TAV HAVALİMANLARI İŞLETME A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS AS AT
31 DECEMBER 2005, 2004 AND 2003

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TAV Havalimanlari İşletme A.Ş.

1. We have audited the accompanying consolidated balance sheets of TAV Havalimanlari İşletme A.Ş. (the "Company") and its subsidiaries (together the "Group") as at 31 December 2005, 2004 and 2003 and the related consolidated statements of income, shareholders' equity and cash flows for the years ended as of 31 December 2005, 2004 and 2003. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We were not able to observe the taking of the physical inventories of duty free goods and catering as of 31 December 2004, 2003, and 2002, because those dates were prior to the date we were engaged as auditors for the Group. The duty free goods and catering inventory were stated at EUR 4,278,482, EUR 4,291,373, and EUR 3,566,717 at 31 December 2004, 2003, and 2002 respectively. Due to the nature of the Group's records, we were unable to satisfy ourselves as to the inventory quantities by means of other auditing procedures.

4. 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 2005, 2004 and 2003 except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories of duty free goods and catering, the results of its operations and its cash flows for the years ended 31 December 2005, 2004 and 2003 in accordance with International Financial Reporting Standards ("IFRS").

5. Without qualifying our opinion we draw your attention to the following:

Subsequent 31 December 2005, the Group was not in compliance with certain of its loan covenants and, accordingly, the associated long term loans have been classified as short term loans in 2006 in accordance with IAS 1 "Presentation of Financial Statements" paragraph 65. As a result, the Group's current liabilities exceed its current assets. However, the lenders, based on the restructuring of the Group (see note 35 Additional Events After the Balance Sheet Date) and fulfillment of required conditions, have sent waiver letters to the Group as of 22 January 2007 which waive all events of default.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

İstanbul, 22 December 2006
(31 January 2007 as to the effects of the restatement discussed in Note 36)

TAV HAVALİMANLARI İŞLETME A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts expressed in Euro unless otherwise stated)

	Notes	(As Restated) 31 December 2005	31 December 2004	31 December 2003
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	10,928,081	17,709,130	48,596,962
Restricted bank balances	6	135,428,001	—	—
Investments held for trading	7	610,178	732,137	406,754
Held-to-maturity investments	7	—	39,429,572	507,919
Trade receivables (net)	8	11,741,203	4,404,942	6,670,128
Trade receivables from related parties	9	535,994	3,475,128	275,396
Inventories	10	5,339,262	4,110,611	4,161,284
Built-operate-transfer (BOT) Investment (net), current portion	14	—	48,033,387	—
Prepaid concession expenses, current portion	15	117,289,312	—	—
Other receivables and current assets	11	29,636,084	4,126,557	2,714,097
Total Current Assets		**311,508,115**	**122,021,464**	**63,332,540**
NON CURRENT ASSETS				
Long term trade receivables (net)		127,167	111	29,554
Available-for-sale investments	7	28,086	—	—
Long term loan receivable from related parties	9	202,985,126	130,481,685	68,386,352
Goodwill	12	72,717,730	—	—
Property, plant and equipment	13	18,227,224	1,479,360	446,582
Other intangible assets	16	14,833,834	210,610	70,468
Built-operate-transfer (BOT) Inventory	10	9,802,672	1,237,972	3,803,789
Built-operate-transfer (BOT) Investment (net)	14	134,333,720	7,428,598	129,897,688
Prepaid concession expenses	15	308,187,815	—	—
Other non-current assets	11	56,115,903	9,772	—
Deferred tax assets	23	20,275,136	7,800,198	6,287,553
Total Non-Current Assets		**837,634,413**	**148,648,306**	**208,921,986**
TOTAL ASSETS		**1,149,142,528**	**270,669,770**	**272,254,526**
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank loans, current portion	18	211,490,892	63,935,065	73,081,645
Obligations under finance leases, current portion	19	39,560	179,136	—
Loans payable to related parties	9	17,800,487	—	—
Trade payables to related parties	9	28,114,654	1,966,779	406,073
Trade payables	20	9,298,370	9,228,966	8,160,053
Derivative financial instruments	33	1,534,012	—	—
Provision for employment termination benefits, current portion	22	—	1,903,274	—
Other payables and deferred revenue	21	14,363,721	28,954,926	1,475,713
Current tax liabilities	23	713,960	857,511	973,181
Total Current Liabilities		**283,355,656**	**107,025,657**	**84,096,665**
NON CURRENT LIABILITIES				
Bank loans	18	673,137,540	40,000,000	18,355,563
Obligations under finance leases	19	39,669	—	—
Provision for employment termination benefits	22	2,359,745	600,279	1,447,771
Other non current liabilities	21	19,565,648	51,523	22,693,875
Deferred tax liabilities	23	3,927,151	115,368	—
Total Non-Current Liabilities		**699,029,753**	**40,767,170**	**42,497,209**
EQUITY				
Share capital	25	82,060,070	82,489,227	82,383,603
Legal reserves	25	8,362,895	7,942,904	1,158,150
Purchase of shares of entities under common control		(12,367,409)	—	—
Translation reserves		183,918	215,247	126,695
Retained earnings		45,106,420	22,229,184	61,485,982
Equity attributable to equity holders of the parent		**123,345,894**	**112,876,562**	**145,154,430**
Minority interest		43,411,225	10,000,381	506,222
Total Equity		**166,757,119**	**122,876,943**	**145,660,652**
TOTAL LIABILITIES AND EQUITY		**1,149,142,528**	**270,669,770**	**272,254,526**

