure policy defined in article 1.2.2 of Section II of the Capital Markets Board's Corporate Governance Principles in a manner that is compatible with the Capital Markets Board's Corporate Governance Principles. Information about the public disclosure principles and tools adopted by the Company are presented below:

The Investor Relations Department is responsible for overseeing and monitoring all issues related to public disclosures. Questions received from outside the Company are responded to by the CEO, the Finance Director (CFO), or within the knowledge of and authorization limits set by the CEO and the CFO, by the Investor Relations Department. All communications and meetings with the capital markets participants are carried out by the Investor Relations Department.

Aside from the channels stipulated by legislation, other public disclosure tools and methods such as press bulletins, electronic data distribution channels, e-mails, meetings with shareholders and potential investors as well as announcements posted on the Company website, are effectively utilized as well.

The Code of Ethics stipulated within TAV Airports Holding spell out the principles and rules that all managers and employees are obligated to comply with. These conduct rules are posted on the Company website for the public's information. According to the public disclosure responsibility provision of these rules, information on behalf of the Company can only be given to the third parties by the persons authorized by the management. This provision also stipulates that the information to be submitted to the press, investors and financial analysts is prepared in accord with the Company's public disclosure policies.

The Company informs the public when a material change occurs, or is expected to occur in the near future, in the financial standing and/or activities of the Company, as long as this does not violate any of the provisions in the relevant regulations.

The Company continuously updates and publicly announces any changes or developments that later arise regarding the public announcements made by the Company.

#### Periodic Financial Statements and Reports in Public Disclosures

The Company's financial statements and accompanying notes for year 2006 are prepared on a consolidated basis in accordance with CMB Communiqué Series: XI, No. 25 as well as the International Financial Reporting Standards (IFRS), independently audited and announced to the public.

Since the Company's shares were offered to the public in February 2007, our 2006 annual report, for the first time, was prepared in compliance with the Capital Markets Law, CMB regulations and CMB Principles.

#### Independent Audit Function

The independent audit company that was selected by the Board of Directors for a one-year term will be submitted to the General Assembly's approval at the General Assembly meeting that will take place on May 28, 2007. The Capital Markets Board communiqués and regulations and the Corporate Governance Principles are adhered to in selection of and execution of duties of the independent audit company.

#### 9. Material Disclosures

The developments that have the potential for impacting the value of the Company's capital market instruments are announced to the public on an expedited basis within the timeframe determined by the legislation. Since the day Company's shares were floated, the Istanbul Stock Exchange Bulletins contained 24 material disclosures from the Company. No warnings, corrections or requests for additional material disclosures were received from the CMB or the Istanbul Stock Exchange Management concerning the Company's material disclosures in 2007.

The Company has no additional disclosure obligations since the Company does not have any capital market instruments listed on foreign exchanges.

#### 10. The Company Website and its Contents

As stipulated by the CMB Principles, the Company website is actively used in public disclosures.

All subjects related to the Investors Relations Department are on the [www.tavairports.com](http://www.tavairports.com), [www.tavhavalimanlari.com.tr](http://www.tavhavalimanlari.com.tr) and [www.tavyatirimciiliskileri.com](http://www.tavyatirimciiliskileri.com) websites.

All information on the Company website is presented in English, as well as in Turkish, so that the foreign investors also benefit from it.

All publicly disclosed information by the Company is also available on the Company website. The Company letterhead clearly indicates the address of its website. The following information is posted on the [www.tavyatirimciiliskileri.com](http://www.tavyatirimciiliskileri.com) website:

- Company history
- Current management and shareholding structure
- Summary balance sheet, income statement and cash flow statement
- Corporate governance guidelines
- Code of Ethics
- Board of Directors and Board Committees
- Most recent version of the Articles of Association and the dates and issue numbers of the Trade Registry Gazette where the amendments were published
- Prospectuses and public offering circular
- Trade registry information
- General Assembly meeting agenda, proxy form, meeting minutes
- Periodic financial statements and reports
- Financial calendar
- Material disclosures
- Presentations
- Share information
- News updated by the data provider company
- Frequently asked questions
- Contact information

As one can see from this list, of the pieces of information listed in Article 1.11.5 of Section II of the Capital Markets Board's Corporate Governance Principles, the ones applicable to the Company are posted and updated on the Company website.

## TAV AIRPORTS HOLDING CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 11. Disclosure of Ultimate Controlling Shareholder(s)

The Company's ultimate controlling shareholding individuals, after netting out any indirect ownership relations, are presented in the table below:

Shareholder	Share Capital Ownership	
	(YTL)	Ratio (%)
Goldman & Sachs International *	69,750,000	28.80
Tepe İnşaat Sanayi A.Ş.	45,672,151	18.86
Akfen Holding. A.Ş.	38,022,747	15.70
Babcock & Brown Turkish Airports LLC	12,496,529	5.16
IDB Infrastructure Fund L.P.	11,924,792	4.92
Sera Yapı Endüstrisi ve Tic. A.Ş.	7,621,875	3.15
Global Investment House KSCC	7,265,625	3.00
Global Opportunistic Fund II Company BSCC	4,843,750	2.00
Akfen İnşaat Turizm ve Ticaret A.Ş.	27,529	0.01
Mehmet Cem Kozlu	2	<1
Free Float	44,562,500	18.40
<b>Total</b>	<b>242,187,500</b>	<b>100</b>

(\*) 34,875,000 of the shares owned by Goldman Sachs that correspond to 14.4% of the Company's issued and outstanding share capital have been provided by Tepe İnşaat Sanayi A.Ş. (17.437.500 shares), Akfen Holding A.Ş. (14.821.875 shares) and Sera Yapı Endüstrisi ve Ticaret A.Ş. (2.615.625 shares) to Goldman Sachs as collateral and the title of those shares have been transferred to Goldman Sachs for this purpose. There is a pledge granted by Goldman Sachs in favor of Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. As a result, the voting rights, rights of receiving dividends and pre-emption rights for participating in cash share capital increases in connection with those shares (except for acquiring gratis shares under any share capital increases) belong to Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş.

As can be seen from the table, there is no individual in the Company with ultimate controlling shares.

### 12. Public Disclosure of Insiders

Pursuant to Supplementary Article 1 of the Capital Markets Board's Serial: VIII No: 22 Communiqué on Principles Regarding the Sales Methods of Capital Market Instruments through Public Offering, members of the senior management and staff of TAV and its consolidated subsidiaries who are subject to Transactions Ban during the Public Offering are legally barred from directly or indirectly acquiring the TAV Airports

Holding shares offered to the public. Furthermore, the Company did not create a separate allocation group for the Employees in this public offering. The employees who are in this category are listed below:

- Members of the TAV Airports Holding Board of Directors;
- TAV Airports Holding CEO and General Secretary;
- TAV Airports Holding Directors;
- TAV Airports Holding Coordinators;
- The employees of the finance, reporting, accounting, project finance, investor relations and legal departments of TAV Airports Holding involved in the public offering process as well as managing personnel and related department managers who had strategic information about or were part of the public offering efforts;
- Members of the Board of Directors, General Managers and members of senior management teams, who possess strategic information as a result of their involvement in the public offering process or may possess such strategic information after the public offering, of TAV's consolidated subsidiaries (TAV İstanbul, TAV Esenboğa, TAV İzmir, TAV Georgia, Havaş Ground Handling, TAV O&M, TAV IT, TAV Security, ATÜ Duty Free and BTA Catering);
- Spouses and first degree blood and in-law relatives of the people listed above.

## SECTION III-STAKEHOLDERS

### 13. Informing the Stakeholders

The Company's corporate governance practices and code of ethics ensure the rights of stakeholders stipulated in legislation or mutual agreements.

Stakeholders are constantly informed within the framework of the Company's public disclosure policy.

The Company's employees are expected to fulfill their responsibilities and hold the Company's interests above their own, families' or acquaintances' interests while performing their jobs. The employees shall avoid any conduct that may be construed as pursuing their own or acquaintances' interests.

Foreseeable conflict of interest situations as well as situations defined by the Company management are shared with the employees and the Company management takes necessary precautions.

### 14. Participation of Stakeholders in Management

The Company does not have a formal model or mechanism for participation of stakeholders in management. However, independent members of the Board of Directors allow the representation of all stakeholders, as well as the Company and the shareholders, in management.

## 15. Human Resources Policy

- TAV Airports Holding human resources practices are determined by the Human Resources Policy and Fundamental Principles.
- The Company adopted the principle of offering equal opportunities to people with equal qualifications in recruitment, training and development, remuneration and career planning.
- Recruitment criteria are documented in writing and are followed in practice.
- The Company treats its employees equally in development and promotion opportunities and devises development policies and plans for the employees to improve their skills and experience.
- Decisions and developments concerning the employees are transmitted via the Corporate Intranet and the Corporate Magazine, which were established to enhance and accelerate communication among employees.
- Job descriptions and performance evaluation and rewarding criteria of the employees are determined by the managers and shared with the employees.
- Relations with employees are carried out by the Human Resources Directorate. The Company does not discriminate between its employees. No complaints related to discrimination were received from the employees.

## 16. Information about Relations with Customers and Suppliers

Since the Company is a holding company, it is not directly involved in any operation. Therefore, it does not have any direct relationships with customers or suppliers.

As a holding company, TAV Airports Holding determines the general policies in the arrangements and practices that are geared toward achieving the satisfaction of the customers of its subsidiaries and provides maximum support to its subsidiaries. Within this framework, surveys are conducted for quality control as well as customer satisfaction enhancement purposes, customers are provided with opportunities to easily communicate their demands and complaints are responded to and resolved as soon as possible.

## 17. Social Responsibility

The Company expends maximum effort to be sensitive to its social responsibilities in its operations, complies with all regulations regarding the environment, consumers and public health as well as ethics rules, and directs and supports its subsidiaries to behave in the same manner. The Company's terminal operating subsidiaries conduct their operations in compliance with the environmental legislation in force, directives and guidelines of international aviation organizations such as ICAO, ECAC, EUROCONTROL and IATA, as well as the Equator Principles of the World Bank.

Due to the nature of their operations, the Company and its subsidiaries are not legally obligated, within the scope of the Environment Law and its related legislation, to produce environmental impact assessment reports. Nevertheless, the Company's relevant subsidiaries prepared environmental reports and environmental management plans during both the construction and operation phases of the terminals and comply with the updated environmental management plans.

Furthermore, the Company's subsidiaries have international quality control plans for their operation areas and quality control audits are conducted in compliance with the international standards.

There is currently no lawsuit, other legal controversy or sanction against the Company or its subsidiaries related to the matters mentioned above.

### Sponsor a Child's Education / One Book from You

A tenth of TAV Airports Holding's social responsibility project aimed to support children who need financial assistance to continue their education was carried out successfully.

Proceeds amounting to YTL 22,500 from the Sponsor a Child's Education / One Book from You campaign organized by TAV Airports Holding was donated to the Turkish Human Resources Foundation and the Bilkent Foundation. 3,823 pieces of personal property, which were forgotten at the Terminal and reached the Lost & Found Office but could not be delivered to their owners within the legal timeframe, were offered to the Atatürk Airport staff for purchase at a sale held on September 16, 2006. These items, including clothes, suitcases, accessories, electronic devices, cell phones, cameras and video cameras, offered at the sale were met with great interest.

Over three thousand pieces of clothing, which were not sold because they were used, were donated to the Büyükçekmece Municipality Social Assistance Foundation and Bahçelievler Shelter for Homeless Children.

YTL 158 thousand proceeds from the campaigns organized in the previous years by TAV Airports Holding with the slogan Sponsor a Child's Education / One Book from You was donated to the Turkish Human Resources Foundation and the Bilkent Foundations, which give education support to children.

### Freddie Cole Took Stage in Istanbul

Freddie Cole, the younger brother of Nat King Cole, a legendary name in jazz history, and a jazz virtuoso at least as successful as his older brother, took stage in July at the Istanbul Jazz Center in an event sponsored by TAV Airports Holding. The world-renowned musician gave an unforgettable performance to the delight of jazz enthusiasts. Freddie Cole has an international fan base thanks to albums produced in the 1970s by British and European record companies. With his sincere, harmonious and comprehensible vocals and unique style, Freddie Cole is one of the most admired artists of the jazz world.

### TAV Airports Support at Musical Get-togethers

During the previous months, TAV participated as a sponsor to the International Music Convention and International Music Festival, events which attract great interest in the world of music.

The International Music Convention, organized by the Ministry of Culture of Turkey and Bilkent University to help document the inventory of Turkey's music culture, was held on May 29-31. The Convention took place at the Harbiye Military Museum under the honorary chairmanship of Professor Halil İnalçık. Eighty academic papers were presented, concerts were held at Aya İrini (St. Irene), Istanbul Archaeology Museum and Topkapı Palace and various workshops were organized during the Convention. The Convention was attended by foreign academics in addition to famous Turkish names such as Zülfü Livaneli, Orhan Gencebay, Leman Sam, Yalçın Tura, Erkan Oğur, Bülent Forta and İbrahim Yazıcı and was also followed by UNECSO.

## TAV AIRPORTS HOLDING CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The İstanbul Music Festival was another organization of worldwide importance for which TAV served as sponsor. Organized for the 34th time, İstanbul Music Festival brought music fans together from June 8 through June 24, 2006.

### Investment in the Environment by TAV Airports

TAV İzmir Forest is now blooming under the wings of airplanes approaching İzmir. TAV Airports Holding is contributing to the proliferation of forest areas in İzmir, the pearl of the Aegean.

Adopting environmentally sensitive policies as an inseparable part of its corporate values and corporate culture, TAV Airports Holding supported the tree-planting project in the area located three kilometers southwest of the İzmir Adnan Menderes Airport International Terminal. With the 100,000 trees donated by TAV, the TAV İzmir Forest was established. Residing on 625,000 square meters of land, TAV İzmir Forest noticeably enhanced İzmir's green areas. The TAV İzmir Forest was established in an area of 2.75 hectares that had previously been destroyed by fire. The Environment and Forestry Directorate of the City of İzmir and the Aegean Forestry Foundation helped with this project. In a ceremony on April 26, 2006, TAV Airports Holding received a plaque from the Speaker of the Turkish Parliament, Bülent Arınç, recognizing its contributions to İzmir.

### Jack Welch's Winning

Jack Welch, creator of the General Electric legend, reveals the secrets of excelling at the corporate game in his book, Winning. From leadership to the choice of people who can effect change and the know-how to succeed, Welch details all aspects of life within a company.

### Atatürk Photography Exhibit

TAV Airports Holding, Turkey's international brand for airport operations, organized the Atatürk Photography Exhibit at the İstanbul Atatürk Airport, Ankara Esenboğa Airport Domestic and International Terminals and İzmir Adnan Menderes Airport International Terminal in celebration of the Turkish Republic Day on October 29th. These hand-picked photographs of the founder of modern Turkey, Mustafa Kemal Atatürk, reflect the first years of the Republic and have captured the admiration and interest of art enthusiasts. They were on display, from October 29 to November 10, 2006.

### Mine and Fatma Ünsal Art Exhibit

With contributions from BTA, ATÜ, Adriyatik and Steelbird, the Mine and Fatma Ünsal art exhibit was open to visitors at the Atatürk Airport International Terminal Departures Area from December 28, 2006 until January 12, 2007.

## SECTION IV-BOARD OF DIRECTORS

### 18. The Structure and Formation of the Board of Directors and Independent Members

The formation and election of the Board of Directors conform to the Corporate Governance Principles and the procedures regarding this issue are set forth in the Company's Articles of Association. Accordingly;

- The Company is managed by a Board of Directors comprised of at least 15 members elected by the General Assembly from among shareholders. Two Board members are required to be independent members as defined by the Capital Markets Board's Corporate Governance Principles.
- Members of the Board of Directors can be elected to serve for a maximum of three years and until their successors are elected. A Board member whose term has expired can be re-elected. The General Assembly may replace the Board members at any time as it deems necessary.

The names of the Board Members appointed in accordance with the Company's Articles of Association are presented below:

Hamdi Akın (Chairman of the Board of Directors)  
Ali Haydar Kurtdarcan (Vice Chairman of the Board of Directors and Chairman of the Audit Committee)  
Dr. Mustafa Sani Şener (President and CEO)  
İbrahim Süha Güçşav  
İlhan İl  
Mustafa Kalender  
Süleyman Son  
İrfan Erciyas  
Şeref Eren  
Mehmet Erdoğan  
Mumtaz Khan  
Shailesh Kumar Dash  
James Bernard Farley  
Mehmet Cem Kozlu (Independent member and Chairman of the Corporate Governance Committee)  
Pierre de Champfleury (Independent member)

13 of the 15 members of the Board of Directors are non-executive members (more than half of the Board of Directors) whereas two are executive members. The Chairman of the Board of Directors is not the same person as the President and CEO. The number of Board members that are eligible to represent and bind the Company is six.

Of the members of the Board of Directors, Mehmet Cem Kozlu qualifies as an independent member based on the independence criteria in the CMB Corporate Governance Principles. No situation arose in the reporting period that would terminate the independent status of the Company's independent Board Members.

With the TAV Airports Holding Board of Directors' resolution on May 15, 2007, Pierre de Champfleury was elected to serve as an independent Board member within the framework of the Capital Markets Board's Corporate Governance Principles to fill the Board Member post vacated by the resignation of Board Member Ahmet Ersagun Yücel; de Champfleury will be presented to the General Assembly for approval at the Ordinary General Assembly meeting that will take place on May 28, 2007.

The independent members of the Board of Directors are obligated to submit a written declaration of independence to the Board of Directors and immediately inform the Board of Directors when their independent status terminates.

The Company does not impose any rules or restrictions on its Board Members for assuming additional duties outside of the Company.

### 19. Qualifications of Board Members

The Company expends maximum effort to ensure that the nominated and appointed members of its Board of Directors possess the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the CMB's Corporate Governance Principles. The Company's current Board members possess these qualifications.

The Board of Directors is structured to ensure maximum influence and effectiveness and in compliance with the CMB Principles. The Company's Articles of Association do not contain any provisions on this issue. Backgrounds of the members of the Company's Board of Directors are presented in our annual report.

## 20. Mission, Vision and Strategic Goals of the Company

### Our Vision

To become the leader and the pioneer airport operating company in our targeted regions (the Middle East, North Africa, Commonwealth of Independent States, Caucasus and Eastern Europe).

### Our Mission

To create the highest value for all stakeholders in airport operations with a customer-focused management approach.

### Our Strategic Goals

The Company's general strategic goals are specified below:

- To achieve long term, sustainable and profitable growth
- To maintain and make permanent our leadership in the domestic market and to become the leader or the leader's closest pursuer at the international level in the upcoming period

The Board of Directors, through discussions with the CEO and the Group Directors, sets the strategic goals for the relevant periods.

## 21. Risk Management and Internal Control Mechanism

Internal control function is performed by the Audit Department and the Audit Committee that were established within the corporate structure. The Audit Department and the Audit Committee of the Company implement active and efficient internal control systems as well as adequacy and process audits in the Company with a systematic and disciplined method. Risk-focused audit is a part of this process as well.

## 22. Authorities and Responsibilities of the Board Members and Executives

The authorities and responsibilities of the Board of Directors are defined in the Company's Articles of Association in a manner that is consistent with the Board's functions, that does not leave room for any doubt and that is clearly distinguishable and identifiable from the authorities and responsibilities of the General Assembly.

All partners are obligated to keep confidential the Company secrets forever, regardless of how they learned those secrets, even after losing their shareholding rights. The partners who fail to meet this obligation are liable to the Company for the damages this may cause. However, the provisions of this article are not applicable for information that needs to be disclosed pursuant to the Capital Markets Law.

## 23. Operating Principles of the Board of Directors

The Board Members are provided with timely access to any information they need to fully execute their duties.

The Board of Directors issues a separate resolution for the approval of the financial statements and the accompanying notes, the independent audit report, the "corporate governance compliance report" and the annual report.

According to the Company's Articles of Association, quorum for the meetings of the Board of Directors is one plus the half of the number of board members.

A Board of Directors Secretariat, which serves all Board Members and reports to the Chairman of the Board of Directors, is formed to properly maintain documents related to Board meetings.

Board of Directors meetings are planned and held in an effective and efficient manner. As stipulated in the Company's Articles of Association;

- The Board of Directors shall meet as the business and transactions of the Company require. However, it is required that the Board of Directors meets at least once every 3 (three) months.
- The Chairman, Vice Chairman or any member of the Board of Directors has the right to call the Board of Directors for a meeting and/or include any subject in the agenda that he/she wants discussed by making an invitation to all members of the Board of Directors at least 7 (seven) days in advance.
- Such meeting invitations shall be made via facsimile. Members of the Board of Directors may waive these meeting formalities in writing.
- Board of Directors meetings are held at the Company Headquarters, unless decided otherwise.
- Every member of the Board of Directors is entitled to one vote. Board Members do not have weighted voting rights or affirmative/negative veto rights.

