

Date: 29.04.2007

**Subject:** Announcement of results for the year ended 31 December, 2006

TAV Airports Holding Inc. (ISE: TAVHL, "TAV") announced results for the year ended 31 December, 2006. The financial results in this announcement are audited, prepared in accordance with International Financial Reporting Standards ("IFRS") and expressed in Euro.

**Highlights of the year 2006**

- The number of passengers using airports operated by TAV increased by 10% to 27.8 million in 2006, compared to 8% growth in the number of passengers using airports in Turkey. TAV is the leading market operator in Turkey with a 46% market share.
- Our operations have grown rapidly since June 2005, including the expansion of our operations at Ataturk Airport to include the international, domestic and general aviation terminals and car park, the acquisition of a 60% interest in Havaş in July 2005, the commencement of operations at Izmir Airport (September 13, 2006), Esenboğa Airport (October 16, 2006), the existing terminal at Tbilisi Airport (November 2005, included in the consolidated financial statements in 2006).
- Total operating income increased by 31% from €304.8 million in 2005 to €399.8 million in 2006. This increase primarily reflected increases in aviation income and operating income related to ground handling and duty free operations.
- Average duty-free revenue per passenger increased from €14.8 in 2005 to €16 in 2006, at Ataturk Airport.
- EBITDAR (EBITDA before concession rent) increased by 12% from €149.3 million in 2005 to €167.5 million in 2006.
- Net loss for 2006 was €64.3 million as compared to a net profit of €40.5 million in 2005. This was mainly because of higher finance costs, the change from a transaction gain in 2005 to a transaction loss, depreciation expense of new airports, non-recurring expenses relating to our restructuring and write-off of investment tax incentives.
- Net debt decreased from €738 million in 2005 to €541 million in 2006, mainly thanks to the capital injection from our founding shareholders.

**Positive Outlook for 2007**

- The number of passengers using our airports increased by 15% YoY in the first quarter of 2007. We observed strong growth in the number of passengers using Esenboğa Airport (26% YoY growth) and Izmir International Terminal (25% YoY growth).
- The year 2007 will be the first full year of operations under the new structure. TAV Izmir and TAV Esenboğa did not contribute to operating income for the full year of 2006, since TAV Izmir began operations on September 13, 2006 and TAV Esenboğa on October 16, 2006.
- In 2006, DHMI rent expense represented 35% of operating expenses (€133.3 million), indicating that our operating expenditure is largely fixed cost based. Our business model reflects a high degree of operational leverage, and higher passenger volumes will have a direct impact on our operating margins.
- Since the expiration of the build-operate-transfer BOT concession at Ataturk Airport on July 2, 2005, \$60 million in mandatory capital expenditures have been made, of which \$5 million was spent in 2005 and the remainder in 2006. There is no further plan to undertake any capital expenditures at Ataturk Airport for the duration of the concession. We have minimal maintenance capital expenditure requirements, as all of the airport terminals we operate are either newly constructed or have been recently refurbished.

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## Overview of the Year

### I. **2006 results are not directly comparable with previous periods:**

Our results of operations for the years ended December 31, 2005 and for the nine month period ended September 30, 2006 consists almost entirely of income and expenses generated from the operation of Ataturk Airport under the BOT agreement until July 2, 2005 and under the Lease Agreement after that date. Our operations have grown rapidly since June 2005, including the expansion of our operations at Ataturk Airport to include the international, domestic and general aviation terminals and car park, the acquisition of a 60% interest in Havaş in July 2005, the commencement of operations at İzmir Airport (September 13, 2006), Esenboğa Airport (October 16, 2006), the existing terminal at Tbilisi Airport (November 2005, started to consolidated in 2006).