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

TAV HAVALİMANLARI İŞLETME A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

	Notes	(As restated) Year Ended 31 December 2005	(As restated) Year Ended 31 December 2004	(As restated) Year Ended 31 December 2003
Continuing operations				
Operating income	26	288,325,572	212,830,690	192,869,995
Other operating income	27	16,460,112	9,491,492	8,341,434
Cost of catering inventory sold		(5,923,525)	(4,786,416)	(3,048,274)
Cost of duty free inventory sold		(39,882,122)	(35,792,515)	(32,003,540)
Cost of services rendered		(14,836,949)	(235,382)	(90,133)
Employee benefit expense		(40,754,489)	(25,588,384)	(18,879,414)
Concession rent expenses		(69,915,181)	—	—
Depreciation and amortisation expense		(51,328,398)	(94,284,836)	(72,538,128)
Other operating expenses	28	(54,099,361)	(29,612,819)	(29,839,670)
Operating profit		28,045,659	32,021,830	44,812,270
Investment income	29	15,224,762	7,066,412	8,512,928
Other gains and losses	30	407,938	(779,318)	1,229,093
Finance costs (net)	31	(40,275,731)	(8,312,976)	(14,444,085)
Transaction gain/(loss) (net)		27,152,931	(16,380,879)	(2,586,382)
Monetary gain/(loss) (net)		96,152	(89,206)	111,116
Profit before tax		30,651,711	13,525,863	37,634,940
Income tax benefit/(expense)	23	9,889,549	(655,616)	28,977,867
Profit for the year from continuing operations		40,541,260	12,870,247	66,612,807
Attributable to:				
Equity holders of the parent		27,426,632	13,502,687	66,734,270
Minority interest		13,114,628	(632,440)	(121,463)
		40,541,260	**12,870,247**	**66,612,807**
Weighted average number of shares outstanding		**40,000,000**	**40,000,000**	**40,000,000**
Earnings/(loss) per share — basic and diluted:		**0.69**	**0.34**	**1.67**

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

TAV HAVALİMANLARI İŞLETME A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts expressed in Euro unless otherwise stated)

	Share Capital	Legal Reserves	Translation Reserves	(As restated) Retained Earnings	Purchase of shares of entities under common control	(As restated) Attributable to Equity Holders of the Parent	(As restated) Minority Interest	(As restated) Total
Balance at 1 January 2003	**82,383,603**	**722,253**	**—**	**(524,837)**	**—**	**82,581,019**	**564,332**	**83,145,351**
Exchange differences on translation reserves	—	—	126,695	—	—	126,695	63,353	190,048
Transfers (note 25)	—	435,897	—	(435,897)	—	—	—	—
Profit for the year	—	—	—	66,734,270	—	66,734,270	(121,463)	66,612,807
Dividends	—	—	—	(4,287,554)	—	(4,287,554)	—	(4,287,554)
Balance at 1 January 2004	**82,383,603**	**1,158,150**	**126,695**	**61,485,982**	**—**	**145,154,430**	**506,22**	**145,660,652**
Exchange differences on translation reserves	—	—	88,552	—	—	88,552	44,281	132,833
Transfers (note 25)	—	6,784,754	—	(6,784,754)	—	—	—	—
Profit for the year	—	—	—	13,502,687	—	13,502,687	(632,440)	12,870,247
Dividends	—	—	—	(45,869,107)	—	(45,869,107)	—	(45,869,107)
Issue of share capital	105,624	—	—	(105,624)	—	—	10,082,318	10,082,318
Balance at 1 January 2005	**82,489,227**	**7,942,904**	**215,247**	**22,229,184**	**—**	**112,876,562**	**10,000,381**	**122,876,943**
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 (note 25)	—	419,991	—	(419,991)	—	—	—	—
Profit for the year	—	—	—	27,426,632	—	27,426,632	13,114,628	40,541,260
Dividends	—	—	—	(4,129,405)	—	(4,129,405)	—	(4,129,405)
Issue of share capital	—	—	—	—	—	—	20,308,860	20,308,860
Balance at 31 December 2005 (as restated)	**82,060,070**	**8,362,895**	**183,918**	**45,106,420**	**(12,367,409)**	**123,345,894**	**43,411,225**	**166,757,119**