## TAV AIRPORTS HOLDING CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Unless otherwise resolved by the General Assembly, the Board of Directors has the following duties:

- To make proposals to the General Assembly on distribution of Company profits, creation of all reserve funds, changing the location of the Company Headquarters, opening and closing of branches and liaison offices; to present information and reports to the General Assembly on the Company's investment and finance policies, annual financial statements and reports, annual budget and organizational structure;
- To make proposals to the General Assembly for amendments and corrections in the Articles of Association and for reducing or increasing the Company's capital;
- To invite the General Assembly for meetings;
- To keep the following ledgers in addition to the ledgers that all merchants are obligated to keep:  
General Assembly Resolution Book: Contains the meeting minutes of the General Assembly Resolutions.  
Board of Directors Resolution Book: Contains the minutes of the Board of Directors meetings.
- To prepare the balance sheet for the previous fiscal year as required by Turkish Laws and present to the shareholders for review 15 (fifteen) days prior to the General Assembly, and to maintain all ledgers;
- In addition to the balance sheet at the end of every fiscal year, to present to the shareholders for review at least 15 (fifteen) days prior to the General Assembly a report that includes the commercial, financial and economic state of the Company, a summary of transactions and a proposal for dividend payment to the shareholders and the reserves to be set aside;
- To approve the annual budget of the Company;
- To perform all actions, so long as they fall within the purview of the authority and responsibility of the Board of Directors, that should be performed by the Board of Directors pursuant to the provisions, of the Articles of Association, the Turkish Commercial Code and the Capital Markets Law;
- To prepare the financial statements, to have these financial statements independently audited and reported to the public within the framework of the Capital Markets Board regulations.

### 24. Prohibited Dealings and Competition with the Company

Pursuant to the provisions of Article 22 of the Company's Articles of Association, members of the Board of Directors cannot engage in the transactions stipulated in articles 334 and 335 of the Turkish Commercial Code without prior approval of the General Assembly.

At the General Assembly meeting that will take place on May 28, 2007, a proposal will be presented for shareholder approval to authorize the Chairman and the members of the

Board of Directors to perform the transactions stipulated in articles 334 and 335 of the Turkish Commercial Code regarding the ban on doing business with the Company and the non-compete clause.

### 25. Code of Ethics

The Company has documented its Code of Ethics in writing and publicly announced it on the Company website within the framework of its disclosure policy. The Board of Directors expends best efforts to ensure that the Code of Ethics devised for the Company and its employees is properly implemented.

TAV Airports Holding's Code of Ethics sets out the rules and principles that all executives and employees are obligated to comply with in order to contribute financial value to its shareholders and to enhance its corporate value.

With this Code of Ethics, it is aimed to ensure that the TAV executives' and employees' conducts are of highest standards, they are aware of the corporate impacts of their conduct and attitudes and the best methods are employed in Company activities and ethics of highest standards are displayed by shareholders.

The Code of Ethics is published on the Corporate Intranet and the Company's internal media and communicated to the employees during the programs held for the employees.

#### Our Corporate Values

**Professionalism:** TAV employees perform their jobs diligently and at the highest standards while following global developments in relation to their jobs. In all their relationships, their jobs and job-related priorities are taken into consideration.

**Respect:** TAV employees prioritize respect for people, environment, laws and regulations and acting in line with the ethical standards as a fundamental rule. They behave in an honest, transparent, fair and responsible manner in all their endeavors.

**Dynamism:** TAV employees have adopted the principle of working dynamically and flexibly. They work in a rapid result-focused manner under all circumstances. Continuously checking the environment and monitoring change, the employees respond and adapt promptly.

**Innovation:** TAV employees constantly create, improve and innovate new opportunities for customer satisfaction-focused processes, aware that the difference stems from innovative practices. They expend their best efforts to make their services different, contemporary and creative.

**Teamwork:** TAV employees are aware that cooperation, interdependency, expertise and the sharing of knowledge are the building blocks of success. They consider teamwork the assurance of personal success as well and support teamwork in all of their work efforts.

Every member of the Board of Directors, management team and employees are expected to comply with the TAV Airports Holding Code of Ethics specified below:

#### **Conflict of interest**

While undertaking their corporate responsibilities, the employees are expected to hold the Company's interests above their own interests as well as interests of their families and acquaintances. The employees are to avoid any conduct that may be construed as pursuing the interests of their own or acquaintances. The possible cases of conflict of interests and the cases defined by the Company Management are shared with the employees and the management takes the necessary precautions.

#### **Responsibility to take care in their duties:**

The employees are responsible to carry out their duties carefully and to conduct their relations with the other employees, business partners and shareholders in compliance with the Code of Ethics. No employee may obtain benefits from third parties or corporations in relation with the works, may not engage in personal business activities, nor may demand/make payments.

#### **The responsibility to protect the Company assets and interests**

The employees are responsible to protect the assets and interests of the Company; and they have to abstain from all activities that may damage these. The employees may not utilise Company means for their personal interests.

#### **Confidentiality and responsibility to keep secrets**

All employees, regardless of whether it is related with their duties, are obliged to keep the information and trade secrets they have acquired regarding the work and the Company. This liability survives after the termination of their relationship with the Company.

#### **Public disclosure responsibility**

Information on behalf of the Company to third parties can only be disclosed by the employees authorised by the Management. The information to be given to the press, investors, and financial analysts is prepared in line with the disclosure policies of the Company.

#### **The responsibility to comply with the laws, Company principles and rules:**

All employees are obliged to comply with the laws; the rules and internal regulations stipulated by the Management regarding compliance, discipline, work safety and health.

#### **The responsibility to be careful in conduct and relationships:**

The employees are obliged to work in harmony with their colleagues and executives; to have good and proper relations with people and institutions that are related to the workplace, and to carry out his/her in line with ethical standards and in time.

## **26. The Number, Structure and Independence of Board Committees**

In line with the Capital Markets Board Corporate Governance Principles, a Corporate Governance Committee and an Audit Committee, which report to the Board of Directors, were formed within the Company.

#### **• Corporate Governance Committee**

Reporting directly to the Board of Directors, the Corporate Governance Committee assists the Board of Directors on the formation and development of structures and practices necessary for TAV to be managed in accordance with internationally accepted corporate governance principles, and remuneration of and coordination of development and career planning activities for high-level executives.

Members of the Corporate Governance Committee are listed below:

Mehmet Cem KOZLU (Chairman, Member of the Board of Directors, TAV Airports Holding)  
 Özlem TEKAY (Human Resources Director, TAV Airports Holding)  
 Aziz Murat ULUĞ (Finance Director, TAV Airports Holding)  
 Ümit KAZAK (Logistics and Contracts Director, TAV Airports Holding)

#### **• Audit Committee**

Reporting directly to the Board of Directors, the Audit Committee assists the Board of Directors in ensuring that the Company practices are in compliance with the domestic and international laws and legislation, contributing to the improvement of business processes through their audits and coordinating the activities to be undertaken for ensuring information transparency.

Members of the Audit Committee are listed below:

Ali Haydar KURTDARCAN (Chairman, Vice Chairman of the Board of Directors, TAV Airports Holding)  
 Önder SEZGİ (Financial Affairs and Audit Director, Bilkent Holding)  
 Şeref EREN (Consultant, TAV Airports Holding)  
 Oktay UĞUR (Financial Affairs Coordinator, Akfen Holding)  
 Tansel SARAÇ (Capital Markets Manager, Akfen Holding)  
 James Bernard FARLEY (Member of the Board of Directors, Babcock&Brown Turkish Airports LLC)  
 Halil EMECEN (Executive Director, Goldman Sachs International)  
 Nrupaditya SINGHDEO (Investments Senior Manager, Global Investment House KSCC)  
 Altuğ KORALTAN (Internal Audit Director, TAV Airports Holding)

## **27. Remuneration of the Board of Directors**

Within the framework of the Capital Markets Board's Corporate Governance Principles, it was determined that the Company shall make an annual net payment of US\$ 50,000 to each Independent Member of the Board of Directors, not pay any salary or attendance fee to the other members of the Board of Directors and not pay any salary to the members of the Audit Committee.

## TAV AIRPORTS HOLDING AGENDA FOR THE GENERAL ASSEMBLY MEETING DATED MAY 28, 2007

1. Opening; formation of the Chairmanship Committee
2. Authorization of the Chairmanship Committee to sign the General Assembly Meeting Minutes
3. Reading, discussion and approval of the Company's Board of Directors Activity Report and the Statutory Auditors' Report for year 2006
4. Reading, discussion and approval of the 2006 Balance Sheet and Income Statement
5. Presentation for information of and approval by the General Assembly the fact and the proposal that the Company shall not make a dividend payment to the shareholders since the Company has net a loss from previous years as of the end of 2006 fiscal year
6. Formal discharge of the Board of Directors and the Audit Committee for the Company's 2006 activities
7. Determination of the salaries and attendance fees of the Members of the Board of Directors and the Audit Committee
8. Replacement of the Board Members whose terms have expired and determination of length of term for the newly appointed Board Members
9. Replacement of the Audit Committee whose terms have expired and determination of length of term for the newly appointed Audit Committee
10. Presentation of the Independent Audit Company selected by the Board of Directors for General Assembly approval
11. Presentation of information to the General Assembly about the dividend distribution policy determined by the Board of Directors for 2007 and the following years
12. Presentation of information to the General Assembly about the donations made by the Company during 2006
13. Authorization of the Chairman and the Members of the Board of Directors to perform the transactions stipulated in articles 334 and 335 of the Turkish Commercial Code
14. Requests and wishes
15. Closing

# Statutory Auditors' Report

## TO THE ANNUAL ORDINARY GENERAL ASSEMBLY OF THE TAV AIRPORTS HOLDING INCORPORATED

Title	:	TAV Airports Holding Inc.
Headquarters	:	Istanbul
Capital	:	YTL 242,187,500
Operation Area	:	Airports, Investment and Operational Activities related to Airport Terminal Construction and Operations, participation in and provision of management and financing services to companies that operate in these areas.
Names and Duty Terms of Auditors, Partnership and Employment Relationship of Auditors with the Company	:	Önder SEZGİ and Mahmut YÜKSEL. Our duty terms are 1 (one) year. We do not have partnership in the Company. We are not Company employees.
Number of Board of Directors Meetings attended and Board of Audit Committee Meetings held	:	Six (6) Board of Audit Committee meetings were held.
Scope of auditing of the accounts, books and documents of the Company, dates of auditing and the results obtained	:	Inspections and audits have been performed in the first weeks of the 3rd, 6th, 9th and 12th months from the perspective of the Tax Legislation and Commercial Law and no issue for criticism was identified.
Number and results of treasury counts performed in accordance with the Turkish Commercial Code, Article 353, paragraph 1, and subparagraph 3	:	During the audits, cash counts were performed, count records were prepared, and as a result of the count, it was determined that the actual situation was in keeping with the records.
Dates and results of audits performed in accordance with the Turkish Commercial Code Article 353, paragraph 1, and subparagraph 4	:	A treasury count in the first day of each month was performed and it was observed that all securities were in keeping with the records.
Complaints and frauds reported and procedures initiated with respect to these	:	No complaint or fraud has been reported.

We have studied the accounts and transactions of TAV Airports Holding Inc. for the period January 1, 2006 - December 31, 2006 in accordance with the Turkish Commercial Code, the Company's Articles of Association and other legislation as well as generally accepted accounting principles and standards.

In our opinion, the balance sheet of the Company as of December 31, 2006, whose contents we have studied, correctly reflect the financial condition of the Company on the same date; the income statement of the Company for the period January 1, 2006 - December 31, 2006, whose contents we have studied as well, correctly reflect the operation results of the Company during the period in question and the dividend proposal complies with the laws and the Company's Articles of Association.

We propose that you approve the balance sheet and the income statement and that the Board of Directors is released from liability.

BOARD OF AUDIT COMMITTEE



Önder SEZGİ



Mahmut YÜKSEL



**TAV HAVALİMANLARI HOLDİNG A.Ş.  
AND ITS SUBSIDIARIES (previously known as  
“TAV Havalimanları İşletme A.Ş.”)**

**CONSOLIDATED FINANCIAL  
STATEMENTS AS AT 31 DECEMBER 2006**



# Deloitte.

DRT Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
Sun Plaza  
No: 24  
34398 Maslak  
İstanbul, Türkiye

Tel : (212) 366 60 00  
Fax : (212) 366 60 10  
www.deloitte.com.tr

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
TAV Havalimanları Holding A.Ş

### Report on the Financial Statements

1. We have audited the accompanying financial statements of TAV Havalimanları Holding A.Ş. ("the Company") and its subsidiaries (together the "Group"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2006 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").
7. Without qualifying our opinion we draw your attention to the following:

The Group was not in compliance with certain of its loan covenants and, accordingly, the associated long term loans in the amount of EUR 727,999,633 have been classified as short term loans as of 31 December 2006 in accordance with IAS 1 "Presentation of Financial Statements" paragraph 65. As a result, the Group's current liabilities exceed its current assets by EUR 399,059,211 as of 31 December 2006. However, after the completion of a Group restructuring (as described in Note 1 B) and completing certain actions required by its lenders, the Group has received letters from its lenders on 22 January 2007 that waive all events of default.

8. The Company has to report its financial statements in accordance with Financial Reporting Standards published by Capital Market Board ("CMB") in Turkey. If any company who needs to report under regulations of CMB presents any financial information to the public that is not in accordance with its standards, it is treated as they publish inaccurate or missing information to the public. The attached financials and notes to the financial statements were not prepared in accordance with CMB standards, therefore any information in this report should not be used or issued directly or indirectly for the use of public. And accordingly we don't accept any responsibility on disclosing any part of this report to the public.

### DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU



Selçuk Ürkmez  
Partner  
İstanbul, 27 April 2007

Member of  
Deloitte Touche Tohmatsu

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Amounts expressed in Euro unless otherwise stated)

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	11,672,235	10,928,081
Restricted bank balances	6	318,106,441	135,428,001
Investments held for trading	7	157,729	610,178
Trade receivables (net)	8	20,775,578	11,741,203
Trade receivables from related parties	9	4,752,839	535,994
Inventories	10	7,882,551	5,339,262
Prepaid concession expenses, current portion	15	144,874,578	117,289,312
Other receivables and current assets	11	35,409,916	29,636,084
<b>Total Current Assets</b>		<b>543,631,867</b>	<b>311,508,115</b>
<b>NON CURRENT ASSETS</b>			
Long term trade receivables (net)		902	127,167
Investments to associates	7	742,801	28,086
Long term loan receivable from related parties	9	10,638,293	202,985,126
Goodwill	12	72,717,730	72,717,730
Property, plant and equipment	13	33,806,957	18,227,224
Other intangible assets	16	18,131,797	14,833,834
Built-operate-transfer (BOT) Inventory	10	3,630,513	9,802,672
Built-operate-transfer (BOT) Investment (net)	14	441,200,616	134,333,720
Prepaid concession expenses	15	191,357,006	308,187,815
Other non-current assets	11	27,548,738	56,115,903
Deferred tax assets	23	12,805,542	20,275,136
<b>Total Non-Current Assets</b>		<b>812,580,895</b>	<b>837,634,413</b>
<b>TOTAL ASSETS</b>		<b>1,356,212,762</b>	<b>1,149,142,528</b>

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Amounts expressed in Euro unless otherwise stated)

### LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	31 December 2006	31 December 2005
<b>CURRENT LIABILITIES</b>			
Bank loans, current portion	18	820,688,103	211,490,892
Obligations under finance leases, current portion	19	35,630	39,560
Loans payable to related parties	9	17,424,166	17,800,487
Trade payables to related parties	9	31,649,753	28,114,654
Trade payables	20	42,071,070	9,298,370
Derivative financial instruments	33	9,941,501	1,534,012
Other payables and deferred revenue	21	19,200,009	14,363,721
Current tax liabilities	23	1,680,846	713,960
<b>Total Current Liabilities</b>		<b>942,691,078</b>	<b>283,355,656</b>
<b>NON CURRENT LIABILITIES</b>			
Bank loans	18	49,739,170	673,137,540
Obligations under finance leases	19	-	39,669
Provision for employment termination benefits	22	3,685,054	2,359,745
Other non current liabilities	21	22,568,298	19,565,648
Deferred tax liabilities	23	3,888,875	3,927,151
<b>Total Non-Current Liabilities</b>		<b>79,881,397</b>	<b>699,029,753</b>
<b>EQUITY</b>			
Share capital	25	99,543,528	104,853,453
Premium in excess of par	25	171,881,833	-
Legal reserves	25	8,766,287	8,362,895
Purchase of shares of entities under common control		35,589,741	(12,367,409)
Translation reserves		(83,244)	183,918
Retained earnings		(5,131,662)	54,871,460
<b>Equity attributable to equity holders of the parent</b>		<b>310,566,483</b>	<b>155,904,317</b>
Minority interest		23,073,804	10,852,802
<b>Total Equity</b>		<b>333,640,287</b>	<b>166,757,119</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,356,212,762</b>	<b>1,149,142,528</b>

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT

(Amounts expressed in Euro unless otherwise stated)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
<b>Continuing operations</b>			
<b>Operating income</b>	<b>26</b>	<b>386,149,529</b>	<b>288,325,572</b>
Other operating income	27	13,663,663	16,460,112
Cost of catering inventory sold		(7,719,770)	(5,923,525)
Cost of duty free inventory sold		(45,920,056)	(39,882,122)
Cost of services rendered		(24,917,635)	(14,836,949)
Employee benefit expense		(69,816,359)	(40,754,489)
Concession rent expenses		(133,256,893)	(69,915,181)
Depreciation and amortization expense		(16,302,861)	(51,328,398)
Other operating expenses	28	(83,911,539)	(54,099,361)
<b>Operating profit</b>		<b>17,968,079</b>	<b>28,045,659</b>
Investment income	29	18,319,384	15,224,762
Other gains and losses	30	2,018,941	407,938
Finance costs (net)	31	(83,740,449)	(40,275,731)
Foreign Currency Transaction gain/(loss) (net)		(9,786,752)	27,152,931
Monetary gain/(loss) (net)		-	96,152
<b>Profit/(loss) before tax</b>		<b>(55,220,797)</b>	<b>30,651,711</b>
Income tax benefit /(expense)	23	(9,100,933)	9,889,549
<b>Profit/(loss) for the period from continuing operations</b>		<b>(64,321,730)</b>	<b>40,541,260</b>
<b>Attributable to:</b>			
Equity holders of the parent		(59,265,474)	37,253,127
Minority interest		(5,056,256)	3,288,133
		<b>(64,321,730)</b>	<b>40,541,260</b>
Weighted average number of shares outstanding		202,226,027	200,000,000
Earnings / (loss) per share – basic and diluted:		(0.29)	0.19

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in Euro unless otherwise stated)

	Share Capital	Premium in Excess of Par	Legal Reserves	Translation Reserves	Retained Earnings	Purchase of Shares of Entities Under Common Control	Attributable to Equity Holders of the Parent	Minority Interest	Total
<b>Balance at 31 December 2004 as previously reported</b>	<b>82,489,227</b>	-	<b>7,942,904</b>	<b>215,247</b>	<b>22,229,184</b>	-	<b>112,876,562</b>	<b>10,000,381</b>	<b>122,876,943</b>
Effect of group structure change (note 4A)	7,561,739	-	-	-	(61,455)	-	7,500,284	(7,500,284)	-
<b>Balance at 31 December 2004 as restated</b>	<b>90,050,966</b>	-	<b>7,942,904</b>	<b>215,247</b>	<b>22,167,729</b>	-	<b>120,376,846</b>	<b>2,500,097</b>	<b>122,876,943</b>
Effect of group structure change	(429,157)	-	-	-	-	(12,367,409)	(12,796,566)	-	(12,796,566)
Exchange differences on translation reserves	-	-	-	(31,329)	-	-	(31,329)	(12,644)	(43,973)
Transfers	-	-	419,991	-	(419,991)	-	-	-	-
Profit for the year	-	-	-	-	37,253,127	-	37,253,127	3,288,133	40,541,260
Dividends	-	-	-	-	(4,129,405)	-	(4,129,405)	-	(4,129,405)
Issue of share capital	15,231,644	-	-	-	-	-	15,231,644	5,077,216	20,308,860
<b>Balance at 31 December 2005</b>	<b>104,853,453</b>	-	<b>8,362,895</b>	<b>183,918</b>	<b>54,871,460</b>	<b>(12,367,409)</b>	<b>155,904,317</b>	<b>10,852,802</b>	<b>166,757,119</b>
Cash injection in share capital	17,483,458	171,881,833	-	-	-	-	189,365,291	-	189,365,291
Effect of group structure change (note 4A)	(22,793,383)	-	-	-	(334,256)	47,957,150	24,829,511	22,907	24,852,418
Exchange differences on translation reserves	-	-	-	(267,162)	-	-	(267,162)	196,331	(70,831)
Transfers	-	-	403,392	-	(403,392)	-	-	-	-
Loss for the period	-	-	-	-	(59,265,474)	-	(59,265,474)	(5,056,256)	(64,321,730)
Issue of share capital	-	-	-	-	-	-	-	17,058,020	17,058,020
<b>Balance at 31 December 2006</b>	<b>99,543,528</b>	<b>171,881,833</b>	<b>8,766,287</b>	<b>(83,244)</b>	<b>(5,131,662)</b>	<b>35,589,741</b>	<b>310,566,483</b>	<b>23,073,804</b>	<b>333,640,287</b>