- II. Increased financial costs:** Finance costs almost doubled in 2006, which was principally driven by a significant increase in interest charged on bank loans to finance the pre-payment of concession rent under the lease agreement, Izmir and Esenboğa BOT investments and Havaş acquisition. Additionally, we incurred a loss (€9 million) from the change in fair value of derivatives.
- III. Depreciation expense of new airports:** With the start of operations at Izmir, Esenboğa and Tbilisi airports, the BOT assets are straight line depreciated based on their useful lives during the term of the BOT agreement. However, the costs associated with the construction and financing of Esenboğa Airport, İzmir Airport and Tbilisi Airport, were capitalised through their respective phases of construction.
- IV. The first full year of concession rent expense:** The depreciation expense related with the Ataturk Airport's BOT period was included in depreciation and amortisation expense in our income statement for the period from January 1 through July 2, 2005. Since the July 3, 2005 inception of the lease agreement, we have been recording concession rent expenses and the year 2006 is the first full year of concession rent expense. Therefore, we utilise EBITDAR, which we define as EBITDA before concession rent, to compare the operating profitability.
- V. VAT not recoverable:** In addition to the rent payments, we also pay VAT on a yearly basis to DHMI, a significant proportion of which is non-recoverable. The non-recoverable portion of these VAT payments accounted for approximately 4% of our total operating expenses in 2006, compared to 2% in 2005.
- VI. Non-recurring expenses relating to old holding company structure:** In 2006, we paid a non-recurring management consultancy fee of approximately €10 million, relating to our restructuring.
- VII. Transaction loss:** The change from a transaction gain of €27.2 million in 2005 to a transaction loss of €9.8 million in 2006, was due to the depreciation of both the US\$ and the New Turkish Lira against the Euro between these periods.

**VIII. Deferred tax expenses:** The tax benefit in 2005 primarily resulted from the recognition of previously unrecorded tax incentives. However, in 2006, we wrote off deferred tax assets related to unutilised investment incentives due to a change in tax regulations, which resulted in our not being able to use such tax incentives.

### Overview of 2006 Financials

- **Total operating income** increased by 31% from €304.8 million in 2005 to €399.8 million in 2006. This increase primarily reflected increases in aviation income and operating income related to ground handling and duty free operations.  
Our income stream is hard currency, based primarily in Euro and U.S. dollars, with aviation operations (which includes ground handling), accounting for 38% of total operating income and non-aviation operations accounting for 62% of total operating income in 2006.
  - **Aviation income** increased by 32% from €75.9 million in 2005 to €99.8 million in 2006. This increase primarily reflects the inclusion of aviation income related to the domestic and general aviation terminals at Ataturk Airport for 2006 compared to only six months in 2005 due to our only having operated these terminals since July 3, 2005, the date of the lease agreement. In addition, we began to record operating income generated by TAV Georgia on January 1, 2006 which totalled €4.4 million in 2006. TAV Izmir started operations on September 13, 2006 and contributed €4.1 million to our aviation income. TAV Esenboğa contributed €3.5 million to aviation income, after the commencement of operations on October 16, 2006.
  - **Sales of duty free goods** increased by 15% to €106.6 million in 2006. This increase principally reflected an increase in average per passenger spend from €14.8 in 2005 to €16 in 2006, at Ataturk Airport. As the number of international and transit passengers increased by only 4% during the two periods, this increase principally reflected our having expanded duty free shops at arrivals at Ataturk Airport during the period and having improved the selection of goods available in our duty free shops.
  - **Ground handling income** increased by 123% from €22.8 million in 2005 to €51 million in 2006. We acquired a 60% share of Havaş on July 5, 2005. As a result, ground handling income in 2005 is not directly comparable to 2006. In addition, Havaş entered into ground handling agreements with new airline partners, including Qatar Airlines and a new agreement with Turkish Airlines in 2006.
  - **Concession fee-duty free** increased by 28% from €38 million in 2005 to €48.8 million in 2006. This increase principally reflected the new and more favourable terms negotiated by TAV Istanbul with ATU when TAV Istanbul was awarded the lease agreement by DHMI. Under these new terms, as of July 3, 2005, the concession fee payable by ATU to TAV Istanbul was increased from 35% to a weighted average of 43% of total operating income generated by ATU. In addition to the increase in concession fee rates, average per passenger spend increased by 8% during the period to €16 from €14.8.
  - **Catering service income** increased by 12% from €23.3 million in 2005 to €26.3 million in 2006. As our catering service income is generated almost entirely in New Turkish Lira, the depreciation of the New Turkish Lira against the Euro caused a reduction in the Euro value of our catering service income when recorded in our IFRS Financial Statements.
- **Operating expenses** increased by 38% from €276.7 million in 2005 to €381.8 million in 2006. This was primarily the result of increases in rent expense, cost of services rendered and employee benefit expense, all of which were offset in part by a decrease in depreciation and amortisation expense.
  - **Concession rent expenses** increased by 91% from €70 million to €133.3 million in 2006. Concession rent expenses principally consists of payments to DHMI under the terms of the lease agreement. Concession rent expenses paid for the two periods are not comparable, as the lease agreement commenced in July 2005.