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

TAV HAVALİMANLARI İŞLETME A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

(Amounts expressed in Euro unless otherwise stated)

	Notes	(As restated) Year Ended 31 December 2005	(As restated) Year Ended 31 December 2004	(As restated) Year Ended 31 December 2003
OPERATING ACTIVITIES				
Profit/(Loss) for the year/period		40,541,260	12,870,247	66,612,807
Adjustments to reconcile net profit to net cash provided by operating activities:				
-Depreciation of BOT Investments	14	48,324,992	93,867,220	71,788,118
-Depreciation of property, plant and equipment	13	2,210,423	385,086	726,545
-amortisation of other intangible assets	16	792,983	32,530	23,466
-amortisation of concession asset	15	69,915,181	—	—
-VAT expenses paid to DHMİ		4,417,918	—	—
-Provision for employment termination benefits	22	1,758,126	1,133,670	614,450
-Allowance for doubtful receivables		641,211	137,083	49,977
-Discount on receivables and payables		101,989	(149,722)	(41,604)
-Gain on disposal of property, plant and equipment		(1,150,163)	—	(1,758,695)
-Unused vacation accrual	21	593,038	(42,155)	(43,244)
-Provision for slow moving inventory	10	43,311	53,417	10,914
-Unrealised foreign exchange differences on loans		(6,340,756)	1,475,243	(3,489,877)
-Accrued interest income		(11,929,522)	(3,611,280)	(4,011,084)
-Accrued interest expense		11,384,805	6,929,065	9,512,229
-Income tax (income)/expense net of monetary gain	23	(11,047,962)	936,910	(29,594,100)
-Mark to market valuation of derivative instruments		1,534,012	—	—
Operating cash flows before movements in working capital		151,790,846	114,017,314	110,399,902
-(Increase)/decrease in trade receivables		(6,401,043)	2,085,203	921,722
-(Increase)/decrease in inventories		(9,495,362)	2,547,767	(1,758,412)
-(Increase)/decrease in related party receivables		2,921,879	(3,174,563)	(281,941)
-Increase in other receivables and current assets		(4,093,078)	(1,420,897)	(978,168)
-Increase/(decrease) in trade payables		(4,397,223)	1,215,218	2,651,934
-Increase/(decrease) in advances received		721,247	102,922	(328,160)
-Increase/(decrease) in related party payables		25,994,367	1,577,711	(252,223)
-Increase in other payables and current liabilities		(15,577,219)	549,940	441,882
-Increase in restricted bank balances		(135,428,001)	—	—
Cash generated from operations		6,036,413	117,500,615	110,816,536
-Income taxes paid	23	(2,278,221)	(2,449,857)	(2,789,262)
-Interest paid		(6,762,335)	(7,919,709)	(8,036,986)
-Retirement benefits paid	22	(1,550,045)	(77,888)	(106,010)
Net cash provided from operating activities		**(4,554,188)**	**107,053,161**	**99,884,278**
INVESTING ACTIVITIES				
Net change in investments held for trading/held to -maturity		39,551,531	(39,247,036)	3,029,151
-Loans collected/(provided) from/(to) related parties		(60,573,919)	(58,484,053)	(11,326,727)
-Acquisition of available for sale investments		(28,086)	—	—
-Acquisition of subsidiary	32	(96,161,277)	—	—
-Payment of concession expenses	15	(495,392,308)	—	—
-Proceeds on tangible and intangible assets disposed		1,949,280	29,791	2,200,109
-Additions to BOT Investments	14	(126,930,064)	(19,315,352)	(42,606,543)
-Purchases of property, plant and equipment	13	(5,422,112)	(1,187,009)	(70,701)
-Purchases of intangible assets	16	(264,425)	(168,872)	(19,885)
-Change in VAT portion of prepaid rent		(80,960,746)	—	—
-Change in other long term investments		18,742,961	4,241,902	3,654,768
Net cash used in investing activities		**(805,489,165)**	**(114,130,629)**	**(45,139,828)**
CASH FLOWS FROM FINANCING ACTIVITIES				
-New borrowings raised		885,328,713	93,728,439	39,608,403
-Repayment of borrowings		(103,149,879)	(81,715,185)	(100,174,625)
-New loans raised from related parties		17,800,487	—	—
-Purchase of shares of entities under common control		(12,796,566)	—	—
-Dividends paid		(4,129,405)	(45,869,107)	(4,287,554)
-Issue of share capital by shareholders		20,308,861	10,082,318	—
-Effect of group structure change		—	—	—
-Repayments of obligations under finance leases		(99,907)	(36,829)	—
Net cash from/(used in) from financing activities		**803,262,304**	**(23,810,364)**	**(64,853,776)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,781,049)	(30,887,832)	(10,109,326)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		17,709,130	48,596,962	58,706,288
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**10,928,081**	**17,709,130**	**48,596,962**

(Amounts expressed in Euro unless otherwise stated)

1. BACKGROUND AND DESCRIPTION OF OPERATIONS

TAV Havalimanlari İşletme A.Ş. ("TAV" or "the Company") was established in 1997 under the name of Tepe Akfen Vie Yatirim Yapim 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. In 2005, the Company's name has been changed to TAV Havalimanlari İşletme A.Ş.