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euro unless otherwise stated)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
<b>OPERATING ACTIVITIES</b>			
Profit / (Loss) for the period		(64,321,730)	40,541,260
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of BOT Investments	14	8,678,785	48,324,992
Depreciation of property, plant and equipment	13	5,695,202	2,210,423
Amortization of other intangible assets	16	2,096,057	792,983
Amortization of concession asset	15	133,256,893	69,915,181
VAT expensed		9,626,113	4,417,918
Provision for employment termination benefits	22	2,319,265	1,758,126
Allowance for doubtful receivables		437,909	641,211
Other provisions		524,579	-
Discount on receivables and payables		(183,059)	101,989
Gain/ (loss) on disposal of property, plant and equipment		117,317	(1,150,163)
Unused vacation accrual	21	189,764	593,038
Provision for slow moving inventory	10	83,012	43,311
Unrealized foreign exchange differences on loans		(30,069,955)	(6,340,756)
Accrued interest income		(449,214)	(11,929,522)
Accrued interest expense		62,806,745	11,384,805
Income tax (income)/expense net of monetary gain	23	6,333,181	(11,047,962)
Mark to market valuation of derivative instruments		8,626,171	1,534,012
<b>Operating cash flows before movements in working capital</b>		<b>145,767,035</b>	<b>151,790,846</b>
(Increase) / decrease in trade receivables		(9,941,475)	(6,401,043)
(Increase) / decrease in inventories		3,614,837	(9,495,362)
(Increase) / decrease in related party receivables		(12,225,783)	2,921,879
Increase in other receivables and current assets		5,027,751	(4,093,078)
Increase / (decrease) in trade payables		33,172,188	(4,397,223)
Increase / (decrease) in advances received		2,151,154	721,247
Increase / (decrease) in related party payables		4,128,291	25,994,367
Increase in other payables and current liabilities		358,967	(15,577,219)
Increase in restricted bank balances		(180,928,803)	(135,428,001)
<b>Cash generated from operations</b>		<b>(8,875,838)</b>	<b>6,036,413</b>
Income taxes paid		(3,481,441)	(2,278,221)
Interest paid		(57,009,288)	(6,762,335)
Retirement benefits paid	22	(868,627)	(1,550,045)
<b>Net cash provided from / (used in) operating activities</b>		<b>(70,235,194)</b>	<b>(4,554,188)</b>

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euro unless otherwise stated)

		Year ended 31 December 2006	Year ended 31 December 2005
<b>INVESTING ACTIVITIES</b>	<b>Notes</b>		
Net change in investments held for trading/ held to maturity		(262,266)	39,551,531
Loans collected/(provided) from/(to) related parties		202,608,805	(60,573,919)
Acquisition of available for sale investments		-	(28,086)
Acquisition of subsidiary	32	-	(96,161,277)
Additions to concession expenses	15	(44,011,350)	(495,392,308)
Proceeds on tangible and intangible assets disposed		6,023,299	1,949,280
Additions to BOT Investments	14	(315,380,063)	(126,930,064)
Purchases of property, plant and equipment	13	(24,743,321)	(5,422,112)
Purchases of intangible assets	16	(4,720,967)	(264,425)
Change in VAT portion of prepaid rent		14,296,180	(80,960,746)
Change in other long term assets		126,265	18,742,961
<b>Net cash used in investing activities</b>		<b>(166,063,418)</b>	<b>(805,489,165)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New borrowings raised		246,808,908	885,328,714
Repayment of borrowings		(236,737,570)	(103,149,879)
New loans raised from related parties		-	17,800,487
Purchase of shares of entities under common control		24,852,418	(12,796,566)
Increase of share capital		17,483,458	-
Premium in excess of par		171,881,833	-
Dividends paid		-	(4,129,405)
Change in minority interest with Issue of share capital by shareholders		17,058,020	20,308,860
Effect of group structure change		(4,260,701)	-
Repayments of obligations under finance leases		(43,599)	(99,907)
<b>Net cash provided from financing activities</b>		<b>237,042,767</b>	<b>803,262,304</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		744,154	(6,781,049)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		10,928,081	17,709,130
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>		<b>11,672,235</b>	<b>10,928,081</b>

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

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 1 A. BACKGROUND AND DESCRIPTION OF OPERATIONS

TAV Havalimanları Holding A.Ş. (formerly known as TAV Havalimanları İşletme A.Ş.) ("TAV" or "the Company") was established in 1997 under the name of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. in Turkey for the purpose of reconstructing the İstanbul Atatürk Airport (International Lines Building) and operating it for a limited period of 66 months. On 7 August 2006, the Company's name has been changed to TAV Havalimanları Holding A.Ş.

On 29 December 2005, 27 March 2006 and 17 May 2006, the ultimate shareholders of the Company transferred their shares in certain companies and joint ventures, which are responsible for the operation of the İstanbul airport, to the Company. As a result of this share transfer, the Company became parent company of these subsidiaries. The immediate parent and ultimate controlling party of the TAV and its subsidiaries are Tepe and Akfen Group.

TAV, its subsidiaries and its joint ventures are collectively referred to as "the Group" in this report. The details of the Company's subsidiaries at 31 December 2006 and 31 December 2005 are as follows:

Name of Subsidiary	Principal Activity	Place of incorporation and Operation	31 December 2006		31 December 2005	
			Proportion of ownership interest %	Proportion of voting power held %	Proportion of ownership interest %	Proportion of voting power held %
TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV HTI")	İstanbul Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa")	Ankara Airport Terminal Services	Turkey	75.00	100.00	<1	100.00
İzmir Adnan Menderes Havalimanı Uluslararası Terminal İnşaatı, İşletmeciliği ve Yatırım A.Ş. ("TAV İzmir") (*)	İzmir Airport Terminal Services	Turkey	99.98	100.00	38.99	100.00
BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA")	Food and Beverage Services	Turkey	66.66	66.66	66.66	66.66
BTA Georgia LLC ("BTA Georgia") (**)	Food and Beverage Services	Georgia	66.66	66.66	-	-
TAV İşletme Hizmetleri A.Ş. ("TAV İşletme")	O&M, Lounge Services	Turkey	99.99	99.99	99.99	99.99
TAV Georgia Operation Services LLC Hizmeti ("TAV İşletme Georgia") (**)	O&M, Lounge Services	Georgia	99.99	99.99	-	-
TAV Bilişim Hizmetleri A.Ş. ("TAV Bilişim")	Software and System Services	Turkey	96.00	96.00	-	-
TAV Özel Güvenlik Hizmetleri A.Ş. ("TAV Güvenlik")	Security Services	Turkey	66.67	66.67	-	-

(\*) The Company's ownership interest on TAV İzmir represents the effective ownership interest of HAVAŞ in 2005.

(\*\*) Started its operations in 2007.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

In 2005, TAV Esenboğa is reflected as a subsidiary due to a formal protocol signed between TAV and shareholders of TAV Esenboğa which transfers all operational and financial control of TAV Esenboğa to TAV. On December 29, 2006 TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%.

In July 2005, HAVAS owned 64.99% of TAV İzmir. At the time of the acquisition by HAVAS, the other shareholder in HAVAS agreed to transfer the other shares of TAV İzmir shares under conditions determined by TAV and in doing so relinquished all rights to or control of the shares in TAV İzmir. Accordingly, TAV in substance owns and controls 100% of TAV İzmir from July 2005. In 2006, HAVAS purchased an additional 35% of the shares in TAV İzmir. On 29 December 2006, 95 % of TAV İzmir shares was transferred to TAV.

The details of the Company's joint ventures at 31 December 2006 and 31 December 2005 are as follows;

Name of Subsidiary	Principal Activity	Place of incorporation and Operation	31 December 2006		31 December 2005	
			Proportion of ownership interest %	Proportion of voting power held %	Proportion of ownership interest %	Proportion of voting power held %
ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ")	Duty free Servicesi	Turkey	49.98	50.00	49.98	50.00
ATÜ Georgia Operation Services LLC ("ATÜ Georgia") (*)	Duty free Servicesi	Georgia	49.98	50.00	-	-
HAVAŞ Havalimanları Yer Hizmetleri A.Ş. ("HAVAŞ")	Ground handling services	Turkey	60.00	50.00	60.00	50.00
TAV Urban Georgia LLC ("TAV Georgia")	Airport services	Georgia	60.00	50.00	50.00	50.00

(\*) Started its operations in 2007.

### Description of Operations

The Group's operations relate to the construction and operation of airports. The Group companies incorporated in Turkey enter into Build - Operate - Transfer (BOT) Agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (DHMI), and TAV Georgia with the Directorate General of State Airports of Georgia. Under these agreements the Group agrees to build, or reconstruct, an airport within specified period of time and in exchange receives the right to operate the airport for a preestablished amount of time. At the end of the contract, the Group transfers the ownership of the building back to the DHMI and state Airport of Georgia. In addition, the Group enters into subsequent stand alone contracts for the operation of airports.

### BOT Agreements

During the periods presented in these financial statements the Group had following BOT Agreements in place.

#### Atatürk International Airport

A BOT agreement was executed between TAV and DHMI regulating the reconstruction, investment and operations of the Atatürk International Airport International Lines Building (referred as "Atatürk Airport Terminal" or "AAT") in 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of the International Lines Building for 3 years, 8 months and 20 days. TAV completed the reconstruction of the International Lines Building in January 2000 and started the operation seven months early, after completion of a significant portion of the construction. Construction of remaining parts of the project was finalized in August 2000. DHMI and the Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

An addendum to the agreement was made in September 2000. Under the terms of the addendum, TAV committed to enlarge the International Lines Building by 30% by 2004. In return for extending the International Lines Building, operation period of TAV was increased by 13 months 12 days (to approximately 66 months in total) through June 2005. The contract expired in June 2005 and TAV transferred AAT to DHMI.

### Ankara Esenboğa International Airport

A BOT agreement was executed between TAV and DHMI on 18 August 2004 regulating the reconstruction, investment and operations of the Ankara Esenboğa International Airport. According to the Agreement, TAV is required to complete the construction within 36 months after the agreement date and will then have the right to operate the facilities of the Ankara Esenboğa International Airport for a period of 15 years and 8 months. In the operations phase, TAV Esenboğa has been providing mainly passenger, ramp and check-in counter services since 16 October 2006.

### İzmir Adnan Menderes Airport

A BOT agreement was executed between TAV and DHMI on 20 May 2005 regulating the reconstruction, investment and operations of the İzmir Adnan Menderes Airport. According to the Agreement, TAV is required to complete the construction within 24 months after the agreement date and will then have the right to operate the facilities of the İzmir Adnan Menderes Airport for a period of 6 years, 7 months and 29 days. TAV İzmir has started to provide mainly passenger, ramp and check-in counter services since 13 September 2006.

### Tbilisi Airport

A BOT agreement was executed between of TAV Urban Georgia LLC and JSC Tbilisi International Airport on 6 September 2005. BOT agreement undertakes the design, engineering, financing, construction, testing, commissioning and maintenance of the new terminal for Tbilisi International Airport, for an initially agreed term of 10 years and 6 months from the commencement date of the new terminal operations. Subsequently, this period was extended to another 9,5 years in exchange for an obligation by the Company to invest an additional amount for the construction of new terminal (including construction of additional runways, extension of apron etc.) for Batumi airport. TAV Georgia has started to provide mainly passenger, ramp, check-in counter services and parking-apron-taxi services in New Tbilisi International Airport since 8 February 2007.

### Operations Contracts

During 2005, the Group bid on, and was awarded, contracts for the operations of AAT. Under these contracts the Group continues to operate the international terminal as it did under the BOT described above, and was awarded contracts for other operations of the airport. The contract includes the following:

Terminal services - The Group operates the terminal and mainly give passenger, ramp and check-in counter services. A fee is charged to each airline based on the number of passengers that utilize the airport, ramps utilized by aircrafts and check-in counters utilized by the airlines.

Duty free goods - Duty free goods are available for purchase by both arriving and departing passengers. The sales are operated by the Group or, in certain circumstances, subcontracted to other companies in exchange for a commission based on sales.

Catering and airport hotel services - The Group has the right to manage all food and beverage operations within the terminal both for the passengers and the terminal personnel. The Group subcontracts the operation of certain of the food and beverage operations in exchange for a commission based on sales.

Area allocation services - The Group has right to rent office space at the airport to airlines for ticket office, banks, etc.

In addition to above services, the Group also provides the following services:

Ground handling - The group is responsible for all ground handling operations. Ground handling involves providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation license ("SHY 22"). Additional activities include shuttle bus and car parking. Additional operations are car and car parking operations.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Lounge services - The Group has the right to operate or rent the lounges to provide CIP or VIP services to the passengers who are member of.

Bus and car parking services - The Group has the right to operate operations for spaces in the car park and for valet parking service. Revenues from bus operations include from shuttle services from airports to city centers.

Software and System services - The Group develops software and systems on operational and financial optimization in aviation, particularly terminal, flight management system and software programs and to meet the information systems requirements of group companies and certain third parties.

Security services - The Group operates the security services within the terminal.

The concession agreement requires the Company to make annual rent payments totaling USD 2,543,000,000 (EUR 1,930,564,839) excluding VAT over the life of the concession agreement, of which USD 584,890,000 (EUR 444,029,913) excluding VAT has been prepaid at the beginning of the concession agreement under the terms of the agreement. In addition, the Company is required to make certain enhancements and improvements to the domestic terminal within the first year of the concession agreement and to maintain the facilities through the concession period.

The Group employs approximately 10,370 (average: 8,146) people as of 31 December 2006, 4,790 (average: 4,160) people as of 31 December 2005.

### 1 B. FINANCIAL RESTRUCTURE OF THE GROUP

#### Growth of the Group

The Group has experienced major and rapid growths in the recent years following the award of contracts at Izmir Adnan Menderes Airport, Ankara Esenboğa Airport, Tbilisi Airport and İstanbul Atatürk Airport. In connection with these contracts, the Group constructed the airports or made large prepayments for operational leasing under the terms of concession agreements with airport authorities. Although construction cost and prepayments amounted to approximately EUR 1 billion in the last two years, cash flows from their operations will be primarily generated in periods commencing from 2007 as the construction was (will be) primarily completed in 2006, except İstanbul Airport that has been in operation since July 2005. Additionally TAV paid USD 125 million for HAVAŞ acquisition. These long term projects, the leases and the acquisition were financed through facilities from various third party lenders. These borrowing facilities contained certain covenants that, among other things, required the Group to maintain certain financial ratios, limited the Group's and the shareholders ability to transfer assets outside of the Group and restricted the use of cash, and required regular payments based on the terms of the borrowing facilities.

#### Event of Default

In 2006 the Group was not in compliance with certain of these covenants, and accordingly, the associated loans, in the amount of EUR 776,611,486 have been classified as short term loans as of 31 December 2006 in accordance with IAS 1 "Presentation of Financial Statements" paragraph 65. IAS 1 Paragraph 65 says; "When an entity breaches an undertaking under a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the balance sheet date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date. As a result of this classification, the Group's current liabilities exceeded its current assets by EUR 399,059,211 as of 31 December 2006, which created a substantial doubt about the Group's ability to continue as a going concern at that time. The management of the Group has completed a financial restructuring till 31 December 2006 as described below. Upon completion of the restructuring, and other conditions established by the banks, the banks have waived all events of default on 22 January 2007 and as a result, the loans are payable on the original schedule, and accordingly, management believes that completion of restructuring and waiving of defaults has eliminated the substantial doubt about the company's ability to continue as a going concern.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Funds Provided by Shareholders to the Group

The Company's shareholders, Tepe and Akfen Group companies, sold certain of their shares in the Company, (representing 21% of the total outstanding shares) to third parties, and obtained an additional USD 89 million of a loan from a bank. The investors and lender placed certain restrictions on how these proceeds would be used by the shareholders including, among other things, a requirement that certain amounts be injected into the Group. According to the agreement, the shareholders would use USD 336.5 million of the proceeds to repay loans, discharge certain debts of the Group, establish specific reserve accounts that would be limited to use of funds for a specific purpose and pay for constructions works. The shareholders have transferred USD 336.5 million to the Group through the purchase of additional shares in the Company for USD 249.5 million, through a capital contribution to TAV Esenboğa of USD 33 million, and through loans from related parties to TAV Esenboğa of USD 54 million. The Group as of 29 January 2007 has used USD 297.9 million of the proceeds as follows and has retained the remainder of the cash.

- The Group repaid outstanding loans of the Company amounting to USD 75.2 million.
- The Group repaid loans from related parties of USD 30 million.
- The Group paid USD 20 million to TAV Construction to fund overruns in December 2006.
- The Group paid USD 11 million for construction related costs at Izmir.
- The Group has used USD 15.5 million to fund various operating expenses.
- The Group has deposited USD 15 million into accounts reserved for debt service payments and to fund construction retention as required by the lenders as a condition of waiving the events of default.
- The Group has deposited USD 84.7 million into an account reserved for the repayment of outstanding loans as required by certain of the share sales agreement entered into by the shareholders.
- The Group has deposited USD 10.5 million into reserve accounts with the bank that will be used to fund various operating expenses as required by certain of share purchase agreements entered into by the shareholders.
- The Group has deposited USD 36 million into reserve accounts that will be used to fund remaining construction costs as required by certain of share purchase agreements entered into by the shareholders.

### Waive of Default Matters

Upon completion of the restructuring, and other conditions established by the banks, the banks have waived all events of default on 22 January 2007. As a condition of the waivers, the Group has agreed to a Deed of Undertaking whereby it has agreed to complete certain additional actions including many that must be completed prior to pre-determined dates. The actions include, but are not limited to, delivery of a Five Year Master Plan, and delivery of quarterly Operation and Maintenance budget for third financial quarter of 2006. Management has completed all such actions within the timeframe required by the Deed of Undertaking. Upon completion all of the conditions as of 30 January 2007, the banks have provided a further letter on 30 January 2007 and confirmed that TAV HTI has fulfilled its obligation under the Deed of Undertaking to the satisfaction of Lenders, except delivery of a Five Year Master Plan by 28 February 2007 and the requirement to review and approve the Financial Model within four business days of receiving a revised version of the Financial Model from the Lenders (TAV HTI has not received such financial model from the Lenders).

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for accounting periods beginning on 1 January 2006.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments, except for the additional disclosure requirements of IFRS 7.

The management of the Group does not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for IFRS 7 and IFRIC 12 which may have material effect on the financial statements after the adoption date which will be effective after 1 January 2008. The management assessment for the effects of IFRIC 12 on financial statements continues as of this report date.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation of consolidated financial statements:

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Group maintains its books of account and prepares its statutory financial statements in Yeni Türk Lirası (TRY) in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying consolidated financial statements expressed in Euro (EUR), the functional currency of the Group, are based on the statutory records, with adjustments and reclassifications, including re-measurement from TRY to Euro for the purpose of fair presentation in accordance with IFRS.

The principal accounting policies adopted are set out below.

#### Foreign currencies:

Although the currency of the country in which the Group is domiciled is TRY, the Group's functional currency and reporting currency is Euro. Euro is used to a significant extent in, or has a significant impact on, the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the Euro in measuring items in its financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in Euro have been re-measured to Euro in accordance with the relevant provisions of IAS 21 ("The Effects of Changes in Foreign Exchange Rates").