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- **Cost of duty free inventory sold** was €39.9 million in 2005, representing 43% of sales of duty free goods, and increased by 15% to €45.9 million in 2006, representing 43% of sales of duty free goods.
- **Cost of catering inventory sold** was €5.9 million in 2005 and increased by 30% to €7.7 million in 2006. This increase primarily reflects the costs associated with the increase in total area allocated to catering services in 2006.
- **Employee benefit expense** increased by 71% from €40.8 million in 2005 to €69.8 million in 2006. This increase principally reflected the inclusion of Havaş in 2006 compared to six months in 2005. Employee expenses also increased in 2006 as a result of the inclusion of increased number of employees associated with new terminals, as well as due to an agreement with Turkish Airlines on January 1, 2006 for which we required extra employees.
- **Cost of services rendered** increased by 68% from €14.8million in 2005 to €24.9 million in 2006. Cost of services rendered principally consists of the consolidated portion of BTA, TAV O&M and Havaş' operating expenses. Cost of services rendered is not directly comparable between the two periods, as we acquired BTA and TAV O&M in December 2005.
- **Depreciation and amortisation expense** decreased by 68% from €51.3 million in 2005 to €16.3 million in 2006. Depreciation and amortisation expense in 2005 related to Ataturk Airport. Prior to July 2005, we operated Ataturk Airport pursuant to a BOT agreement with DHMI. Accordingly, during such time, BOT concession was depreciated over the life of the BOT agreement that expired on July 2, 2005. As we have operated Ataturk Airport since July 3, 2005 pursuant to the lease agreement, there is no corresponding depreciation and amortisation expense associated with Ataturk Airport in 2006. Depreciation and amortization of the Izmir Airport BOT investment began upon the opening of the international terminal on September 13, 2006 and amounted €5.4 million in 2006. Similarly, Esenboğa Airport BOT investment began on October 16, 2006 and the amount of depreciation and amortization expense was €3.3 million.
- **Other operating expenses** increased by 55% from €54.1 million in 2005 to €83.9 million in 2006. The increase was principally driven by an increase in VAT not recoverable and consultancy and management consultancy expenses relating to old holding company structure (one-off expenses amounted €15 million in 2006). Furthermore, with the start of operations at Izmir and Esenboğa terminals, other operating expenses increased by around €11 million.
- **Operating profit** decreased by 36% from €28 million in 2005 to €18 million in 2006, mainly for the reasons described above.
- **EBITDA**, which we define as profit (loss) adjusted for income taxes, investment income, other gains and losses, finance costs, transaction gains and losses, monetary gains and losses and depreciation & amortisation, decreased by 57% from €79.4 million to €34.3 million in 2006.
- **EBITDAR**, which we define as EBITDA before concession rent and utilise to compare the operating profitability to the periods prior to the lease agreement taking effect, increased by 12% from €149.3 million in 2005 to €167.5 million in 2006.
- **Finance costs** increased by 108% from €40.3 million in 2005 to €83.7 million in 2006, which was principally driven by a significant increase in interest charged on bank loans to finance the pre-payment of concession rent under the lease agreement, Izmir and Esenboğa BOT investments and Havaş acquisition. Additionally, we incurred a loss (€9 million) from the change in fair value of derivatives.
- **Transaction gain (loss)** reflects the impact of exchange gains and losses on our US\$ denominated and New Turkish Lira denominated monetary assets and liabilities. The change from a transaction gain of €27.2 million in 2005 to a transaction loss of €9.8 million in 2006, was due to the depreciation of both the US\$ and the New Turkish Lira against the Euro between these periods.
- **Income tax benefit (expense)** consists of deferred tax and corporate taxes. In 2006, income tax expense was €9.1 million as compared to €9.9 million income tax benefit in 2005.

