

Date: 01.06.2007

## **Subject:** Announcement of results for the first quarter of 2007

TAV Airports Holding Inc. (ISE: TAVHL, "TAV") announced results for the first quarter ended March 31, 2007. The financial results in this announcement are unaudited, prepared in accordance with International Financial Reporting Standards ("IFRS") and expressed in Euro.

### **Highlights of the first quarter**

- The number of passengers using airports operated by TAV increased by 15% to 6.2 million in 1Q07. Similarly, air traffic movements (ATM) grew by 12% to 67,872 during the same period, indicating a higher load factor.
- **1Q07 results are not directly comparable with the previous year.** Our results of operations for 1Q06 consist almost entirely of income and expenses generated from the operation of Istanbul Ataturk Airport, under the Lease Agreement. TAV Izmir began operations on September 13, 2006 and TAV Esenboğa on October 16, 2006. 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. Furthermore, TAV Security became a separate entity within TAV Airports Holding on March 2006 and started to be included in consolidation from the second quarter of 2006.
- Total operating income increased by 23% from €80.2 million in 1Q06 to €99.1 million in 1Q07. This increase primarily reflected increases in aviation income, catering services income and other operating income. The growth mainly stemmed from organic growth; i.e. higher passenger numbers at Istanbul Ataturk Airport, and inorganic growth; i.e. income from new terminals.
- EBITDAR (EBITDA before concession rent) increased by 40% from €27.1 million in 1Q06 to €37.8 million in 1Q07. EBITDAR margin improved by 4.4 percentage points to 38.2% in 1Q07, mainly because of the removal of one-off consultancy expenses.
- Similarly EBITDA (profit (loss) adjusted for income taxes, investment income, other gains and losses, finance costs, transaction gains and losses and depreciation & amortisation) amounted to €1.9 million in 1Q07, which was negative in 1Q06 (- €7.2 million).
- Net loss for 1Q07 was €22.4 million compared to €24.8 million in 1Q06. The net loss figure attributable to the equity holders of TAV Airports was €21.4 million in 1Q07, compared to €21.6 million in 1Q06; despite higher interest on loans, bank charges and other finance costs; employee benefit expense and depreciation & amortization expense of new airports. With the start of operations at the new 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 these airports were capitalised through their respective phases of construction.
- Net debt increased from €541 million in YE06 to €656 million at the end of March 2007, mainly due to the payment of the annual concession rent expense (US\$165 million), decrease in payables and bank loans, against the IPO proceeds.
- Average duty-free revenue per passenger decreased from €18.6 in 1Q06 to €16.9 in 1Q07, at Istanbul Atatürk Airport (duty free revenues divided by the sum of international and transit passengers), mainly due to the 48% surge in transit passengers. In the first quarter of this year, average duty-free revenue per passenger amounted €11.9 at Izmir Adnan Menderes Airport and €11.1 at Ankara Esenboğa Airport.

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## Overview of the Quarter

- **Total operating income** increased by 23% from €80.2 million in 1Q06 to €99.1 million in 1Q07. This increase primarily reflected increases in aviation income, catering services income and other operating income.  
Our income stream is hard currency, based primarily in Euro and U.S. dollars, with aviation operations (which includes ground handling), accounting for 33% of total operating income and non-aviation operations accounting for 67% of total operating income in 1Q07.
  - **Aviation income** increased by 31% from €19.0 million in 1Q06 to €24.9 million in 1Q07, despite the depreciation of the US\$ against the Euro. This increase primarily reflects the higher passenger number at Istanbul Ataturk Airport, the inclusion of aviation income related to the domestic and international terminals at Esenboğa Airport (contributing €3.4 million) and the international terminal at Izmir Adnan Menderes Airport (contributing €1.6 million) for 1Q07. TAV Georgia contributed €0.9 million to our aviation income.
  - **Sales of duty free goods** increased by 17% to €27.8 million in 1Q07. This increase principally reflected an increase in international and transit passengers at Istanbul Ataturk Airport by 17% during the two periods. Average per passenger spend decreased from €18.6 in 1Q06 to €16.2 in 1Q07, on average, reflecting lower per passenger spend at Izmir Adnan Menderes and Ankara Esenboğa Airports, compared to the Istanbul Ataturk Airport.
  - **Ground handling income** increased by 15% from €7.0 million in 1Q06 to €8.1 million in 1Q07, mainly driven by the 12% growth in the number of air traffic movements at airports operated by TAV, during the same period.
  - **Concession fee-duty free** increased by 17% from €11.1 million in 1Q06 to €13.0 million in 1Q07, in line with the growth in duty free revenues. The concession fee payable by ATU to TAV Istanbul is approximately 43% of total operating income generated by ATU. The concession fee payable by ATU to TAV Esenboğa and TAV Izmir is approximately 40% of total operating income generated by ATU.
  - **Catering service income** increased by 32% from €5.7 million in 1Q06 to €7.5 million in 1Q07. The increase mainly reflects the inclusion of catering service income related to the new airports; i.e. increase in the total area allocated for catering services.
  - **Other operating income** increased by 31% from €13.6 million in 1Q06 to €17.9 million in 1Q07. The steep increase principally reflects an increase in income from car park operations, income from CIP lounge services, hardware and software sales income. Though the bus services income indicates a 24% drop during the two periods, the drop stemmed from the change in the recognition of bus services income. In 2006, TAV İşletme, wholly owned by TAV Airports, recognised bus service income by invoicing to Havaş. Starting from 2007, bus services income is recorded under Havaş, which is proportionally consolidated. If such operations had been recognised like in 2006, bus services income actually should have grown by 27% in 2007.
- **Operating expenses** increased by 22% from €89.3 million in 1Q06 to €108.9 million in 1Q07. This was primarily the result of increases in employee benefit expense and depreciation & amortization expense of new airports, against the removal of one-off consultancy expenses. With the start of operations at the new 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 these airports were capitalised through their respective phases of construction.
  - **Concession rent expenses** increased by 5% from €34.3 million to €35.9 million in 1Q07. Concession rent expenses principally consists of payments to DHMI under the terms of the Istanbul Ataturk Airport lease agreement and renovation of the domestic terminal. The amount reflects the amortization of the pre-paid concession expense and renovation investment.