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The financial statements of subsidiaries that report in the currency of a hyperinflationary economy (Turkey) are restated in terms of the measuring unit current at the balance sheet dates until 31 December 2005 before they are translated into Euros. Turkey came off highly inflationary status for the period beginning after 15 December 2005, therefore restatement for IAS 29 has not been applied as of 31 December 2006.

The TRY/EUR exchange rates, the annual change against EUR and Turkish countrywide wholesale price index ("WPI") inflation as of the end of each year are as follows:

<b>Year:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
TRY/EU	1.8515	1.5875	1.8268
TRY (Appreciation) / Depreciation Against the EUR	17%	(13%)	5%
WPI inflation	11.6%	4.5%	13.8%

The financial statements of subsidiaries, namely BTA, TAV İşletme and TAV Güvenlik (established in 2006), which have the TRY as their functional currency, were restated to compensate for the effect of changes in the general purchasing power of the TRY, until 31 December 2005, in accordance with IAS 29 as TRY was the currency of a hyperinflationary economy. Financial statements of such subsidiaries are then translated into Euro, the reporting currency of the Group, at the closing balance sheet exchange rate.

### Basis of Consolidation:

The consolidated financial statements consolidate the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Each entity is consolidated based on the following methods:

TAV HTI and TAV İzmir in 2006 are fully consolidated.

BTA, TAV İşletme, TAV Esenboğa, TAV Bilişim and TAV Güvenlik are fully consolidated with the minority's ownership reflected as a minority interest.

ATU, HAVAŞ and TAV Georgia are proportionally consolidated.

The results of a subsidiary, HAVAŞ including TAV İzmir, acquired from independent third party, during 2005 are included in the consolidated income statement from the effective date of acquisition.

BTA, TAV İşletme, TAV HTI, ATÜ and insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. Although the Company owns insignificant amount of shares of TAV Esenboğa in 2005, it has the power to appoint and remove the majority of the board of directors and control of the entity by the board. On 29 December 2006 TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%. The acquired subsidiaries and the joint venture which were under common control, are accounted through a restatement of all periods presented to reflect the effect of the structure change.

TAV Georgia and TAV Bilişim were acquired from parents of the Company on 27 March 2006 and 17 May 2006 respectively. The acquired subsidiary and the joint venture were also under common control. Since these entities have been established in 2005 and their 2005 key figures were not material to the consolidated financial statements, 31 December 2005 financial statements have not been restated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Business combinations for independent third party purchases:

Acquisitions from third parties are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Business combinations for entities under common control:

Acquisitions from entities under common control are accounted for by use the uniting of interests method of accounting. Accordingly, the financial statements of the Group are retrospectively restated to reflect the effect of the structure change for the comparative years.

### Interests in joint ventures:

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

### Goodwill:

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Aviation income: Aviation income is recognized based on the daily reports obtained from related airline companies for terminal service income charged to passengers; as well as for ramps utilized by aircraft and check-in counters utilized by the airlines.

Area allocation income: Area allocation income is recognized by the issuance of monthly invoices based on the contracts made for allocated areas in the airport.

Sales of duty free goods: Sales of goods are recognized when goods are delivered and title has passed.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Catering services income: Catering services income is recognized when services are provided. The Group defers revenue for collections from long term contracts until the services have been provided. There are no deferred costs related to these revenues since these are related with the selling rights given to food and beverage companies to sell their products at Domestic and International Lines.

Ground handling income: Ground handling income is recognized when services are provided.

Commission: The Group subcontracts the right to operate certain of the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is recognized when in every 2 to 3 days according to sales reports provided from the entities.

Software and system sales: Software and system sales are recognized when goods are delivered and title has passed, or when services provided.

Lounge services: Lounge service income is recognized when services are provided.

Bus and car parking operations: Income from bus and car parking operations is recognized when services are provided.

In addition, the Group has other income as summarized below:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, and other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First-in-First-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Build Operate Transfer (BOT) Investment

All construction expenditures and equipment and system investments, made during BOT period according to the agreements commenced with DHMI in the context of a Build-Operate-Transfer model, are accounted as BOT Investments.

BOT investments related to building are depreciated during the operation period of BOT. Other BOT assets are depreciated based on their useful lives not to exceed the BOT operation period.

### Accounting for Operations Contract

The costs associated with the operations contract primarily include rental payments and payments enhance and improve the domestic terminal at AAT. The Company prepaid certain rental amounts and the prepayment is deferred as prepaid rent and is recognized over the life of the prepayment period. The amounts the Company incurs to enhance and improve the domestic terminal are recorded as prepaid development expenditures and are being amortized over the life of the associated contract. Any other costs associated with regular maintenance are expensed in the period in which they are incurred.

### Intangible assets

Intangible assets are carried at historical cost and are presented after amortization and impairment loss. Purchased intangible assets, primarily software, are amortized over five years using the straight-line method.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets carried at cost less accumulated depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Taxation and deferred income taxes

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset for individual entities.

### Provision for employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The Group recognizes liability by estimating the present value of the future probable obligation of the Company and its Subsidiaries and Joint Ventures registered in Turkey arising from the retirement of employees. Group management used some assumptions (detailed in Note 22) in the calculation of the total liability.

### Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Leasing - the Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see borrowing costs note).

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### Earnings per share

Earnings per common share for 31 December 2006 has been determined using the weighted average number of TAV's shares as of 31 December 2006. There are no potentially dilutive securities.

### Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### *Trade and other receivables*

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The Group's Managers consider that the carrying amount of trade and other receivables approximates their fair value.

### *Due to / from related parties*

The close family members of board of directors and key management personnel and any companies controlled or affiliated with them are considered as related parties.

The carrying value of the due to and from related parties are estimated to be their fair values.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### *Investments*

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Held to maturity investments are measured at amortized cost using the effective interest rate method. Investments classified as held for trading and available-for-sale are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

### *Restricted bank balances*

Group's uses of Project Accounts or Reserve Accounts or Funding Accounts are upon the lenders' consent according to financial agreements. Therefore, bank balances included in these accounts are presented as restricted bank balances in the balance sheet and classified under operating activities in the cash flow statements.

### *Bank borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

### *Trade and other payables*

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Group's Managers consider that the carrying amount of trade and other payables approximates their fair value.

### *Derivative financial instruments*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. TAV HTI, TAV Esenboğa and TAV İzmir use derivative financial instruments (primarily interest rate derivative contracts) to manage its risks associated with interest rate fluctuations relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The Group has not designated the derivative financial instruments as hedges and, accordingly, the changes in the fair value of non-hedging derivatives are charged to income in the related year.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### *Credit risk*

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The Group's credit risk is minimum, as most of its sales are collected in cash or by credit cards.

### **Events After Balance Sheet Date**

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

The Group records adjusting events after the balance sheet date and disclose non-adjusting events after the balance sheet date on the attached financial statements.

### **Change in Accounting Policies, Accounting Estimates and Errors**

Adjustments due to the changes in accounting policies or accounting errors are applied retrospectively and the financial statements of the previous year are restated changes in accounting estimates are deemed to affect that period only, and thus adjustments applied in the current period. If however the estimated changes are for the following periods, changes are applied both on the current and following periods prospectively.

### *Critical judgements in applying the entity's accounting policies*

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following judgements that have most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

BTA, TAV İşletme, TAV HTI, ATÜ and insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. On December 29, 2006 TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75% so that as if TAV Esenboğa was consolidated with 75% at the previous years, effects for the acquisition of TAV Esenboğa is presented on the financial statements retrospectively. The acquired subsidiaries and the joint venture, which all are in airport terminal related operations and could be treated as an integrated operation of TAV by nature or by transfer of knowledge, were under common control by TAV since the beginning of their operations and are accounted for by use of the pooling of interest method. This application is based on management judgement that this treatment is the best way to present the economic substance of the transaction because there is no independent third party involved and hence measurement of the fair value is very difficult and, therefore meets the criteria of IAS 8.10-12. IAS 8.10 states that "In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is: (a) relevant to the economic decision-making need's of users; and (b) reliable, in that financial statements. IAS 8.12 states that "in making the judgement described in paragraph 10, management may also consider the most recent pronouncement of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11. Accordingly, the financial statements of these entities have been retrospectively restated to reflect the effect of structure change for the earliest period.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 4 B. EARNINGS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Weighted average number of ordinary shares outstanding during the period (in full)	202,226,027	200,000,000
Net profit/ (loss) for the year attributable to equity holders of the parent	(59,265,474)	37,253,127
<b>Basic earnings/ (loss) per share from operations</b>	<b>(0.29)</b>	<b>0.19</b>

### 5. CASH AND CASH EQUIVALENTS

	31 December 2006	31 December 2005
Cash equivalents	5,522,696	7,312,855
Cash at banks – demand deposits	5,335,264	3,228,151
Cash on hand	585,943	245,133
Other liquid assets	228,332	141,942
	<b>11,672,235</b>	<b>10,928,081</b>

	31 December 2006	31 December 2005
<b>Cash equivalents</b>		
Time deposits	5,411,316	4,542,136
Reverse repurchase agreements	111,380	2,770,719
	<b>5,522,696</b>	<b>7,312,855</b>

The details of the Group's time deposits, maturities and interest rates as at 31 December 2006 and 31 December 2005 are as follows:

Original Currency	Maturity	Interest rate %	31 December 2006
EUR	04.01.2007	1.90-2.40	5,354,593
USD	04.01.2007	2.00	18,342
TRY	04.01.2007	11.00	38,381
			<b>5,411,316</b>

Original Currency	Maturity	Interest rate %	31 December 2005
TRY	02.01.2006	13.00-14.00	2,538,243
EUR	16.01.2006	3.50	2,003,893
			<b>4,542,136</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

The details of the Group's reverse repurchase agreements, maturities and interest rates as at 31 December 2006 and 31 December 2005 are as follows:

Original Currency	Maturity	Interest rate %	31 December 2006
TRY	04.01.2007	12.75	105,430
TRY	04.01.2007	17.00	5,950
			<b>111,380</b>

Original Currency	Maturity	Interest rate %	31 December 2005
TRY	03.01.2006	14.00	2,112,901
EUR	02.01.2006	2.00	500,254
TRY	02.01.2006	12.68	122,605
TRY	02.01.2006	-	34,959
			<b>2,770,719</b>

### 6. RESTRICTED BANK BALANCES:

	31 December 2006	31 December 2005
Project reserve and funding accounts (*)	261,375,737	71,923,530
Cash collaterals (**)	56,730,704	63,504,471
	<b>318,106,441</b>	<b>135,428,001</b>

(\*) Some of the subsidiaries namely TAV HTI, TAV Esenboğa, TAV İzmir and ATÜ ("the Borrowers") opened Project Accounts or Reserve Accounts or Funding Accounts to fund Project Accounts based on agreements with their lenders. Based on these agreements, the Group can access the money but all withdrawals from the project accounts are upon the lenders' consent. Project accounts should be used for its designated purpose such as debt service, lease payment to Airport Authority and etc.

(\*\*) The Group has deposited cash equivalents of EUR 56,730,704 as of 31 December 2006 (31 December 2005: EUR 63,504,471) in respect of the Group's indebtedness.

### 7. INVESTMENTS

#### a) Investments held for trading

	31 December 2006	31 December 2005
Debt securities:		
Investment funds- short term	157,729	610,178
	<b>157,729</b>	<b>610,178</b>

#### b) Investment to associates

	Shareholding %	31 December 2006	31 December 2005
Unlisted entities			
TAV Havacılık A.Ş.	3.00	24,238	28,086
Cyprus Airports Services Ltd. Şti.	50.00	718,563	-
		<b>742,801</b>	<b>28,086</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

HAVAŞ and Kıbrıs Türk Havayolları Limited Şirketi ("KTHY") formed a joint venture under the name of Cyprus Airport Services Ltd. ("CAS") according to the protocol signed on 1 September 2006 to construct an airport terminal and to undertake its management for ground handling operations in Turkish Republic of Northern Cyprus.

Capital structure of the joint venture is designated as 50 % +1 of participation for KTHY and 50 % of participation for HAVAŞ. Capital of this joint venture amounts to YTL 4,500,001.50, which corresponds to USD 3,000,001. HAVAŞ made a EURO 1,211,110 corresponding to USD 1,500,000 cash payment on behalf of its share and recognized this amount in its financial statements. As of the balance sheet date, the Company's other venturer, KTHY has not transferred its capital portion that will be capital in kind which is determined based on the afore-mentioned protocol.

CAS was established in Turkish Republic of Northern Cyprus on 29 December 2006. However, it has not started its operations and has not obtained its operating license as of the balance sheet date, therefore, it was not consolidated in the accompanying financial statements and carried at cost.

Subsequent to the establishment the related joint venture, HAVAŞ commits to pay USD 3,000,000 of participation fee in cash. As of the balance sheet date, EUR 403,703 corresponding to USD 500,000 of this amount was paid as the first installment and it was recorded in the other receivables account since CAS has not started its operations yet. Relating to this payment EUR 242,222 was included under other receivables and current assets account in the consolidated financial statements.

### 8. TRADE RECEIVABLES (NET)

	31 December 2006	31 December 2005
Trade receivables	20,745,597	11,728,247
Notes receivable	136,846	13,272
Discount on receivables (-)	(117,009)	(20,709)
Doubtful receivables	1,409,983	1,266,152
Allowance for doubtful receivables (-)	(1,409,983)	(1,266,152)
Other	10,144	20,393
	<b>20,775,578</b>	<b>11,741,203</b>

Allowance for doubtful receivables has been determined by reference to past default experience.

The Borrowers irrevocably and unconditionally assign and transfer, as security for the fulfillment of all the obligations at any time due, in respect of the finance documents to the lenders all of their receivables and rights, title, interest and benefit in, to and under their receivables, as well as the claims arising from such receivables under the following "assigned receivables" such as income from the lease, area lease, duty free, food and beverage, contractors, O&M providers, insurers including VAT refunds, and etc.

### 9. RELATED PARTY TRANSACTIONS

The major immediate parents and ultimate controlling parties of the Group are Tepe and Akfen groups.

The Company has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. For example, TAV Tepe Akfen Yat. İnş. ve İŞl. A.Ş. is the constructor company of Ankara Airport and major contractor for all construction works handled by the Group. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in the normal course of business.

All other transactions not described in this footnote between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Trading transactions

	31 December 2006	31 December 2005
<b>Trade receivables from related parties</b>		
Akfen Holding A.Ş. ("Akfen Holding")	1,084,101	-
ATU Turizm İşletmeciliği A.Ş.	1,048,563	216,377
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	1,047,218	-
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	526,442	-
Artı Döviz Ticaret A.Ş.	282,525	62,431
Tepe Emlak Yatırım İnşaat ve Tic. A.Ş.	132,045	-
Tav İnşaat Cairo Branch	116,127	-
Kıbrıs Türk Hava Yolları Ltd Şti.	114,456	-
Sera Yapı Endüstri Ltd. Şti. ("Sera")	100,364	-
IDB Infrastructure Fund L.P. ("IDB")	71,294	-
Other related parties	229,704	257,186
	<b>4,752,839</b>	<b>535,994</b>

Receivable from shareholders ( Akfen Holding, Tepe İnşaat, SeraYapı Endüstri Ltd.Şti., IDB represents charge back of expenses for Initial Public Offering.

	31 December 2006	31 December 2005
<b>Trade payables to related parties</b>		
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş.	21,824,011	16,952,475
Unifree Dutyfree A.Ş.	4,260,092	2,019,353
IBS Brokerlik ve Sigorta Hizmetleri A.Ş.	2,031,400	2,104,658
IC İçtaş San.Tic.A.Ş.	1,806,746	-
Meteksan Sistem ve Bilgisayar Tekn. A.Ş.	617,522	277,309
Akınısı – Ekin Ortak Girişimi	589,938	255,181
TAV Yatırım Holding A.Ş.	348,954	2,400,416
ATU Turizm İşletmeciliği A.Ş.	-	2,036,069
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	-	1,219,341
Tepe İnşaat Sanayi A.Ş.	-	314,026
Akfen İnşaat Turizm ve Ticaret A.Ş.	-	226,998
Tepe Savunma ve Güvenlik Sistemleri A.Ş.	-	173,024
Other related parties	171,090	135,804
	<b>31,649,753</b>	<b>28,114,654</b>

Notes payable includes notes to IC İçtaş amounted to EUR 3,051,580, see note 20.

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Services rendered to related parties</b>		
ATU Turizm İşletmeciliği A.Ş.	52,830,891	39,725,891
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	7,381,576	3,256,755
TAV Tepe Akfen Yat. İnşaat ve İşl.A.Ş. ("TAV İnşaat")	1,714,913	-
Artı Döviz Ticaret A.Ş.	1,043,416	986,829
Tepe Savunma ve Güvenlik Sistemleri A.Ş.	249,989	414,942
TAV Yatırım Holding A.Ş.	222,561	-
Other related parties	336,208	340,350
	<b>63,779,554</b>	<b>44,724,767</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Nature of major transactions with related parties:

The Company generates commission income, rent income and utility participating fee from ATÜ and these amounts are included in revenues. Services rendered to HAVAŞ represents the bus and parking income of TAV İşletme.

TAV İnşaat has purchased software and hardware from TAV Bilişim.

<b>Services rendered by related parties</b>	<b>Year ended 31 December 2006</b>	<b>Year ended 31 December 2005</b>
Unifree Dutyfree A.Ş.	50,192,103	40,718,304
TAV Yatırım Holding A.Ş.	10,285,792	2,805,762
Park Enerji Holding A.Ş.	5,556,734	1,225,617
Meteksan Sistem ve Bilgisayar Tekn. A.Ş. ("Meteksan")	4,098,750	565,559
Akınısı – Ekin Ortak Girişimi	2,283,855	-
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	2,281,081	1,326,626
Tepe Savunma ve Güvenlik Sistemleri A.Ş.	1,435,663	4,602,008
Tepe İnşaat Sanayi A.Ş.	298,484	244,357
Akfen İnşaat Turizm ve Ticaret A.Ş.	286,115	442,358
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş.	-	3,539,938
Other related parties	238,330	41,224
	<b>76,956,907</b>	<b>55,511,753</b>

Nature of major transactions with related parties:

The Company receives maintenance services of computer systems from Meteksan.TAV İşletme pays 40% of the bus services income to Park Enerji Holding A.Ş. as technical consultancy fees. HAVAŞ provided bus services and parking lot services on behalf of TAV İşletme to the third parties and invoices related costs for these operations to TAV İşletme. TAV İşletme invoices 95-98% of bus services and parking lot services to HAVAŞ.

TAV Yatırım Holding A.Ş. ("TAV Holding") provided support, consultancy and such facilities to TAV HTI in connection with information technology, finance, human resource, administration, accounting, general management and operations by way of human resources and/or consultants and allowed TAV HTI to utilize any kind of resources of TAV Holding including know-how the matters mentioned during the period. The Company paid USD 2,000,000 excluding VAT per month for such consulting and support services to TAV Holding for the first three months of the year. USD 1,500,000 excluding VAT was charged for April and May. The Support and Services Agreement with TAV Yatırım Holding is terminated on 27 September 2006 with effect from 1 July 2006. TAV Holding invoices services incurred on behalf of TAV HTI such as, legal expenses, traveling and hospitality expenses. TAV Holding also invoiced to HAVAŞ 3% of HAVAŞ revenue as consultancy services approximately amounting to EUR 4.5 million. Amount of EUR 2.7 million which is 60% of EUR 4.5 million was included in financial statements as services from related parties due to the proportional consolidation.

The expenses charged by Tepe Savunma ve Güvenlik A.Ş. are related to the security management services until May 2006.

IBS Brokerlik ve Sigorta Hizmetleri A.Ş. provides insurance intermediary services to the Group. Total insurance premium expenses of the Group including insurance intermediary fees are EUR 5,234,107 as of 31 December 2006 (31 December 2005: EUR 604,535).

Akınısı-Ekin Ortak Girişimi is mechanical system maintenance service provider of the Company.

ATÜ purchases the duty free goods from Unifree Dutyfree A.Ş.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Construction work rendered by related parties</b>		
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş.	124,055,286	93,536,213
IC İċtaş San.Tic.A.Ş.	107,136,695	11,226,437
	<b>231,191,981</b>	<b>100,762,650</b>

Nature of major transactions with related parties:

TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş. provided services related to refurbishment of Domestic and International Lines and construction of Esenboğa Airport.

IC İċtaş San.Tic.A.Ş. provided services related to construction of İzmir Adnan Menderes Airport.