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The tax benefit in 2005 primarily resulted from the recognition of previously unrecorded tax incentives. However, in 2006, we wrote off deferred tax assets related to unutilised investment incentives due to a change in tax regulations, which resulted in our not being able to use such tax incentives. We have deferred tax assets, primarily tax carry-forward losses, which may be used in the future.

- **Minority interest** reflects the allocation of profit /losses held by the minority interest. Minority interest consists of the 75% of TAV Esenboğa (99% in Q3 financials) and 33.33% of BTA.
- **Net loss** for 2006 was €64.3 million as compared to a net profit of €40.5 million in 2005.

TAV Airports Holding Inc.

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**TAV Airports Holding Selected Financials**  
(Amounts expressed in Euro)

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Operating income</b>	<b>399.813.192</b>	<b>304.785.684</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
Other operating income	67.412.283	52.299.957
<b>Operating expenses</b>	<b>-381.845.113</b>	<b>-276.740.025</b>
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	-83.911.539	-54.099.361
Operating profit	17.968.079	28.045.659
Investment income	18.319.384	15.224.762
Other gains and losses	2.018.941	407.938
Finance costs (net)	- 83.740.449	- 40.275.731
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)	- 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>
<b>Other Financial Data:</b>		
EBITDA	34.270.940	79.374.057
EBITDAR	167.527.833	149.289.238
<b>Summary Cash Flow Data:</b>		
Net cash provided by (used in):		
Operating activities	-70.235.194	-4.554.188
Investing activities	-166.063.418	-805.489.165
Financing activities	237.042.767	803.262.304
<b>Summary Balance Sheet Data:</b>		
Cash and cash equivalents	11.672.235	10.928.081
Restricted bank balances	318.106.441	135.428.001
Total assets	1.356.212.762	1.149.142.528
Bank loans	870.427.273	884.628.432
Total liabilities	1.022.572.475	982.385.409
Total equity	333.640.287	166.757.119
Net debt	540.648.597	738.272.350

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Passengers <sup>(1)</sup>	March 2007			YTD (Q1)			Jan-Dec		
	2006	2007	Change %	2006	2007	Change %	2005	2006	Change %
<b>Ataturk Airport</b>	<b>1,520,455</b>	<b>1,698,348</b>	<b>12%</b>	<b>4,248,200</b>	<b>4,779,276</b>	<b>13%</b>	<b>19,293,769</b>	<b>21,265,974</b>	<b>10%</b>
International	848,567	979,345	15%	2,401,754	2,749,207	14%	11,781,487	12,174,281	3%
Domestic	671,888	719,003	7%	1,846,446	2,030,069	10%	7,512,282	9,091,693	21%
<b>Esenboga Airport<sup>(4)</sup></b>	<b>306,484</b>	<b>375,576</b>	<b>23%</b>	<b>880,629</b>	<b>1,110,477</b>	<b>26%</b>	<b>3,829,854</b>	<b>4,547,578</b>	<b>19%</b>
International	59,591	76,714	29%	204,337	248,716	22%	1,189,250	1,259,993	6%
Domestic	246,893	298,862	21%	676,292	861,761	27%	2,640,604	3,287,585	25%
<b>Izmir Airport<sup>(3)</sup></b>	<b>50,209</b>	<b>61,487</b>	<b>22%</b>	<b>155,575</b>	<b>194,947</b>	<b>25%</b>	<b>1,676,755</b>	<b>1,451,061</b>	<b>-13%</b>
<b>TURKEY TOTAL</b>	<b>3,246,520</b>	<b>3,774,431</b>	<b>16%</b>	<b>8,946,314</b>	<b>10,629,258</b>	<b>19%</b>	<b>54,525,727</b>	<b>58,778,131</b>	<b>8%</b>
International	1,384,695	1,610,162	16%	3,845,098	4,346,115	13%	34,583,035	32,133,681	-7%
Domestic	1,861,825	2,164,269	16%	5,101,216	6,283,143	23%	19,942,692	26,644,450	34%
<b>Tbilisi Airport<sup>(4)</sup></b>	<b>38,623</b>	<b>39,188</b>	<b>1%</b>	<b>109,584</b>	<b>106,239</b>	<b>-3%</b>	<b>547,150</b>	<b>567,402</b>	<b>4%</b>
International	38,382	38,726	1%	108,789	105,277	-3%	536,405	563,034	5%
Domestic	241	462	92%	795	962	21%	10,745	4,368	-59%
<b>TAV TOTAL</b>	<b>1,915,771</b>	<b>2,174,599</b>	<b>14%</b>	<b>5,393,988</b>	<b>6,190,939</b>	<b>15%</b>	<b>25,347,528</b>	<b>27,832,015</b>	<b>10%</b>
International	996,749	1,156,272	16%	2,870,455	3,298,147	15%	15,183,897	15,448,369	2%
Domestic	919,022	1,018,327	11%	2,523,533	2,892,792	15%	10,163,631	12,383,646	22%