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- **Cost of duty free inventory sold** was €10.2 million in 1Q06, representing 43% of sales of duty free goods, and increased by 12% to €11.5 million in 1Q07, and representing 41.3% of sales of duty free goods.
- **Cost of catering inventory sold** was €1.7 million in 1Q06 and increased by 43% to €2.4 million in 1Q07. This increase primarily reflects the costs associated with the increase in total area allocated to catering services in new airports.
- **Employee benefit expense** increased by 49% from €15.2 million in 1Q06 to €22.7 million in 1Q07. This increase principally reflected the increased number of employees (47% YoY) associated with new terminals and service companies.
- **Cost of services rendered** increased by 4% from €3.2 million in 1Q06 to €3.3 million in 1Q07. Cost of services rendered principally consists of the consolidated portion of BTA, TAV O&M and Havaş' operating expenses.
- **Depreciation and amortisation expense** increased from €1.8 million in 1Q06 to €11.7 million in 1Q07. Depreciation and amortisation expense in 1Q06 mainly related to Istanbul Ataturk Airport and Havaş. Depreciation and amortization of the Izmir Airport BOT investment began upon the opening of the international terminal on September 13, 2006 and amounted €4.9 million in 1Q07. Similarly, Ankara Esenboğa Airport BOT investment began on October 16, 2006 and the amount of depreciation and amortization expense was €3.8 million.
- **Other operating expenses** decreased by 6% from €22.9 million in 1Q06 to €21.4 million in 1Q07. The decrease was principally driven by the removal of management consultancy expenses relating to old holding company structure (one-off expenses amounted €5.1 million in 1Q06). Furthermore, maintenance expenditures declined in 1Q07, with the finalisation of the refurbishment works at Ataturk Airport's domestic terminal. The 1Q07 operating expenses include IPO expenses amounting approximately €3.3 million, which is one-off.
- **Operating loss** amounted €9.8 million in 1Q07, which was €9 million in 1Q06, 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 and depreciation & amortisation, amounted to €1.9 million in 1Q07, which was minus €7.2 million in 1Q06, because of the reasons highlighted above.
- **EBITDAR**, which we define as EBITDA before concession rent, increased by 40% from €27.1 million in 1Q06 to €37.8 million in 1Q07.
- **Finance costs** increased by 60% from €11.3 million in 1Q06 to €18.0 million in 1Q07, which was principally driven by the finance costs coming from Izmir, Esenboğa and Georgia BOT investments, which were been capitalised until the commencement of operations.
- **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 loss of €0.4 million in 1Q06 to €0.9 million in 1Q07, 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 1Q06, income tax expense was €8.4 million as compared to €3.6 million income tax benefit in 1Q07. 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 25% of TAV Esenboğa and 33.33% of BTA.
- **Net loss** for 1Q07 was €22.4 million as compared to €24.8 million in 1Q06. The net loss figure attributable to the equity holders of TAV Airports was €21.4 million in 1Q07, compared to €21.6 million in 1Q06.