### Financing transactions

	31 December 2006	31 December 2005
<b>Loans receivable from related parties</b>		
TAV Havacılık A.Ş.	2,554,663	2,238,257
Urban İnşaat Sanayi ve Ticaret A.Ş.	2,476,948	-
Park Enerji Yatırım Holding	2,296,984	-
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	1,524,068	45,711,388
TAV Yatırım Holding A.Ş.	1,232,800	-
TAV Urban Georgia LLC.	305,228	-
Tepe İnşaat Sanayi A.Ş.	156,141	88,100,764
Akfen İnşaat Turizm ve Tic. A.Ş.	-	60,108,539
Sera Yapı Endüstri Ltd. Şti.	-	5,197,833
Akfen Holding A.Ş.	-	1,538,809
Other related parties	91,461	89,536
	<b>10,638,293</b>	<b>202,985,126</b>

	31 December 2006	31 December 2005
<b>Loans payable to related parties</b>		
ATI Services SA	9,919,296	-
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	3,006,089	-
Tepe İnşaat Sanayi A.Ş.	2,430,869	-
TAV Yatırım Holding A.Ş.	1,045,925	15,185,586
Tav Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	907,741	-
Bilintur Bilkent Tur. İnş. Yat. Tic. Ltd. Şti.	-	994,776
Tepe Emlak Yatırım İnşaat ve Tic. A.Ş.	-	823,383
Other related parties	114,246	796,742
	<b>17,424,166</b>	<b>17,800,487</b>

The average interest rate used within the Group is 6.6% (2005: 5.5%). The Group converts related party TRY loan receivable and payable balances to USD at month end. Then charges interest on the USD balances. The interest rate was calculated as 6.6% (2005: 5.5%) per annum. The USD conversion was performed using the Central Bank's announced exchange rates.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Interest income from related parties</b>		
Akfen İnşaat Turizm ve Ticaret A.Ş.	4,358,927	3,085,419
Tepe İnşaat Sanayi A.Ş.	3,836,795	3,704,538
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	1,281,907	1,922,439
Sera Yapı End. ve Tic. Ltd. Şti	676,182	358,259
TAV Yatırım Holding A.Ş.	59,596	2,808,871
Other related parties	173,803	49,996
	<b>10,387,210</b>	<b>11,929,522</b>

### Interest expense to related parties

TAV Yatırım Holding A.Ş.	725,863	11,214
HAVAŞ Havaalanları Yer Hizmetleri A.Ş.	481,764	-
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	360,775	-
Akfen İnşaat Turizm ve Ticaret A.Ş.	269,441	-
Tepe İnşaat Sanayi A.Ş.	110,182	-
Other related parties	136,415	41,954
	<b>2,084,440</b>	<b>53,168</b>

### Other transactions:

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Other gains from related parties</b>		
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	1,166,662	1,540,061
TAV Yatırım Holding A.Ş.	192,008	1,150,163
Other related parties	360,735	257,302
	<b>1,719,405</b>	<b>2,947,526</b>

Nature of other major transactions with related parties:

Other gain from TAV Yatırım Holding was generated from sales of leaseholds. Gains from TAV Tepe Akfen İnş. A.Ş. were related with income from services related to business projects.

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Other expenses with related parties</b>		
Donations to Bilkent University	239,909	1,512,112
	<b>239,909</b>	<b>1,512,112</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	31 December 2006	31 December 2005
Short-term benefits (salaries and bonuses etc.)	2,134,044	1,143,140
	<b>2,134,044</b>	<b>1,143,140</b>

Some of the key management (general managers, directors etc.) of the Group are included in TAV Yatırım Holding A.Ş.'s payroll, therefore they are not included in the above table as such expenses separately invoiced by TAV Yatırım Holding A.Ş.

### 10. INVENTORIES

	31 December 2006	31 December 2005
Duty free inventories	6,442,852	4,898,553
Spare parts and other inventories	920,690	101,562
Catering inventories	692,568	464,565
Order advances given	162,399	-
Goods in transit	-	127,527
Less: Provision for slow moving and obsolete inventories	(335,958)	(252,945)
	<b>7,882,551</b>	<b>5,339,262</b>

Provision for slow moving and obsolete inventories:

	31 December 2006	31 December 2005
At 1 January	225,706	209,634
Additional provision for the year	110,252	43,311
<b>At the end of the period</b>	<b>335,958</b>	<b>252,945</b>

	31 December 2006	31 December 2005
<b>BOT Inventory</b>		
Spare parts	3,085,793	2,347,468
Order advances given	544,720	7,455,204
	<b>3,630,513</b>	<b>9,802,672</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 11. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

	31 December 2006	31 December 2005
<b>Other receivables and current assets:</b>		
Advances given to DHMI for VAT portion (short term)	22,413,520	21,205,685
Prepaid insurance	6,740,475	3,217,110
VAT deductible and carried forward	2,331,179	1,813,838
Prepaid taxes and dues	940,496	1,115,846
Income accruals	789,059	365,429
Business advances given	423,839	42,532
Advances to suppliers	268,479	-
Advances given to personnel	82,011	73,949
Prepaid rent	-	1,265,459
Other receivables (*)	1,420,858	536,236
	<b>35,409,916</b>	<b>29,636,084</b>
<b>Other non current assets:</b>		
Advances given to DHMI for VAT portion (long term)	23,922,293	55,337,143
Deductable VAT	3,115,403	-
Other non current receivable	492,985	-
Non current prepaid insurance	18,057	778,760
	<b>27,548,738</b>	<b>56,115,903</b>

(\*) EUR 242,222 of this amount is related to payment of participation fee in cash for the new joint venture CAS (See note 7).

### 12. GOODWILL

#### Cost

<i>At 1 January 2005</i>	-
Arising on acquisition of a subsidiary	72,717,730
<b><i>At 31 December 2005</i></b>	<b>72,717,730</b>
<b><i>At 31 December 2006</i></b>	<b>72,717,730</b>
<b>Carrying amount</b>	
<b><i>At 31 December 2005</i></b>	<b>72,717,730</b>
<b><i>At 31 December 2006</i></b>	<b>72,717,730</b>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

See Note 32 for the details related to acquisition of subsidiary (HAVAŞ).

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 13. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds Improvements	Construction in progress	Advances given and other PP&E	Total
<b>Opening balance, 1 January 2005</b>	-	585,724	794,382	166,789	2,157,484	-	19,369	-	3,723,748
Foreign currency translation effect	-	-	24,755	17,221	319,125	-	3,932	-	365,033
Additions	-	-	474,605	1,927,905	1,951,675	791,814	177,625	62,433	5,386,057
Acquired on acquisition of a subsidiary	-	44,602	27,519,255	4,459,588	3,403,555	5,738,610	-	-	41,165,610
Disposals	-	-	(10,554)	(137,055)	(268,477)	(570,024)	-	-	(986,110)
Transfers	-	-	-	-	-	62,705	(26,650)	-	36,055
<b>Closing balance, 31 December 2005</b>	-	630,326	28,802,443	6,434,448	7,563,362	6,023,105	174,276	62,433	49,690,393
Foreign currency translation effect	-	(11,550)	(129,036)	(122,561)	(354,563)	(14,448)	(64,776)	-	(696,934)
Effect of change in group structure	-	197,873	1,226,548	1,897,526	44,867	-	-	-	3,366,814
Additions	-	202,989	1,482,878	2,401,746	3,256,377	6,349,390	5,874,462	5,175,479	24,743,321
Disposals	-	-	(765,621)	(545,953)	(215,644)	(57,457)	(679,169)	(5,170,897)	(7,434,741)
Transfers	585,724	(585,724)	488,991	28,952	1,949,991	2,729,912	(5,304,793)	(60,749)	(167,696)
<b>Closing balance, 31 December 2006</b>	585,724	433,914	31,106,203	10,094,158	12,244,390	15,030,502	-	6,266	69,501,157

	Lands	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds Improvements	CIP	Advances given and other PP&E	Total
<b>Accumulated depreciation</b>									
<b>Opening balance, 1 January 2005</b>	-	976	788,600	116,588	1,338,224	-	-	-	2,244,388
Foreign currency translation effect	-	-	23,581	10,694	225,269	-	-	-	259,544
Depreciation charge for the period	-	12,167	1,181,859	319,494	426,868	270,035	-	-	2,210,423
Acquired on acquisition of a subsidiary	-	11,709	18,970,158	2,284,687	2,910,447	2,758,806	-	-	26,935,807
Eliminated on disposals	-	-	(2,366)	(70,270)	(24,175)	(90,182)	-	-	(186,993)
<b>Closing balance, 31 December 2005</b>	-	24,852	20,961,832	2,661,193	4,876,633	2,938,659	-	-	31,463,169
Foreign currency translation effect	-	(21)	(31,548)	(11,174)	(237,616)	(2,422)	-	-	(282,781)
Effect of change in group structure	-	366	21,360	40,113	517	-	-	-	62,356
Depreciation charge for the period	-	39,712	2,298,330	1,479,611	1,057,976	819,573	-	-	5,695,202
Eliminated on disposals	-	(12,688)	(563,743)	(512,929)	(129,202)	(11,632)	-	-	(1,230,194)
Transfers	-	-	-	-	(13,552)	-	-	-	(13,552)
<b>Closing balance, 31 December 2006</b>	-	52,221	22,686,231	3,656,814	5,554,756	3,744,178	-	-	35,694,200
<b>Carrying amount at 31 December 2005</b>	-	605,474	7,840,611	3,773,255	2,686,729	3,084,446	174,276	62,433	18,227,224
<b>Carrying amount at 31 December 2006</b>	585,724	381,693	8,419,972	6,437,344	6,689,634	11,286,324	-	6,266	33,806,957

The depreciation periods for property, plant and equipment are as follows:

	Useful life
Buildings	50 years
Machinery and equipment	5 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5-6 years

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 14. BUILT-OPERATE-TRANSFER (BOT) INVESTMENTS (NET)

	Atatürk International Airport		Ankara Esenboğa International Airport		İzmir Adnan Menderes Airport		Tbilisi International Airport		Batumi International Airport		Total
	Advances BOT Investment	Advances given (for BOT)	Construction BOT Investment	Construction in progress (for BOT)	Construction BOT Investment	Construction in progress (for BOT)	Advances given (for BOT)	Construction in progress (for BOT)	Construction in progress (for BOT)	Construction in progress (for BOT)	
<b>Opening balance,</b>											
<b>1 January 2005</b>	389,047,011	14,038	-	7,428,598	-	-	-	-	-	-	396,489,647
Foreign currency translation effect	1,624,029	-	-	-	-	-	-	-	-	-	1,624,029
Additions	23,500	64,147	-	105,071,771	-	12,407,579	9,425,772	-	-	-	126,992,769
Transfers from CIP and advances	15,480	(78,185)	-	-	-	-	-	-	-	-	(62,705)
Transfer to DHMI-Istanbul airport	(390,710,020)	-	-	-	-	-	-	-	-	-	(390,710,020)
<b>Closing balance,</b>											
<b>31 December 2005</b>	-	-	-	112,500,369	-	12,407,579	9,425,772	-	-	-	134,333,720
Foreign currency translation effect	-	-	-	-	-	-	-	(9,668)	-	-	(9,668)
Effect of change in group structure	-	-	-	-	-	-	-	165,618	-	-	165,618
Additions	-	-	-	138,636,622	-	143,202,428	-	24,031,863	9,351,122	-	315,222,035
Transfers from CIP and advances	-	-	251,136,991	(251,136,991)	163,921,561	(155,610,007)	(8,311,554)	-	-	-	-
Transfers from tangible fixed assets	-	-	-	-	167,696	-	-	-	-	-	167,696
<b>Closing balance,</b>											
<b>31 December 2006</b>	-	-	251,136,991	-	164,089,257	-	1,114,218	24,187,813	9,351,122	-	449,879,401

BOT investments are depreciated during the BOT contract periods commencing from date of operations of the Terminals.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Cost	Atatürk International Airport		Ankara Esenboğa International Airport		İzmir Adnan Menderes Airport		Tbilisi International Airport		Batumi International Airport		Total
	Investment	Advances BOT given (for BOT)	Investment	Construction BOT in progress (for BOT)	Investment	Construction BOT in progress (for BOT)	Advances BOT given (for BOT)	Construction BOT in progress (for BOT)	Construction BOT in progress (for BOT)	Construction BOT in progress (for BOT)	
<b>Accumulated depreciation</b>											
<b>Opening balance, 1 January 2005</b>	341,027,662	-	-	-	-	-	-	-	-	-	341,027,662
Foreign currency translation effect	1,357,366	-	-	-	-	-	-	-	-	-	1,357,366
Depreciation charge for the year	48,324,992	-	-	-	-	-	-	-	-	-	48,324,992
Transfer to DHMI-Istanbul airport	(390,710,020)	-	-	-	-	-	-	-	-	-	(390,710,020)
<b>Closing balance, 31 December 2005</b>	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	3,276,721	-	5,388,511	-	-	-	-	-	8,665,232
Effect of change in group structure	-	-	-	-	-	-	-	-	-	-	-
Transfers from tangible fixed assets	-	-	-	-	13,553	-	-	-	-	-	-
<b>Closing balance, 31 December 2006</b>	-	-	3,276,721	-	5,402,064	-	-	-	-	-	8,678,785
<b>Carrying amount at 31 December 2005</b>	-	-	-	112,500,369	-	12,407,579	9,425,772	-	-	-	134,333,720
<b>Carrying amount at 31 December 2006</b>	-	-	247,860,270	-	158,687,193	-	1,114,218	24,187,813	9,351,122	-	441,200,616

### 15. PREPAID CONCESSION EXPENSES

31 December 2006	Rent	Prepaid Development expenditures	Total
Opening	423,360,803	2,116,324	425,477,127
Additions	-	44,011,350	44,011,350
Current year concession expense	(130,284,397)	(2,972,496)	(133,256,893)
	293,076,406	43,155,178	336,231,584
<b>Represented as short term prepaid concession expense</b>	<b>141,766,670</b>	<b>3,107,908</b>	<b>144,874,578</b>
<b>Represented as long term prepaid concession expense</b>	<b>151,309,736</b>	<b>40,047,270</b>	<b>191,357,006</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

31 December 2005	Rent	Prepaid Development expenditures	Total
Additions	491,231,077	4,161,231	495,392,308
Current period concession expense (3 July-31December 2005)	(67,870,274)	(2,044,907)	(69,915,181)
	423,360,803	2,116,324	425,477,127
<b>Represented as short term prepaid concession expense</b>	<b>117,289,312</b>	-	<b>117,289,312</b>
<b>Represented as long term prepaid concession expense</b>	<b>306,071,491</b>	<b>2,116,324</b>	<b>308,187,815</b>

### Rent:

The total rent associated with the concession agreement is US Dollar 2,543,000,000 plus VAT (Euro 1,930,504,839). TAV HTI paid 23% of the total amount as required by the Concession Agreement. A payment representing 5.5% of the total rent amount will be paid within the first five workdays of each rental year following the first rental year. Below is the payment schedule per the Concession Agreement, excluding VAT.

Date	Amount USD	Amount Euro
03.01.2007	139,865,000	112,979,797
03.01.2008	139,865,000	112,979,797
03.01.2009	139,865,000	112,979,797
03.01.2010	139,865,000	112,979,797
03.01.2011	139,865,000	112,979,797
03.01.2012	139,865,000	112,979,797
After 2013 to 2020	1,118,920,000	903,838,375
	<b>1,958,110,000</b>	<b>1,581,717,157</b>

### Prepaid development expenditures:

This represents costs incurred related to the installation of EDS Security Systems for the International and Domestic Lines Terminals, and various re-design at the exterior of the Domestic Lines Terminal as required by the concession agreement.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 16. OTHER INTANGIBLE ASSETS

Cost	Purchased Software	Customer relationships	DHMI License	Total
<b>Opening balance, 1 January 2005</b>	<b>310,325</b>	-	-	<b>310,325</b>
Foreign currency translation effect	32,341	-	-	32,341
Additions	237,775	-	-	237,775
Acquired on acquisition of subsidiary	291,251	13,539,909	1,393,814	15,224,974
Transfers from CIP	26,650	-	-	26,650
<b>At 31 December 2005</b>	<b>898,342</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>15,832,065</b>
Foreign currency translation effect	(143,047)	-	-	(143,047)
Effect of change in group structure	786,718	-	-	786,718
Additions	4,720,967	-	-	4,720,967
Transfers from CIP	-	-	-	-
<b>At 31 December 2006</b>	<b>6,262,980</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>21,196,703</b>
<b>Amortization</b>				
<b>Opening balance, 1 January 2005</b>	<b>99,715</b>	-	-	<b>99,715</b>
Foreign currency translation effect	11,460	-	-	11,460
Acquired on acquisition of subsidiary	94,073	-	-	94,073
Charge for the period	115,988	676,995	-	792,983
<b>At 31 December 2005</b>	<b>321,236</b>	<b>676,995</b>	-	<b>998,231</b>
Foreign currency translation effect	(45,536)	-	-	(45,536)
Effect of change in group structure	16,154	-	-	16,154
Charge for the period	742,066	1,353,991	-	2,096,057
<b>At 31 December 2006</b>	<b>1,033,920</b>	<b>2,030,986</b>	-	<b>3,064,906</b>
<b>Carrying amount</b>				
<b>Net book value, as of 31 December 2005</b>	<b>577,106</b>	<b>12,862,914</b>	<b>1,393,814</b>	<b>14,833,834</b>
<b>Net book value, as of 31 December 2006</b>	<b>5,229,060</b>	<b>11,508,923</b>	<b>1,393,814</b>	<b>18,131,797</b>

Purchased softwares are amortised over their estimated useful lives, which is on average five years. Intangible assets related to HAVAŞ acquisition are customer relationships and DHMI licence. Customer relationships have 10 years useful life and DHMI rights have indefinite useful life.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 17. JOINT VENTURES

The Group has the following significant interests in joint ventures:

A 49.98 percent equity shareholding with an equivalent voting power, in ATÜ Turizm İşletmeciliği A.Ş., a joint venture established in Turkey. The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of ATÜ Turizm İşletmeciliği A.Ş.:

	31 December 2006	31 December 2005
Current assets	30,113,637	11,745,182
Non-current assets	1,474,763	19,065,433
Current liabilities	8,871,407	4,780,851
Non-current liabilities	17,363,182	19,419,908
Income	110,643,245	92,475,712
Expenses	107,772,240	87,526,099

A 60.00 per cent equity shareholding with an equivalent voting power, in HAVAŞ Havalimanları Yer Hizmetleri A.Ş., a joint venture acquired in 2005. The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of HAVAŞ Havalimanları Yer Hizmetleri A.Ş.:

	31 December 2006	31 December 2005
Current assets	11,974,889	7,232,281
Non-current assets	16,141,948	21,007,703
Current liabilities	6,523,073	6,034,252
Non-current liabilities	2,358,953	2,091,606
Income	62,269,750	50,952,107
Expenses	60,775,622	51,033,455

A 60.00 per cent equity shareholding with an equivalent voting power, in TAV Urban Georgia LLC., a joint venture has been included in the consolidated financial statements in 2006. The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of TAV Urban Georgia LLC.:

	31 December 2006
Current asset	4,859,604
Non-current assets	42,347,769
Current liabilities	30,676,433
Non-current liability	-
Income	6,244,160
Expenses	4,985,476

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 18. BANK LOANS

The details of the Group's bank loans as at 31 December 2006 are as follows:

	Current liabilities	Presented as Non-current liabilities
TAV HTI	510,123,444	-
TAV Esenboğa	153,055,126	-
TAV İzmir	113,432,916	-
TAV	24,077,033	32,636,000
ATÜ	2,233,336	16,835,790
TAV Georgia	16,619,771	-
Others	1,146,477	267,380
	<b>820,688,103</b>	<b>49,739,170</b>

The Group has obtained project loans to finance construction of its B.O.T concession projects, namely TAV Esenboğa and TAV İzmir; and to be able to finance advance payments to Airport Authority related to concession leasing project, TAV HTI. Details of the loans are summarized for each project loans as below:

#### TAV HTI

Original Currency	Maturity	Interest rate %	Presented as	
			Current Liabilities	Non-current liabilities
EUR	31.12.2015	Euribor+2.50	369,373,065	-
USD	31.12.2015	Libor+2.50	124,932,197	-
EUR	31.12.2015	Euribor+5.00	15,818,182	-
			<b>510,123,444</b>	<b>-</b>

TAV HTI has bank loans in the amount of EUR 124,932,197 ("Tranch A") and EUR 369,373,065 ("Tranch B") under a senior facility agreement and EUR 15,818,182 under a mezzanine facility agreement. These loans require semi annual principal and interest payments at each 30 June and at each 31 December according to bank agreements. TAV HTI has cancelled the use of Tranch C bank loan amounting to USD 15 million. There are not any outstanding amounts TAV HTI can borrow from the bank related to the borrowing agreements. However, the consent of the facility agent, TAV HTI has a right to have an additional;

- Subordinated debt approved in advance by the Facility Agent
- Indebtedness upto USD 1 million for the acquisition cost of any assets or leases of assets
- Indebtedness upto USD 3 million for the payment of tax and social security liabilities

These loans are subject to certain restrictive covenants including the requirement to maintain certain financial ratios, and certain restrictions on the transactions entered into by TAV HTI or its shareholders. In the year of 2006, TAV HTI was not in compliance with some of these covenants including a payment defaults caused by a two business day delay in providing the necessary amount in the reserve accounts which are used for loan repayments, and a late payment of mezzanine debt which was cured two business days following the due date, failure to meet certain financial ratios, sale of shares of the major shareholder without permission of the lenders, and failure to report certain activities to the lenders. The lender informed TAV HTI that they are not in compliance with some of the covenant matters and therefore loans have been classified as short term loans in accordance with IAS 1, paragraph 65 (see note 1.B).