  

Air Traffic Movements <sup>(2)</sup>	March 2007			YTD (Q1)			Jan-Dec		
	2006	2007	Change %	2006	2007	Change %	2005	2006	Change %
<b>Ataturk Airport</b>	<b>17,031</b>	<b>18,812</b>	<b>10%</b>	<b>48,197</b>	<b>53,683</b>	<b>11%</b>	<b>204,214</b>	<b>225,549</b>	<b>10%</b>
International	9,816	10,928	11%	28,323	31,451	11%	123,408	130,539	6%
Domestic	7,215	7,884	9%	19,874	22,232	12%	80,806	95,010	18%
<b>Esenboga Airport<sup>(4)</sup></b>	<b>3,482</b>	<b>4,033</b>	<b>16%</b>	<b>9,622</b>	<b>11,358</b>	<b>18%</b>	<b>39,833</b>	<b>47,434</b>	<b>19%</b>
International	654	923	41%	2,025	2,717	34%	10,700	12,502	17%
Domestic	2,828	3,110	10%	7,597	8,641	14%	29,133	34,932	20%
<b>Izmir Airport<sup>(3)</sup></b>	<b>440</b>	<b>580</b>	<b>32%</b>	<b>1,343</b>	<b>1,666</b>	<b>24%</b>	<b>12,351</b>	<b>11,475</b>	<b>-7%</b>
<b>TURKEY TOTAL</b>	<b>32,894</b>	<b>38,064</b>	<b>16%</b>	<b>90,884</b>	<b>106,297</b>	<b>17%</b>	<b>471,637</b>	<b>522,785</b>	<b>11%</b>
International	13,890	15,938	15%	39,544	44,440	12%	266,321	262,228	-2%
Domestic	19,004	22,126	16%	51,340	61,857	20%	205,316	260,557	27%
<b>Tbilisi Airport<sup>(4)</sup></b>	<b>409</b>	<b>429</b>	<b>5%</b>	<b>1,181</b>	<b>1,165</b>	<b>-1%</b>	<b>11,262</b>	<b>10,834</b>	<b>-4%</b>
International	381	372	-2%	1,090	1,024	-6%	9,650	9,692	0%
Domestic	28	57	104%	91	141	55%	1,608	1,142	-29%
<b>TAV TOTAL</b>	<b>21,362</b>	<b>23,854</b>	<b>12%</b>	<b>60,343</b>	<b>67,872</b>	<b>12%</b>	<b>267,660</b>	<b>295,292</b>	<b>10%</b>
International	11,291	12,803	13%	32,781	36,858	12%	156,109	164,208	5%
Domestic	10,071	11,051	10%	27,562	31,014	13%	111,547	131,084	18%

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

<sup>(1)</sup> Both departing and arriving passengers, excluding transit

<sup>(2)</sup> Operation commencement date: October 16, 2006

<sup>(3)</sup> International Terminal only and operation commencement date: September 13, 2006

<sup>(4)</sup> Operation commencement date for new terminal: February 7, 2007

<sup>(5)</sup> Commercial flights only