**TAV AIRPORTS HOLDING – 1Q07 FINANCIAL SUMMARY**

(€million)	Revenues	EBITDA (*)	EBITDA(*) Margin	Net Debt
Airports	64.8	37.7	58%	660
Istanbul	53.4	37.0	69%	439
Ankara	6.7	0.9	14%	106
Izmir	3.2	-0.3	-8%	89
Georgia (60%)	1.5	0.0	1%	26
Services	58.7	-0.2	0%	-4
ATU (50%)	28.4	1.3	4%	16
BTA	10.2	0.1	1%	0
Havas (60%)	10.0	-0.5	-5%	0
Others	10.1	-1.0	-10%	-21
Total	123.5	37.6	30%	656
Eliminations	-24.4	0.3		
<b>Consolidated</b>	<b>99.1</b>	<b>37.8</b>	<b>38%</b>	<b>656</b>

\* EBITDAR for TAV Istanbul

(€million)	TAV Airports Revenues				
	2005	2006	1Q06	1Q07	Change
Airports	202	250	51.6	64.8	26%
Istanbul	202	230	50.4	53.4	6%
Others	-	20	1.3	11.4	811%
Services	183	241	46.0	58.7	28%
ATU (50%)	94	109	24.3	28.4	17%
BTA	29	35	7.4	10.2	37%
Havas (60%)	48	62	9.4	10.0	6%
Others	11	35	4.9	10.1	105%
Total	385	491	97.7	123.5	26%
Eliminations	-80	-91	-17.4	-24.4	
<b>Consolidated</b>	<b>305</b>	<b>400</b>	<b>80.2</b>	<b>99.1</b>	<b>23%</b>

(€million)	TAV Airports EBITDAR				
	2005	2006	1Q06	1Q07	Change
Airports	139	147	26.6	37.7	42%
Istanbul	139	146	26.2	37.0	41%
Others	-	1	0.4	0.7	67%
Services	7	21	0.3	-0.2	n.m.
ATU (50%)	6	4	0.9	1.3	43%
BTA	-1	3	0.6	0.1	-91%
Havas (60%)	0	5	-2.6	-0.5	n.m.
Others	2	9	1.4	-1.0	n.m.
Total	146	168	27.0	37.6	39%
Eliminations	4	0	0.1	0.3	
<b>Consolidated</b>	<b>149</b>	<b>168</b>	<b>27.1</b>	<b>37.8</b>	<b>40%</b>

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<b>TAV Airports Holding Selected Financials</b> <b>(Amounts expressed in Euro)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>3 months period ended</b>	<b>3 months period ended</b>
	<b>31 March 2007</b>	<b>31 March 2006</b>
<b>Operating income</b>	<b>99,081,836</b>	<b>80,238,662</b>
Sales of duty free goods	27,774,845	23,815,178
Aviation income	24,924,413	19,033,962
Concession fee-duty free	12,951,197	11,064,435
Ground handling income	8,117,477	7,033,099
Catering services income	7,456,516	5,651,932
Other operating income	17,857,388	13,640,056
<b>Operating expenses</b>	<b>-108,863,808</b>	<b>-89,281,924</b>
Cost of catering inventory sold	-2,383,417	-1,670,829
Cost of duty free inventory sold	-11,477,366	-10,240,527
Cost of services rendered	-3,305,106	-3,167,390
Employee benefit expense	-22,685,602	-15,183,230
Concession rent expenses	-35,905,897	-34,297,741
Depreciation and amortization expense	-11,698,867	-1,833,201
Other operating expenses	-21,407,553	-22,889,006
Operating profit	-9,781,972	-9,043,262
Investment income	2,685,398	4,074,616
Other gains and losses	64,034	286,506
Finance costs (net)	-18,016,349	-11,287,825
Transaction gain/(loss) (net)	-890,355	-393,567
<b>Profit/(loss) before tax</b>	<b>-25,939,244</b>	<b>-16,363,532</b>
Income tax benefit /(expense)	3,557,857	-8,421,556
<b>Profit/(loss) for the period from continuing operations</b>	<b>-22,381,387</b>	<b>-24,785,088</b>
<b>Attributable to:</b>		
Equity holders of the parent	-21,421,177	-21,621,923
Minority interest	-960,210	-3,163,165
	<b>-22,381,387</b>	<b>-24,785,088</b>
<b>Other Financial Data:</b>		
EBITDA	1,916,895	-7,210,061
EBITDAR	37,822,792	27,087,680
<b>Summary Cash Flow Data:</b>		
Net cash provided by (used in):		
Operating activities	-32,391,651	2,633,080
Investing activities	30,834,706	-77,868,001
Financing activities	-1,240,092	73,618,700
<b>Summary Balance Sheet Data:</b>	<b>31 March 2007</b>	<b>31 December 2006</b>
Cash and cash equivalents	8,875,197	11,672,235
Restricted bank balances	165,434,911	318,106,441
Total assets	1,304,672,388	1,356,212,762
Bank loans	830,064,780	870,427,273
Total liabilities	949,979,568	1,022,572,475
Total equity	354,692,820	333,640,287
Net debt	655,754,672	540,648,597

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## TRAFFIC FIGURES

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>(2)</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%
<b>Air Traffic Movements <sup>(5)</sup></b>	<b>March 2007</b>	<b>YTD (Q1)</b>	<b>Jan-Dec</b>						
	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>(2)</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

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