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

The lender waived the payment default on 20 July 2006 and, as described in Note 1.B "Financial Restructuring" and the lender has waived the remaining default matters at 20 December 2006 after ensuring that their major conditions for a cash contribution of USD 97 million has been made by the shareholders. Cash contribution was used for a prepayment of a senior loan amounting to USD 40 million, prepayment of a mezzanine loan amounting to USD 22 million and an additional reserve in the lender's reserve account amounting to USD 35 million. The money has been received from TAV at 19 December and 21 December 2006. For the purposes of syndication, the financial model which is the basis for the loan agreement is being updated. The update of the financial model will include the amendment of the repayment schedule to properly reflect the seasonality of cashflows. The amended repayment schedule has been finalized as of our reporting date.

If TAV HTI, sells, transfers or otherwise disposes of any assets having a value individually in excess of USD 500,000 or in the aggregate in any Fiscal Year of the Company in excess USD 1,000,000 and does not apply those proceeds in the purchase of an asset serving a similar purpose, such proceeds of disposal shall be applied by the Company in repayment of the Loans on the next repayment date.

The borrowing repayable according to the original term of the contract as of 31 December 2006 is as follows;

	<b>31 December 2006</b>
On demand or within one year	25,445,319
In the second year	32,336,509
In the third year	43,881,159
In the fourth year	52,783,750
In the fifth year	61,226,853
After five years	294,449,854
	<b>510,123,444</b>

TAV HTI has amended the loan agreement on January 2007, the loan redemption would be as follows according to the new agreement;

	<b>31 December 2006</b>
On demand or within one year	11,947,842
In the second year	20,734,422
In the third year	33,714,974
In the fourth year	43,708,851
In the fifth year	47,729,376
After five years	352,287,979
	<b>510,123,444</b>

### TAV İzmir

Original Currency	Maturity	Interest rate %	Presented as	
			Current liabilities	Non-current liabilities
EUR	23.07.2013	Euribor+3.00	85,339,764	-
EUR	23.07.2013	Euribor+3.00	15,822,158	-
EUR	12.01.2007	Euribor+2.00	10,218,976	-
EUR	10.01.2007	Euribor+3.00	2,052,018	-
			<b>113,432,916</b>	-

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

TAV İzmir has bank loans in the amount of EUR 113,432,916 from two different banks. The first type of loan is used as bridge loan and this loan is due in January 2007. The second type of bank loan is subject to certain restrictive covenants. Cash from the receipts of second type of bank loans is collateralized for bridge loan balances. The second type of loan requires semi annual principal payments and interest payments at each 23 January and 23 July according to bank agreements. With the consent of the facility agent, TAV İzmir has a right to have an additional;

- Subordinated debt approved in advance by the Facility Agent
- Indebtedness upto USD 0.5 million for the acquisition cost of any assets or leases of assets
- Indebtedness upto USD 3 million for the payment of tax and social security liabilities

TAV İzmir was not in compliance with the certain covenants during the year of 2006, accordingly, the bank loans have been classified as a current liability in accordance with IAS 1 paragraph 65. The compliance violations include the following:

- TAV İzmir has failed to provide some financial and informational documents such as security service agreement, financial statements, operating report, operating and maintenance budget
- Conversion of TAV İzmir's capital advances to share capital has not been completed on time

In 2006 certain of these covenants has been violated and accordingly the loans are classified as current liability in accordance with IAS 1 ( note .B). The lender has waived the default matters at 20 December 2006, after ensuring that their major conditions for a cash contribution of USD 39 million (equivalent of EUR 29 million) has been made by the shareholders. Cash contribution, which of USD 31 million will be used for construction works and the remaining USD 8 million will be used to pay various operating expenses. The money has been received from TAV on 19 December 2006.

The borrowing repayable according to the original term of the contract as of 31 December 2006 is as follows;

	<b>31 December 2006</b>
On demand or within one year	16,323,154
In the second year	9,128,714
In the third year	13,668,396
In the fourth year	15,790,205
In the fifth year	17,171,848
After five years	41,350,599
	<b>113,432,916</b>

### TAV Esenboğa

Original Currency	Maturity	Interest rate %	Presented as	
			Current Liabilities	Non-current liabilities
EUR	31.12.2016	Libor+3.5	129,328,428	-
EUR	31.12.2016	Libor+0.85	23,726,698	-
			<b>153,055,126</b>	-

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

TAV Esenboğa has bank loans in the amount of EUR 153,055,126 under loan agreement.

The loans are subject to certain covenants similar to those for TAV HTI. In 2006 certain of these covenants had been violated and, accordingly, the loans are classified as a current liability per IAS 1 "Presentation of Financial Statements" paragraph 65 ( note 1.B). These loans require semi annual principal and interest payments at each 30 June and at each 31 December according to bank agreements. TAV Esenboğa have the option to use EUR 5 million available loan related to the borrowing agreement. However, with the consent of the facility agent, TAV Esenboğa has a right to have an additional;

- subordinated debt approved in advance by the Facility Agent
- indebtedness upto USD 0.5 million for the acquisition cost of any assets or leases of assets
- indebtedness upto USD 3 million for the payment of tax and social security liabilities

In 2006, certain of these covenants have been violated and accordingly the loans are classified as current. The lender has waived the default matters at 20 December 2006, after ensuring that their major conditions for a cash contribution of USD 87 million has been made by the shareholders. Cash contribution was used by USD 15 million to make loan repayment, USD 6 million to be injected to debt service reserve account, USD 9 million was injected in TAV Esenboğa's construction retention funds, USD 16 million to be injected in additional reserve account, USD 41 million to be used as construction cost overrun payment. The money has been received from shareholders at 19 December, 21 December and 29 December 2006.

The borrowing repayable according to the original term of the contract as of 31 December 2006 is as follows;

	<b>31 December 2006</b>
On demand or within one year	6,843,379
In the second year	8,579,065
In the third year	11,596,067
In the fourth year	13,243,550
In the fifth year	16,952,996
After five years	95,840,069
	<b>153,055,126</b>

### Pledges regarding to the project bank loans:

**a) Share pledge:** In case of an event of default, the banks have the right to the shares of the company. Upon the occurrence of any event of default, the banks can demand the sale of shares by way of public auction in accordance with the applicable provisions of the Bankruptcy and Execution Law of the Republic of Turkiye or by way of private auction among the nominees.

**b) Receivable pledge:** In case of an event of default, the banks have the right to the receivables of the company in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, the banks shall cease to be entitled to receive payments made by the Company and to exercise the rights with the assigned receivables and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

**c) Pledge over bank accounts:** In case of an event of default, the banks have the right to the bank accounts of the company in order to perform its obligations under the loan documents. Upon the occurrence of event of default the Company shall be entitled to set-off and apply the whole or any part of the monies standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### ATÜ

Original Currency	Maturity	Interest rate %	Presented as	
			Current liabilities	Non-current liabilities
EUR	21.12.2015	Euribor+2.70	2,142,132	16,835,790
TRY	21.12.2007	1.85	91,204	-
			<b>2,233,336</b>	<b>16,835,790</b>

The borrowing repayable according to term of the contract as of 31 December 2006 is as follows;

	31 December 2006
On demand or within one year	2,233,336
In the second year	2,104,474
In the third year	2,104,474
In the fourth year	2,104,474
In the fifth year	2,104,474
After five years	8,417,894
	<b>19,069,126</b>

### TAV Georgia

Original Currency	Maturity	Interest rate %	Presented as	
			Current Liabilities	Non-current liabilities
USD	20.04.2007	8.37	11,584,955	-
USD	25.07.2007	11.00	1,823,260	-
USD	11.01.2007	11.00	1,375,791	-
USD	25.01.2007	11.00	924,132	-
USD	29.07.2007	11.00	911,633	-
			<b>16,619,771</b>	-

TAV Georgia has bank loans in the amount of EUR 16,619,771 under loan agreement. These borrowings are payable within one year.

### TAV

Original Currency	Maturity	Interest rate %	Presented as	
			Current Liabilities	Non-current liabilities
USD	31.01.2007	Libor+1.50	15,639,456	-
EUR	04.07.2008	Euribor+4.00	7,378,235	13,350,000
EUR	07.12.2010	Euribor+3.75	724,386	4,286,000
EUR	18.01.2011	Euribor+3.75	316,847	5,000,000
EUR	20.01.2011	Euribor+3.75	18,109	10,000,000
			<b>24,077,033</b>	<b>32,636,000</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

TAV Havalimanları Holding A.Ş. has obtained bank loans in the amount of EUR 56,713,033 (USD 74.7 million) under loan agreement. According to loan agreements, there are some informational covenant matters that are not restrictive. TAV deposited the USD 79.5 million (EUR 56.7 Million, equal to the total outstanding principal amounts of the loans) for the above loan as cash collateral to the lender's bank to pay the borrowing liability at the maturity date.

The borrowing repayable according to term of the contract as of 31 December 2006 is as follows;

	<b>31 December 2006</b>
On demand or within one year	24,077,033
In the second year	19,062,000
In the third year	5,712,000
In the fourth year	5,714,000
In the fifth year	2,148,000
	<b>56,713,033</b>

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Euribor rate as of 31 December 2006 is between 2.782% – 3.732% (31 December 2005: 2.362% – 2.844%) and Libor rate as of 31 December 2006 is between 5.350% – 5.543 % (31 December 2005: 4.3857% – 4.8226%).

The details of the Group's bank loans as at 31 December 2005 are as follows:

	<b>Presented as</b>	
	<b>Current liabilities</b>	<b>Non-current liabilities</b>
<b>Projects</b>		
TAV HTI	92,433,616	564,075,027
TAV	84,546,627	10,000,000
TAV İzmir	32,862,303	-
ATÜ	1,086,219	18,940,263
Other	562,127	638,457
TAV Esenboğa	-	79,483,793
	<b>211,490,892</b>	<b>673,137,540</b>

### 19. OBLIGATIONS UNDER FINANCE LEASES

	<b>Minimum lease payments</b>		<b>Present value of Minimum lease payments</b>	
	<b>31 December 2006</b>	<b>31 December 2005</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Amounts payable under finance leases</b>				
Within one year	37,788	45,805	35,630	39,560
In the second to fifth years inclusive	-	42,071	-	39,669
	37,788	87,876	35,630	79,229
Less: future finance charges	(2,158)	(8,647)	-	-
<b>Present value of lease obligations</b>	<b>35,630</b>	<b>79,229</b>	<b>35,630</b>	<b>79,229</b>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is one year as of 31 December 2006 (2005: two years). For the period ended 31 December 2006, the average effective borrowing rate was 7.90% (2005: 8.3%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in USD.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 20. TRADE PAYABLES

	31 December 2006	31 December 2005
Trade payables	38,968,503	9,006,904
Notes payable (*)	3,051,580	1,271
Deposits and guarantees received	394,556	328,686
Other trade creditors	4,232	29,951
Discount on payables (-)	(347,801)	(68,442)
	<b>42,071,070</b>	<b>9,298,370</b>

(\*) The amount consist of notes payable to IC İçtaş, a related party arising from construction of İzmir terminal (See Note 9 for other related party transactions).

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

### 21. OTHER PAYABLES AND DEFERRED REVENUE

	31 December 2006	31 December 2005
<b>Current liabilities:</b>		
Expense accruals	2,981,484	1,724,650
Deferred revenue	4,721,740	2,705,084
Taxes and dues payable	3,923,468	3,616,262
Social security premiums payable	3,703,959	2,170,134
Due to personnel	1,524,557	492,005
Advances received	1,161,845	620,520
Unused vacation	949,545	759,781
VAT payable	-	283,769
Other accruals and liabilities	233,411	380,733
Employment termination benefit payable	-	1,610,783
	<b>19,200,009</b>	<b>14,363,721</b>
<b>Non current liabilities:</b>		
<b>Deferred income (*)</b>	<b>22,568,298</b>	<b>19,565,648</b>

(\*) Deferred income amounting to EUR 19,584,011(2005: EUR18,207,209) is related with the prepaid concession rent income from ATÜ.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 22. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of EUR 1,003 (31 December 2005: 1,088) for each period of service at 31 December 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 and its Subsidiaries and Joint Venture registered in Turkey arising from the retirement of employees. IFRS require 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:

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. Consequently, in the accompanying financial statements as at 31 December 2006, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at 31 December 2006 have been calculated assuming an annual inflation rate of 5.00% and a discount rate of 11% resulting in a real discount rate of approximately 5.71% (31 December 2005: annual inflation rate of 6.175% and a discount rate of 12% resulting in a real discount rate of approximately 5.49%). It is planned that, retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

	<b>31 December 2006</b>	<b>31 December 2005</b>
Present value at 1 January	2,597,803	2,503,553
Service cost	2,266,481	1,273,158
Retirement pay payable (*)	-	(1,610,783)
Interest cost	125,832	133,498
Provision released	(73,048)	(44,666)
Retirement pay paid	(868,627)	(1,550,045)
Obligation acquired on acquisition of subsidiary	-	1,258,894
Translation (gain)/loss	(363,387)	396,136
<b>Present value at end of the period</b>	<b>3,685,054</b>	<b>2,359,745</b>

(\*) At the time of new concession agreement, all personnel have been transferred from the Company to TAV HTI. Accordingly, management decided to pay employee termination benefits to all personnel. EUR 1,550,045 of total liability has been paid in 2005 and the remaining payable balance of EUR 1,610,783 has been paid in 2006.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 23. TAXATION ON INCOME

<b>Current tax liability:</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
Current corporate tax provision	4,448,597	2,134,669
Prepaid taxes and funds	(2,767,751)	(1,420,709)
	<b>1,680,846</b>	<b>713,960</b>

<b>Income tax expense/(benefit):</b>	<b>Year ended 31 December 2006</b>	<b>Year ended 31 December 2005</b>
Current tax	4,480,384	2,134,669
Deferred tax charge/(benefit)	4,620,549	(12,024,218)
	<b>9,100,933</b>	<b>(9,889,549)</b>

#### *Corporate Tax:*

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2006 is 20% (2005: 30%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2006 is 20% (2005: 30%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### *Income withholding tax:*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21.06.2006. However until the resolution of council of ministers, it will be used as 10%. After the resolution, declared in official journal in July 23 2006, this rate changed to 15% commencing from July 23 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of the Group planned not to use the investment incentives, the consolidated Group companies have used 20% corporate tax rate as of 31 December 2006.

### *Inflation adjusted legal tax calculation:*

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Group has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, no further inflation adjustment made to the Group's statutory financial statements in 2005.

### *Deferred Tax:*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2005: 30%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

Subsidiaries that have deferred tax assets position:

	31 December 2006	31 December 2005
<b>Deferred tax (assets)/liabilities:</b>		
Revaluation and depreciation/amortization differences of fixed assets	(1,519,924)	(260,313)
Revaluation of prepaid rent to DHMI	6,977,202	(563,141)
Provision for employment termination benefits	(288,944)	(278,470)
Unused investment incentive	-	(15,536,271)
Tax losses carried forward	(17,647,257)	(2,230,428)
Allowance for tax losses carried forward	3,115,257	-
Change in fair value of interest rate derivatives	(1,961,535)	(460,204)
Discount on receivables and payables	(1,610)	12,223
Provision for doubtful receivables	(203,855)	(140,091)
Other	(1,274,876)	(818,441)
<b>Net deferred tax assets</b>	<b>(12,805,542)</b>	<b>(20,275,136)</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Subsidiaries that have deferred tax liabilities position:

	31 December 2006	31 December 2005
<b>Deferred tax (assets)/liabilities:</b>		
Revaluation and depreciation/amortization differences of fixed assets	4,226,430	4,925,967
Provision for employment termination benefits	(325,498)	(429,454)
Tax losses carried forward	(863,662)	-
Allowance for tax losses carried forward	863,662	-
Change in fair value of interest rate derivatives	(44,235)	-
Discount on receivables and payables	(4,344)	2,097
Provision for doubtful receivables	(22,219)	(40,695)
Unused investment incentive	-	(155,516)
Other	58,741	(375,248)
<b>Net deferred tax liabilities</b>	<b>3,888,875</b>	<b>3,927,151</b>

At the balance sheet date, the Group has unused tax losses of EUR 92,554,593 (2005: EUR 7,434,759) available for offset against future profits. A deferred tax asset at the effective tax rate of 20% has been calculated in respect of EUR 18,510,919 (2005: at the effective rate of 30% EUR 2,230,428) of such losses and an allowance of Euro 3,115,257 has been provided for some of the subsidiary in the Group. Unutilized tax losses will expire as follows:

	31 December 2006	31 December 2005
Expire in 2009	2,333,737	547,445
Expire in 2010	5,557,478	6,887,314
Expire in 2011	84,663,378	-
<b>Total</b>	<b>92,554,593</b>	<b>7,434,759</b>

Movements of deferred tax (assets)/liabilities are as follows:

	31 December 2006	31 December 2005
Opening balance at 1 January	(16,347,985)	(7,684,830)
Acquisition of subsidiary (*)	-	4,519,475
Change in group structure	(43,875)	-
Charged to profit or loss for the year	4,620,549	(12,024,218)
Translation effect	2,854,644	(1,158,412)
<b>Closing balance at the end of the year</b>	<b>(8,916,667)</b>	<b>(16,347,985)</b>

(\*) Balance represents the deferred tax liability of HAVAŞ at the time of acquisition.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Total charge for the year can be reconciled to the accounting profit as follows:

	31 December 2006	31 December 2005
<b>Reconciliation of taxation:</b>		
Profit/(Loss) before tax	(55,220,797)	30,651,711
Tax at the domestic income tax rate of 20% (2005: 30%)	(11,044,159)	9,195,513
- tax effects of:		
- expenses that are not deductible in determining taxable profit	455,001	551,056
- non-taxable income	-	(243,270)
- tax rate change	559,566	-
- utilization of tax losses not previously recognized	(521,662)	1,011,272
- investment incentives used	-	(15,360,302)
- investment incentives recognized	-	-
- allowance for carryforward tax losses	3,062,795	-
- write off of investment incentives (*)	13,066,398	-
- effect of consolidation eliminations	(1,092,897)	(158,031)
- effect of other adjustments	4,615,891	(4,885,787)
<b>Tax (income) / expense for the year</b>	<b>9,100,933</b>	<b>(9,889,549)</b>

(\*) due to change in tax regulations.

### 24. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

#### Commitments and contingencies

	31 December 2006	31 December 2005
Letter of guarantees given to DHMI	111,618,378	117,993,819
Letter of guarantees given to third parties	37,097,080	94,186,677
Letter of credit	3,053,613	1,020,103
Notes payable given	-	88,855
	<b>151,769,071</b>	<b>213,289,454</b>

Majority of letter of guarantees given to third parties includes the guarantees given to customs and some customers. Majority of letter of credit includes letter of credits given for the constructions of Ankara Esenboğa and İzmir Adnan Menderes airports.

The Group is obliged to give 6% of the total rent amount of USD 152,580,000 as a letter of guarantee for according to the rent agreement made with the Landlord Authority ("DHMI"). EUR 110,190,476 of the total obligation has been provided by the Group, and the rest of the obligation of EUR 10,262,761 in terms of letter of guarantees has been provided by Akfen İnşaat ve Turizm A.Ş.

HAVAŞ's shares have been pledged for the loan amounting to EUR 39,472,158 (USD 50,000,000) taken by TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

The accounts of TAV Havalimanları Holding A.Ş. for the years ended 2001 through 2004 are under review by the Head Account Specialists of the Ministry of Finance for tax purposes ("Tax Authority"). The Company has received the Tax Authority report for 2001, which has identified certain expenses that were deducted in 2001, 2002, 2003 should have been deducted in 2004 and 2005. The assessment therefore results in a timing of the tax payments, and any resulting impacts. The initial assessment is that there are 19,060,911 TRY, 17,665,143 TRY and 25,518,857 TRY should have been added to tax base for the years of 2001, 2002 and 2003 respectively and that there are additional expenses that can be recognized of 2,201,345 TRY in 2004 and 60,585,779 TRY in 2005. Management believes the treatment they adopted is in accordance with Turkish Tax Legislation rules, and on 29 January 2007 the Company has applied to the court to challenge the position of the Tax Authority. Management believes that the case will be settled in its favor based on compliance present tax legislation rules, judgement decisions and applications of the Ministry of Finance. Therefore, no provision has been reflected in the financial statements. If the court were to find against the Group, management estimates the late tax payment liability would be 13 Million TRY as of 31 December 2006.

### Contractual obligations

#### TAV HTI

TAV HTI is bound by the terms of the Concession Agreement made with DHMI. If the Company does not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of the Company's operation.

DHMI may terminate the Concession Agreement if the ownership of interest of TAV and founding partner in TAV HTI should be below 49% during the first three years of the operation period.

At the end of the contract period, the Company will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs not made, DHMI will have this maintenance and repair made, and the price will be set off from the final acceptance.

Pursuant to the provisions of this agreement, the contractual obligations the Company include the rental of the above mentioned facilities for a period of fifteen and a half years beginning on July 3rd, 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to the owner authority ("DHMI") upon the expiry of the rental period.

In the case where the Company as the renter performs a delayed and/or incomplete rent payment to the State Airports Authority, the Company is charged a fine of 10% of the rent amount to be paid. The Company is then obliged to perform the payment latest within five days. Otherwise, the State Airports Authority shall be entitled to cancel the rent agreement. The Company is not entitled to claim the rent payments performed to the State Airports Authority prior to the cancellation of the contract.

#### TAV Esenboğa and TAV İzmir

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreement made with DHMI. If the Company does not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of the Company's operation according to the BOT Agreement. According to the BOT agreement:

Share capital of the Company can not be less than 20% of fixed investment amount.

The Companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMI. DHMI has requested an extension of EUR 13,900,000 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. DHMI has not requested the rest of the additional investment within 20 % limit as of this report date.

Temporary acceptances for BOT investments of TAV Esenboğa and TAV İzmir have been granted by DHMI during the year, and permanent acceptance will be granted when control procedures are completed by DHMI.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

At the end of the contract period, the Companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs not made, DHMI will have this maintenance and repair made, and the price will be set off from the final acceptance.

All equipments used by the Company must be brand new and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are not delineated in the Tax Application Law, the renter is obliged to perform the replacement.

All fixed assets covered by the implementation contract will be transferred to DHMI free of charge. Transferred items must be in working conditions and should not be damaged.

The Company has the responsibility of repair and maintenance of all fixed assets under the investment period.

### HAVAŞ

Prior to the legal transfer of 95% of the shares in TAV İzmir in December 2006, Havas owned 100% of TAV İzmir. A Protocol for Joint Venture was executed between Bayındır İnşaat Turizm A.Ş. ("Bayındır"), Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ") and Urart Gümrüksüz Mağaza İşletmeciliği ve Ticaret A.Ş. ("Urart") on 13 August 2004 relating to İzmir Adnan Menderes Airport New International Terminal. This Joint Venture Protocol contains provisions to the effect that when İzmir Adnan Menderes Havalimanı Uluslararası Terminal İnşaatı ve İşletmeciliği A.Ş. ("TAV İzmir"), which has not been incorporated as of the date of the Joint Venture Protocol, is incorporated, HAVAŞ will sell the 5% of the shares that it owns in TAV İzmir to Urart. In 2005, Urart filed a lawsuit against Bayındır, HAVAŞ and TAV İzmir for the specific performance of the above mentioned Joint Venture Protocol. Under the said lawsuit the court has rendered a preliminary injunction order for prohibiting the sale, transfer or establishment of any personal and/or real rights (rights in rem) on such number of shares owned by HAVAŞ in TAV İzmir that corresponds to the 5% of the share capital of TAV İzmir. This preliminary injunction order is still in effect since the lawsuit is still pending being litigated at the court.

In the event that the court renders a judgement ruling for the transfer of such number of the shares owned by Havas in TAV İzmir that corresponds to the 5% of the share capital of TAV İzmir to Urart, as the Joint Venture Protocol does not set forth the purchase price, the purchase price to be determined by the court will be paid by Urart to Havas for acquiring these shares.

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group licence) signed with the Landlord Authority ("DHMI"), the Company undertakes the liability of all the losses incurred by its personnel to DHMI or to third parties. It also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. The Company is required to provide DHMI with a letter of guarantee amounting to USD 1,000,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to the Company. Fines which are over due in accordance with the appointed agreement/ period declared by DHMI will be settled by the liquidation of the letter of guarantee. If DHMI liquidates the collateral, the Company is obliged to complete the collateral at its original amount which is USD 1,000,000 within 15 days.

In accordance with the rental agreements signed with the DHMI regarding the several parking areas, land, buildings, offices at the Atatürk, Esenboğa, Adnan Menderes, Dalaman, Adana, Trabzon, Milas, Kapadokya, Antalya and Kayseri airports; when the rent period ends, DHMI will have the right to retain the immovables built in the area without any pay.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### TAV Georgia

The Company is bound by the terms of the BOT Agreement. In case the Company fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations. According to the BOT Agreement, the Company is required to:

Invest funds of USD 62 million to finance its obligations to design, engineer, construct, test and commission the new Tbilisi International Airport terminal and to provide additional financing of USD 15 million for the construction of Batumi airport;

Complete the construction of Batumi airport terminals and organise the inauguration ceremony of the fully completed Batumi airport new terminal by 30 August 2007;

Comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;

Construct the new terminals in accordance with the requirements of IATA, ICAO or ECAC, and in compliance with the approved design;

Maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and IATA, ICAO or ECAC;

Ensure that its subcontractors and the Company itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;

Remedy accidents that might occur upon mechanical damage inflicted by the Company to existing communication networks or inappropriate use or operation thereof; and

With respect to Batumi Airport, the Company is committed to pay USD 1,000 to the government of Georgia for each day of delay after 31 May 2007, during the first thirty days of such delay and USD 5,000 for the consequent 15 days of delay of the provisional acceptance with respect to the Batumi Airport terminal. In addition to the foregoing, with respect to the Batumi Airport terminal, the Company is committed to pay USD 1,000 to the government of Georgia for each day of delay after 30 August 2007, during the first thirty days of such delay and USD 5,000 for the consequent 15 days of delay of final acceptance with respect to the Batumi Airport terminal.

Management believe that as of 31 December 2006, the Company has complied with the terms of the BOT Agreement (31 December 2005: complied with terms of the BOT Agreement).

### Tax legislation

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for three years.

Management believe that their interpretation of the relevant legislation is appropriate and the Company's profit, currency and customs positions will be sustained.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Contingent asset

The Company is able to expense VAT on concession rent payments upon the issuance of the related invoice, and DHMI issues the invoice annually. Cumulative VAT expense related with DHMI invoices as of 31 December 2006 is EUR 14,044,031 (31 December 2005: EUR 4,417,918).

- The Company has opened a tax court case in February 2006 against Ministry of Finance for the concession rent, which has been paid partially and the remaining will be paid to DHMI, for not being subject to VAT. According to temporary VAT code number 12, the Group stated that airport privatizations are exempt from VAT. The court still continues as of report date, and the Group management believes that this court will be finalized in Group's favor, paid VAT will be reimbursed to the Group, and the Group will not pay VAT on concession rent anymore. The resolution of the Istanbul First Tax Court has been declared to us on 9 April 2007. The resolution sets forth that the administrative transaction is not a tax error in the manner prescribed in the Tax Procedures Law, and that no legal inappropriateness had been observed in the transaction that had been formed via the rejection of the application made upon complaint. The decision does not assess whether there is an exemption from the VAT or not; and it is judged that the application does involve a legal shortcoming; and TAV HTI shall apply for an appeal with the State Council within legal due course, pursuant to the opinion that there are no formal shortcomings in the case and that the transaction must be exempt from the VAT.

### 25. SHARE CAPITAL AND LEGAL RESERVES

The parent's share capital held as of 31 December 2006 and 31 December 2005 is as follows:

Shareholders	(%)	31 December 2006
Tepe İnşaat San. A.Ş.	27.06	62,926,124
Akfen Holding A.Ş.	23.01	53,487,205
Sera Yapı Endüstrisi ve Tic. Ltd. Şti.	3.28	7,621,875
Babcock Brown Turkish Airports LLC	6.00	13,950,000
IDB Infrastructure Fund L.P.	4.87	11,322,750
Global Investment House KSCC	3.00	6,975,000
Global Opportunistic Fund II Company BSCC	2.00	4,650,000
Goldman Sachs International (*)	30.00	69,750,000
Akfen İnşaat Tur. ve Tic. A.Ş.	0.78	1,817,044
Mehmet Cem Kozlu	<1.00	2
<b>Paid in capital in TRY (nominal)</b>	<b>100.00</b>	<b>232,500,000</b>
Paid in capital in EUR (nominal)		125,573,859
Effect of non-cash increases and exchange rates		(26,030,331)
<b>Paid in capital EUR</b>		<b>99,543,528</b>

(\*) 34,875,000 of the shares owned by Goldman Sachs that correspond to the 15% of the share capital of the company have been provided by Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. to Goldman Sachs International as collateral and the title of those shares have been transferred to Goldman Sachs International for this purpose. A pledge in favor of Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. exists on those shares. Voting rights, right of receiving dividends, pre-emption rights for participating in cash share capital increase in connection with those shares (except for acquiring gratis shares under share capital increase) belong to Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

Shareholders	(%)	31 December 2005
Tepe İnşaat San. A.Ş.	7.50	18,750,000
TAV Yatırım Holding A.Ş.	40.00	100,000,000
Akfen İnşaat Tur. ve Tic. A.Ş.	6.80	17,000,000
Akfen Holding A.Ş.	0.70	1,750,000
Hyper Foreign Trade Holland N.V. (*)	45.00	112,500,000
Capital in TRY (nominal)	100.00	250,000,000
Unpaid portion of Capital in TRY (nominal)		(210,000,000)
<b>Paid Capital in TRY</b>		<b>40,000,000</b>
Paid in capital in EUR (nominal)		25,196,850
Effect of non-cash increases and exchange rates		56,863,220
Effect of Group structure change(*)		22,793,383
<b>Paid in capital EUR</b>		<b>104,853,453</b>

(\*) Tepe İnşaat Sanayi A.Ş., Sera Yapı End. ve Tic. Ltd. Şti. and Akfen İnşaat Turizm ve Ticaret A.Ş. are shareholders of Hyper Foreign Trade Holland N.V.

TAV Havalimanları Holding A.Ş.'s nominal share has been increased from TRY 200,000,000 to TRY 232,500,000 at 6 December 2006. Shareholders paid TRY 354,250,000 for 32,500,000 shares, and TRY 32,500,000 of this increase was recorded as nominal capital and the excess was recorded as shares premium in the books. The increased capital has been fully paid on 22 December 2006. The Company's share capital consists of 232,500,000 shares amounted to TRY 232,500,000 in 2006 (2005: 40,000,000).

During 2006, the Company increased its number of principal shareholders as follows:

In March 2006 Tepe İnşaat Sanayi A.Ş., Akfen İnşaat Turizm ve Ticaret A.Ş., and Akfen Holding A.Ş., (collectively, the "Sellers") sold 4.87% shares of the Company in TAV to IDB Infrastructure Fund L.P. ("IDB").

In August 2006, The Sellers sold 5% shares of the Company to Global Investment House KSCC and Global Opportunistic Fund II Company BSCC (collectively will be referred as "GIH").

In December 2006, the Sellers and Tepe Emlak Yatırım İnşaat ve Ticaret A.S. sold 6% shares of the Company to Babcock Brown Turkish Airports LLC ("B&B").

In December 2006, the Sellers sold 15% shares of the Company to Goldman Sachs International ("GS").

(\*) Insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75% on 29 December 2006. TAV Esenboğa which is under common control, is accounted for by use of the pooling of interest method. Accordingly, the financial statements of this entity has been retrospectively included in the accompanying consolidated financial statements so that as if TAV Esenboğa was consolidated with %75 at the previous years Share capital represents the combined share capital of the Group at 1 January 2006 and 2005 as there is not a legal parent company share capital represents the parent Company's capital.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Legal Reserves:

Retained earnings in the statutory tax financial statements can be distributed as dividends other than judgments related to legal reserves described below:

Legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions, however holding companies are not subject to this application. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

Publicly held companies distribute dividends based on the CMB regulations explained below:

Based on Section 15, Article 399 of the CMB's Communiqué No: XI/25, the amount of 'accumulated losses' arising from the initial application of the inflation accounting, should be taken into account as a deduction when determining the distributable profit. 'Accumulated losses' should be offset against the following components of shareholders' equity; current year income, if applicable, unappropriated prior year's income, and remaining losses from the incremental effect of the inflation adjustment to extraordinary reserves, legal reserves and share capital, respectively.

In accordance with the Communiqué No: XI/25, effective from 1 January 2004, companies are required to distribute at least 30% of their distributable profit arising from the 2005's activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as in cash or as in bonus share or as in a combination of a certain percentage of cash and bonus shares. However, if the first dividend amount is less than 5% of paid capital, the related amount could be retained without appropriating within the Group.

The profit amount included in calculation of net distributable profit in the consolidated financial statements which is also included in the financial statements of subsidiaries, joint ventures and shareholdings, are not recognized.

Under the CMB's Communiqué No: XI/25 and Communiqué No: XI/21, if subsidiaries, joint ventures and associates that are included in consolidation have the decision of share distribution in their board meetings, provided that the profit attributable to the parent company which is accounted in the consolidated financial statements is considered as the maximum amount within the context of financial statements prepared in accordance with the recent adjustments relating to such entities, profit amount from the related companies transferred to the parent company is taken into consideration in the parent company's distributable profit depending on the decision of the General Assembly.

Additionally, in accordance with the CMB's decision numbered 7/242 on 25 February, 2005; if the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations does not exceed net distributable profit in the statutory accounts, the whole amount should be distributed. On the contrary, the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations exceeds net distributable profit in the statutory accounts; distributable amount is limited with the figures in the statutory accounts. There is no requirement for profit distribution either financial statement prepared in compliance with the CMB or statutory accounts contain net loss for the period.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Changes in share capital structure after 31 December 2006

In February 2007, Tepe İnşaat Sanayi A.Ş., Akfen İnşaat Turizm ve Ticaret A.Ş., Akfen Holding A.Ş. sold their 18.4% shares to public.

Under the terms of the Share Sale and Purchase Agreements ("SSPA") of each shareholders there are various rights and conditions:

#### A. IDB SSPA

##### Put Option

In the event that an IPO does not take place prior to the 15th of March 2007 other than as a result of unfavorable market conditions (to be determined by mutual agreement of IDB and the Sellers or, in the absence of agreement, by an investment bank engaged by the Sellers and IDB jointly), IDB may on not less than 10 Business Days prior written notice require the Sellers to buy the shares owned by IDB in the Company from IDB at the pre-agreed exit price specified in IDB SSPA. No collateral has been given to IDB for its Put Option right. IPO was launched on 23 February 2007 and this put option is no longer valid.

##### Adjustment

If the IPO value of the shares occurs to be less than the Initial Value an adjustment will be made according to the formula specified in the IDB SSPA and the Sellers shall transfer such number of shares calculated by applying adjustment formula to IDB. There is no upper limit for Sellers transfers to IDB. "Initial Value" means the value of the Company Shares taken into consideration for determining the purchase price paid by IDB, GIH, B&B and GS. The initial value is the same for all the said transactions.

In the event that the IPO value is greater than the Initial Value, an adjustment will be made according to the formula specified in the IDB SSPA and IDB shall transfer such number of shares calculated by applying adjustment formula to the Sellers. There is an upper limit for IDB transfers to the Sellers.

Certain number of Company shares owned by IDB and certain number of Company shares owned by the Sellers have been delivered to an escrow agent as collateral for effecting the adjustment and balancing transfers as described above.

#### B. GIH SSPA

##### Put Option

If an IPO has not been achieved by 31 December 2007, then GIH shall have the option to offer selling the shares that GIH owns in the Company to the Sellers in consideration for the pre-agreed exit price specified in GIH SSPA. Upon the receipt of the notice by GIH exercising their Put Option, the Sellers shall purchase the Shares from GIH in consideration for such pre-agreed price and shall pay the consideration within fifteen days from the date of notice by GIH. No collateral has been given to GIH for its Put Option right. IPO was launched on 23 February 2007 and this put option is no longer valid.

##### Adjustment

If the IPO value of the shares occurs to be less than the Initial Value an adjustment will be made according to the formula specified in the GIH SSPA and the Sellers shall transfer such number of shares calculated by applying adjustment formula to GIH. There is no upper limit for Sellers transfers to GIH.

In the event that the IPO value is greater than Initial Value, an adjustment will be made according to the formula specified in the GIH SSPA and GIH shall transfer such number of shares calculated by applying adjustment formula to the Sellers. There is an upper limit for GIH transfers to the Sellers.

Certain number of Company shares owned by GIH and certain number of Company shares owned by the Sellers have been delivered to an escrow agent as collateral for effecting the adjustment and balancing transfers as described above. Those shares are endorsed by blank endorsement by all relevant parties.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

In the event that GIH does not sell pro-rata at the IPO then the share adjustment as described above shall not be applicable and the Sellers shall procure that GIH owns at least 5% of the shares of the company post IPO.

### C. B&B SSPA

#### Put Option

If the Completion of Restructuring is not achieved by 31 January 2007 or if an IPO does not occur by 30 April 2007, then the Sellers shall use their best endeavors to assist B&B in selling all the shares held B&B, who will appoint an investment bank to assist in such a sale. If B&B has not been successful for the sale of its shares at a price acceptable to it, then the Sellers, shall be obliged to purchase the shares held by B&B in consideration for the pre-agreed price specified in B&B SSPA. In such a case, the share transfer shall be completed within 15 (fifteen) days as of the receipt by the Sellers of the notification of B&B. No collateral has been given to B&B for its Put Option right. Completion of Restructuring was completed before 31 January 2007 and IPO was launched on 23 February 2007. These put option matters are no longer valid.

#### Adjustment

If the IPO value of the shares occurs to be less than the Initial Value an adjustment will be made according to the formula specified in the B&B SSPA and the Sellers shall transfer such number of shares calculated by applying adjustment formula to B&B. There is no upper limit for Sellers transfers to B&B.

In the event that the IPO value is greater than Initial Value, an adjustment will be made according to the formula specified in the B&B SSPA and B&B shall transfer such number of shares calculated by applying adjustment formula to the Sellers. There is an upper limit for B&B transfers to the Sellers.

Certain number of Company shares owned by B&B and certain number of Company shares owned by the Sellers have been delivered to an escrow agent as collateral for effecting the adjustment and balancing transfers as described above. Those shares are endorsed by blank endorsement by all relevant parties.

### D. GS SSPAs

According to the GS SSPA the sellers are obliged to use the proceeds in the way that it was set out in the agreements (see note 1 B "Financial restructure of the group"). By this way the sellers will pay USD 249 million as a contribution to the Company and USD 86 million to TAV Esenboğa. The Company and the sellers are obliged to use the proceeds as per agreements otherwise it will create an event of default and GS may use its put option.

#### Default Put Option

In the event that

- i) The Sellers fail to achieve Completion of Restructuring by 12 February 2007; or
- ii) the Sellers fail to amend the articles of association by 15 March 2007 to incorporate the special rights of the minority shareholders (namely IDB, GIH, B&B and GIH) specified in the Shareholders Agreement if IPO does not occur by 15 February 2007 (15 March 2007 as amended) ; or
- iii) the Sellers fail to comply with the requirements specified in GS SSPA in respect of usage of share transfer proceeds received from GS and fails to remedy such failure within 3 Business Days of a default notice by GS. GS may exercise Put Option within 10 Business days.

Completion of Restructuring was completed before 12 February 2007 and IPO lauched on 23 February 2007. These put option matters are no longer valid.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Put Option

Regardless whether an IPO occurs or not GS has the right to exercise Put Option during such period commencing on 20 November 2007 and ending 10 Business Days after the first anniversary of Completion (21 December 2007).

Regardless whether an IPO occurs or not GS has the right to exercise Put Option during such period commencing on 27 November 2008 and ending 10 (ten) Business Days thereafter.

GS does not have any Put Option thereafter if it has not exercised its Put Option within periods described above.

If the Sellers fail to acquire the shares offered by GS under Put Option within the period specified in GS SSPAs in consideration for the pre-agreed prices agreed in the GS SSPA for the Put Option Right 2007 and Put Option Right 2008 separately or cause a third party to do so, GS will send a default notice of 15 Business Days. If the Sellers fail to complete the foregoing transaction within this notice period then GS will have right to enforce the Collateral Shares described below.

### Trade Sale Adjustment

If an IPO has not occurred until 20 April 2007, and if GS receives a bona fide offer from a third party to purchase some or all of shares owned by GS, or the Sellers have received a bona fide offer from a third party to purchase some or all the shares owned by the Sellers, in either case where the offer price is at least equivalent to an implied equity value that was mutually agreed for the Company, if GS sells or wishes to sell some or all of its Shares to that third party GS shall be entitled to provide a written notice ("Trade Sale Notice") to the Sellers specifying the number of Trade Sale Adjustment Shares to be transferred from the Sellers to the Purchaser and within 15 (fifteen) Business Days of the receipt of this notice by the Sellers, the Sellers shall deliver the Share Certificates representing the Trade Sale Adjustment Shares to the Purchaser. IPO was launched on 23 February 2007. The trade sale adjustment is no longer valid.

### Sellers Call Option

After an IPO has taken place and provided the Sellers have sold such number of their Ordinary Shares into the IPO as is in accordance with the advice of the IPO Adviser, then prior to 31 December 2007, the Sellers shall be entitled to request GS to transfer back 2,325,000 shares that GS owns in the Company to the Sellers at the pre-agreed price specified in the GS SSPA.

### Adjustment

If the IPO value of the shares occurs to be less than the Initial Value an adjustment will be made according to the formula specified in the GS SSPAs and the Sellers shall transfer such number of shares calculated by applying adjustment formula to GS SSPAs. There is no upper limit for Sellers transfers to GS.

### Collateral Shares

Tepe Insaat Sanayi ve Ticaret A.S. (Tepe Insaat), Akfen Holding A.S. (Akfen Holding) and Sera Yapi Endustrisi ve Ticaret A.S. (Sera Yapi) have lent and transferred the title of such number of shares that correspond to the 15% of the present share capital of the Company under an agreement named Collateralized Stock Borrowing Agreement as a security for the performance of the obligations of the Sellers specified under Default Put Option and the obligations of the Sellers regarding Trade Sale Adjustment, Adjustment and payment of stamp duty of the transaction documents.

GS has created pledge in favor of Tepe Insaat, Akfen Holding and Sera Yapi on the Collateral Shares. All voting rights, dividends, rights for participating in share capital increase in connection with the Collateral Shares shall belong to Tepe Insaat, Akfen Holding and Sera Yapi, provided that gratis (bonus) shares issued as the result of such share capital increase made by way of adding the reserves to equity shall belong to GS in connection with the Collateral Shares.

GS is entitled to enforce such number of Collateral Shares that are sufficient for adjustment or Trade Sale or payment of stamp duty respectively upon occurring of the respective enforcement event specified above. GS is entitled to enforce all of the Collateral Shares in respect of enforcement event regarding Put Option. Upon enforcement share pledge is released on such Collateral Shares.

Collateral Shares are maintained by the Escrow Agent.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### Transfer to GS Affiliates

At any time including prior to IPO or thereafter GS is entitled to transfer the shares that it owns in the Company to its Affiliates.

Although all shareholders including, IDB, GIH, B&B and GS are bound with lock up period, GS SSPAs envisage that Put Option of GS and Call Option by Sellers may be exercised during lock up period.

### 26. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Continuing operations</b>		
Sales of duty free goods	106,577,547	92,478,101
Aviation income (*)	99,848,937	75,861,069
Ground handling income (*)	50,952,530	22,846,637
Concession fee- duty free (*)	48,764,477	37,953,622
Catering services income (*)	26,257,418	23,346,298
Bus services income (*)	13,832,184	6,890,724
Income from car parking operations (*)	13,211,271	12,630,148
Area allocation income (*)	13,125,210	9,069,360
Income from lounge services (*)	5,806,599	3,260,866
Income from hotel operation (*)	3,843,783	2,750,102
Software sales income (*)	2,366,506	-
Prime valet services income	574,143	511,721
Prime class income	319,019	438,013
Hardware sales income (*)	554,754	-
Security services income (*)	399,410	-
Ticket sales income	353,478	703,900
Baggage transfer system income	250,339	282,706
Other operating income	-	14,041
Operating income - Gross	387,037,605	289,037,308
Sales returns and discounts (-)	(888,076)	(711,736)
<b>Net operating income</b>	<b>386,149,529</b>	<b>288,325,572</b>

(\*) See Note 9 for related party transactions.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 27. OTHER OPERATING INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Advertising income (*)	6,928,052	5,954,216
Utility and general participation income (*)	3,859,056	3,355,550
Rent income (*)	1,912,999	1,327,417
Furniture & fixture renewal income	-	4,489,814
Project Income (*)	-	1,325,515
Provision released	-	7,600
Other	963,556	-
<b>Total other operating income</b>	<b>13,663,663</b>	<b>16,460,112</b>

(\*) See Note 9 for other related party transactions.

### 28. OTHER OPERATING EXPENSE

	Year ended 31 December 2006	Year ended 31 December 2005
Maintenance expenditures (*)	16,192,490	15,040,829
Consultancy expense (*)	10,095,006	4,382,447
VAT not recoverable	13,909,172	6,032,743
Management consultancy fee (*)	10,033,724	2,805,762
Utility cost	9,447,323	6,743,271
Insurance expense (*)	6,098,529	2,248,182
Cleaning expense	4,939,234	3,738,798
Communication and stationary expenses	2,208,217	427,841
Rent expense (*)	1,129,652	1,603,065
Security cost (*)	1,427,276	4,602,008
Taxes	1,044,864	1,177,600
Provision expenses	1,045,501	488,131
Advertisement and marketing expenses	990,890	426,205
Representation expenses (*)	870,514	202,624
Investment purchase transaction cost	793,263	-
Traveling and transportation expenses	516,718	525,575
Other operating expenses (*)	3,169,166	3,654,280
<b>Total other operating expense</b>	<b>83,911,539</b>	<b>54,099,361</b>

(\*) See Note 9 for related party transactions,

### 29. INVESTMENT INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Interest on bank deposits and intercompany loans (*)	18,303,032	14,852,965
Other	16,352	371,797
<b>Total investment income</b>	<b>18,319,384</b>	<b>15,224,762</b>

(\*) See Note 9 for related party transactions

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 30. OTHER GAINS AND LOSSES

	Year ended 31 December 2006	Year ended 31 December 2005
Donations to Bilkent University (-)	(293,909)	(1,512,112)
Collections from insurance companies	840,871	-
Gain /(loss) on sale of fixed assets (*)	(117,317)	1,150,163
Other income	1,589,296	769,887
<b>Total other gains and losses</b>	<b>2,018,941</b>	<b>407,938</b>

(\*) See Note 9 for related party transactions.

### 31. FINANCE COSTS (NET)

	Year ended 31 December 2006	Year ended 31 December 2005
Interest on loans (*)	(62,806,745)	(11,384,801)
Bank charges	(10,283,570)	(24,468,680)
Commission for letter of guarantees	(2,134,204)	(1,434,953)
	(75,224,519)	(37,288,434)
Discount interest (expense)/income – net	197,667	(940,531)
Fair value of derivatives	(8,626,171)	(1,534,012)
Other finance costs (-)	(87,426)	(512,754)
<b>Total finance costs, net</b>	<b>(83,740,449)</b>	<b>(40,275,731)</b>

(\*) See Note 9 for related party transactions,

Net borrowing costs including in the cost of qualifying assets during the period are EUR 15,048,286 (2005: EUR 4,146,717). These costs were reduced from finance costs.

### 32. ACQUISITION OF SUBSIDIARY

On 1 July 2005, the Group acquired 60% of the issued share capital of HAVAŞ Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ") for cash consideration of USD 125,000,000 (EUR 103,357,493). At the date of this acquisition, the Group or HAVAŞ had right to acquire the remaining shares of TAV İzmir without any additional consideration. According to the conditions of the agreement, TAV İzmir's other shareholder has committed to transfer the rest of TAV İzmir shares based on the conditions those will be set by the Group, and accordingly transferred all rights and liabilities on TAV İzmir to the Group. In 2006, remaining 35% of TAV İzmir shares have been transferred to the Group. Therefore, at the time of acquisition of HAVAŞ, it was considered that, 100% of TAV İzmir shares have also been purchased with the consideration paid amounting to USD 125,000,000. This transaction has been accounted for by the purchase method of accounting.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

<b>Net assets acquired</b>	<b>Acquiree's carrying amount before combination</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
Property, plant and equipment	11,463,365	-	11,463,365
Intangible assets	-	14,933,724	14,933,724
Deferred tax assets	533,184	-	533,184
Inventories	396,720	-	396,720
Trade receivables	1,566,893	-	1,566,893
Cash and cash equivalents	7,196,216	-	7,196,216
Other assets	5,218,600	-	5,218,600
Retirement benefit obligation	(1,258,894)	-	(1,258,894)
Trade payables	(4,329,313)	-	(4,329,313)
Deferred tax liability	(1,018,759)	(4,061,973)	(5,080,732)
	<u>19,768,012</u>	<u>10,871,751</u>	<u>30,639,763</u>
<b>Goodwill</b>			<b>72,717,730</b>
<b>Total consideration, satisfied by cash</b>			<b>103,357,493</b>

Net cash outflow arising on acquisition

Cash consideration paid	103,357,493
Cash and cash equivalents acquired	(7,196,216)
	<u>96,161,277</u>

The goodwill arising on the acquisition of HAVAŞ Havaalanları Yer Hizmetleri A.Ş. is attributable to the anticipated profitability of the distribution of the Group's services and the anticipated future operating synergies from the combination.

If the acquisition of HAVAŞ Havaalanları Yer Hizmetleri A.Ş. had been completed on the first day of the financial year, Group revenues for the period would have been increased by EUR 20,653,071 and group profit attributable to equity holders of the parent would have been decreased by EUR 2,143,459.

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>31 December 2006</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net Amount</b>
Interest rate cap	(179,228)	-	(179,228)
Interest rate floor	-	-	-
Interest rate swap	(1,656,952)	1,745,781	88,829
Cross currency swap	-	10,031,900	10,031,900
	<u>(1,836,180)</u>	<u>11,777,681</u>	<u>9,941,501</u>
<b>Current</b>	<b>(1,836,180)</b>	<b>11,777,681</b>	<b>9,941,501</b>

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

	31 December 2005		
	Assets	Liabilities	Net Amount
Interest rate cap	(102,782)	-	(102,782)
Interest rate floor	-	17,475	17,475
Interest rate swap	-	1,619,319	1,619,319
	(102,782)	1,636,794	1,534,012
<b>Current</b>	<b>(102,782)</b>	<b>1,636,794</b>	<b>1,534,012</b>

### *Interest rate derivatives*

TAV Esenboğa uses interest rate derivatives (cap, floor and swap) to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of EUR 129,095,612 have floating interest receipts at EURIBOR plus 3.5%.

TAV HTI uses interest rate and cross currency derivatives to manage its exposure to interest rate and foreign currency exchange rates on its bank borrowings and concession fees that will be paid to DHMI.

### *Cross currency swap:*

A derivative contract was concluded for the period of the project finance facilities that fixes the respective exchange rate between USD and EUR. The contract was signed for the period in line with the fee payments of DHMI to be paid at the end of each December until 2014. The notional amount of the contract is USD 276,005,199 / EUR 216,305,015.

### *Interest rate swap:*

A derivative contract has been signed between HVB and TAV HTI on 17 January 2006 for the 50% of junior facility (in total EUR 33,961,623). At 21 December 2006 two other hedging contracts has been signed between TAV HTI and HVB consisting of IRS Transactions for the Tranche A and Tranche B Loans. Notional amount of this contracts are amortizing by the years in parallel with repayments of loans and total notional amount is USD 180,000,000 and EUR 404,040,404.

The fair value of derivatives entered into at 31 December 2006 is estimated at EUR 9,941,501 (2005: EUR 1,534,012). These amounts are based on market values of equivalent instruments at the balance sheet date. Changes in the fair value of these non-hedging interest rate derivatives amounting to EUR 9,941,501 (2005: EUR 1,534,012) have been charged to income in the year.

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 34. BUSINESS SEGMENTS

For management purposes, the Group is currently organized into five divisions; Terminal Services, Catering Service, Duty Free Service, Ground Handling Service and Other. These divisions are the basis on which the Group reports its primary segment information. The principal activities of each are as follows:

- **Terminal services:** Operating Terminal Buildings, the Carpark and the General Aviation Terminal, The Group companies included in this segment are TAV, TAV HTI, TAV Esenboğa, TAV İzmir, and TAV Georgia, TAV Georgia also includes the ground handling operations as they are not outsourced and are run by the airport,
- **Catering service:** Managing all food & beverage operations of the terminal, both for the passengers and the terminal personnel, which is run by BTA,
- **Duty free service:** Sales of duty free goods for the international arriving and departing passengers, The Group operates its duty free service through ATÜ,
- **Ground handling service:** Providing, traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation license, The Group operates the ground handling services through HAVAŞ,
- **Other:** Providing CIP, IT and Security services, The Group companies included in this segment are TAV İşletme, TAV Bilişim and TAV Güvenlik.

### 31 December 2006

	Terminal Services	Catering Service	Duty Free Service	Ground handling service	Other	Consolidated Eliminations	Consolidation
Operating income	236,414,347	34,030,993	106,577,547	61,958,284	34,679,773	(87,511,415)	386,149,529
Operating expenses	(170,217,184)	(28,841,803)	(54,585,045)	(55,574,751)	(17,572,010)	28,857,218	(297,933,575)
Other operating income	13,293,170	1,029,842	2,066,359	311,466	635,174	(3,672,348)	13,663,663
Other operating expenses	(75,419,085)	(3,797,753)	(50,448,361)	(5,200,871)	(9,887,790)	60,842,322	(83,911,538)
<b>Operating profit</b>	<b>4,071,248</b>	<b>2,421,279</b>	<b>3,610,500</b>	<b>1,494,128</b>	<b>7,855,147</b>	<b>(1,484,223)</b>	<b>17,968,079</b>

### Other information

- Assets	1,662,710,263	13,919,577	31,588,400	28,116,840	22,467,218	(402,589,536)	1,356,212,762
- Liabilities	(1,102,112,653)	(10,891,388)	(26,234,589)	(8,882,027)	(15,501,593)	141,049,775	(1,022,572,475)
Tangible, intangible assets and BOT purchases	322,671,997	13,446,509	862,259	2,903,800	4,959,786	-	344,844,351
Tangible, intangible assets and BOT depreciation and amortization	9,825,935	592,635	196,939	5,089,007	1,013,007	(247,479)	16,470,044
Concession rent expense	133,256,893	-	-	-	-	-	133,256,893
Additions to concession expenses	44,011,350	-	-	-	-	-	44,011,350

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

31 December 2005

	Terminal Services	Catering Service	Duty Free Service	Ground handling service	Other	Consolidation Eliminations	Consolidated
Operating income	187,041,344	28,994,320	92,475,713	50,451,192	10,438,074	(81,075,071)	288,325,572
Operating expenses	(135,243,569)	(27,361,439)	(47,934,529)	(42,683,433)	(6,453,015)	37,035,321	(222,640,664)
Other operating income	14,967,030	466,692	1,520,076	32,486	417,594	(943,766)	16,460,112
Other operating expenses	(45,833,280)	(4,567,715)	(40,600,564)	(5,364,110)	(2,909,597)	45,175,905	(54,099,361)
<b>Operating profit</b>	<b>20,931,525</b>	<b>(2,468,142)</b>	<b>5,460,696</b>	<b>2,436,135</b>	<b>1,493,056</b>	<b>192,389</b>	<b>28,045,659</b>

### Other information

- Assets	1,372,820,603	6,647,431	30,810,615	28,239,984	6,308,016	(295,684,121)	1,149,142,528
- Liabilities	(1,124,713,082)	(8,687,613)	(24,200,759)	(8,125,858)	(5,350,281)	188,692,184	(982,385,409)
Tangible, intangible assets and BOT purchases	128,631,869	407,801	516,279	2,483,289	577,363	-	132,616,601
Tangible, intangible assets and BOT depreciation and amortization	46,433,482	1,830,379	488,744	2,487,746	88,047	-	51,328,398
Concession rent expense	(69,915,181)	-	-	-	-	-	(69,915,181)
Additions to concession expenses	495,392,308	-	-	-	-	-	495,392,308

# TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

### 35. ADDITIONAL EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2006;

- TAV Georgia has started its operations at New Tbilisi International Airport on 8 February 2007.
- The Company's nominal share has been increased from TRY 232,500,000 to TRY 242,187,500 at 20 February 2007. The increased capital has been fully paid on 26 February 2007 by through public offering.
- The Company was awarded the tender on 16 March 2007 for the operation of the Enfidha Airport and Monastir Airport, in Tunisia. The operation of both airports will be carried out by TAV Airports Holding for 40 years.
- The Board of Directors of the Company decided to incorporate and register a company in Tunisia ("Tunisia Company") under company name "TAV TUNISIE SA" or any other company name acceptable by the company registration authority of Tunisia. The share capital of the Tunisia Company is determined to be 200,000,000 Tunisia Dinar. The Company subscribes and pays 199,994,000 Tunisia Dinar which corresponds to the number of 199,994 shares in the share capital of the Tunisia Company to be incorporated.
- The Initial Public Offering of the Company was completed at 23 February 2007. Trading of TAV Airports Holding shares ("TAVHL") on the Istanbul Stock Exchange commenced on 23 February 2007. Total nominal amount of shares launched to public was 38,750,000 TRY of which 9,687,500 TRY was via capital injection and 29,062,500 TRY was via common sales by shareholders (16% of nominal capital after IPO). In addition to these sales, the shareholders, Tepe İnşaat Sanayi A.Ş. ve Akfen Holding A.Ş sold additional shares (15% of nominal shares sold to the public). Each TAV share with a nominal value of TRY 1 had an IPO price range of between TRY 8.55 and TRY 10.30 during its offering on 15-16 February 2007. The selling price was determined with the price of TRY 10 for each IPO share. Nominal amount of IPO was 44,562,500 TRY and IPO share was %18.4. Shares have been trading as "TAVHL" at Istanbul Stock exchange since 23 February 2007
- The companies , TAV İşletme Georgia, ATU Georgia and BTA Georgia which were established at the for the operations in New Tbilisi International Airport at the end of 2006, has started to their operations at 8 February 2007.
- In the tax case filed by TAV HTI, with the request of the return of the value added tax ("VAT"), that had been paid with a reservation, for the lease amount, in the lease contract, for the leasing of the operation rights of the Istanbul Atatürk Airport Domestic and International Terminal Building, Multi-storey Parking Lot and the General Aviation Terminal, signed between the State Airports Authority General Directorate and our affiliate TAV HTI as the transaction is exempt from tax, the resolution of the Istanbul First Tax Court has been declared to us on 9 April 2007. The resolution sets forth that the administrative transaction is not a tax error in the manner prescribed in the Tax Procedures Law, and that no legal inappropriateness had been observed in the transaction that had been formed via the rejection of the application made upon complaint. The decision does not assess whether there is an exemption from the VAT or not; and it is judged that the application does involve a legal shortcoming; and TAV HTI shall apply for an appeal with the State Council within legal due course, pursuant to the opinion that there are no formal shortcomings in the case and that the transaction must be exempt from the VAT.



## **TAV Airports Holding Inc.**

Istanbul Atatürk Havalimanı  
Dış Hatlar Terminali  
34149 Yeşilköy, İstanbul  
Phone : +90 212 465 5555  
Facsimile : +90 212 465 3100  
[www.tav.aero](http://www.tav.aero)  
[www.tavhavalimanlari.com.tr](http://www.tavhavalimanlari.com.tr)  
[www.tavyatirimciliskileri.com](http://www.tavyatirimciliskileri.com)