On 29 December 2005, 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, Akfen Group and Hyper Foreign Trade Holland N.V.

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 2005 are as follows:

			31 December 2005	
Name of Subsidiary	**Principal Activity**	**Place of incorporation and operation**	**Proportion of ownership interest %**	**Proportion of voting power held %**
BTA Havalimanlari Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA")	Food and Beverage Services	Turkey	66.66	66.66
TAV İşletme Hizmetleri A.Ş. ("TAV İşletme")	O&M, Lounge Services	Turkey	99.99	99.99
TAV Havalimanlari Terminal İşletmeciliği A.Ş .("TAV HTI")	İstanbul Airport terminal services	Turkey	100.00	100.00
TAV Esenboğa Yatirim Yapim ve İşletme A.Ş. ("TAV Esenboğa")	Ankara Airport terminal services	Turkey	1	100.00
İzmir Adnan Menderes Havalimani Uluslararasi Terminal İnşaati, İşletmeciliği ve Yatirim A.Ş ("TAV İzmir")(*)	İzmir Airport terminal services	Turkey	38.99	100.00

The Company's ownership interest of TAV İzmir represents the effective ownership interest via HAVAŞ. TAV Esenboğa is reflected as a subsidiary due to a formal signed protocol between TAV and shareholders of TAV Esenboğa which transfers all operational and financial control of TAV Esenboğa to TAV.

In July 2005, HAVAS owned 64.99% of TAV İzmir, resulting in TAV's indirect ownership of 39% of TAV İzmir. At the time of the acquisition of 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 any 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.

1. BACKGROUND AND DESCRIPTION OF OPERATIONS(cont'd)

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

Name of Joint Venture	Principal Activity	Place of incorporation and operation	31 December 2005 Proportion of ownership interest %	Proportion of voting power held %
ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ")..	Duty free Services	Turkey	49.98	50.00
Havaş Havalimanlari Yer Hizmetleri A.Ş. ("HAVAŞ")	Ground handling services	Turkey	60.00	50.00

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 Meydanlari İşletmesi Genel Müdürlüğü (DHMİ), and 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 Airport Authorities. 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 three BOT Agreements in place.

Atatürk International Airport

A BOT agreement was executed between TAV and DHMİ 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 finalised in August 2000. DHMİ and the Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

An addendum to the agreement was made in June 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 DHMİ.

Ankara Esenboğa International Airport

A BOT agreement was executed between TAV and DHMİ 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 is going to provide mainly passenger, ramp and check-in counter services.

İzmir Adnan Menderes Airport

A BOT agreement was executed between TAV and DHMİ 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. In the operations phase, TAV İzmir is going to provide mainly passenger, ramp and check-in counter services.

1. BACKGROUND AND DESCRIPTION OF OPERATIONS(cont'd)

Description of Operations (cont'd)

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 utilise the airport, ramps utilised by aircrafts and check-in counters utilised 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 revenue — 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.

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 operations — 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

This concession contract requires the Company to make annual rent payments totaling USD 2,543,000,000 (EUR 2,149,415,685) excluding VAT over the life of the contract, of which USD 584,890,000 (EUR 491,231,077) excluding VAT has been prepaid at the beginning of the concession agreement under the terms of the contract. 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 4,790 (average: 4,160) people as of 31 December 2005, 1,660 (average: 1,550) people as of 31 December 2004 and 1,315 (average: 1,300) people as of 31 December 2003.

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 2005.

At the date of authorisation 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

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.

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 Lirasi (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").

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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:

Year:	2005	2004	2003
TRY/EUR	1.5875	1.8268	1.7451
TRY (Appreciation)/Depreciation Against the EUR	(13%)	5%	2%
WPI inflation	4.5%	13.8%	13.9%

The financial statements of subsidiaries, namely BTA and TAV İşletme, 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, as of 31 December 2005, in accordance with IAS 29 as TRY is 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.

Each entity is consolidated based on the following methods:

TAV HTI and TAV İzmir are fully consolidated.

BTA, TAV İşletme and TAV Esenboğa are fully consolidated with a minority interest removed.

ATÜ and HAVAŞ are proportionally consolidated.

Although the Company owns insignificant amount of shares of TAV Esenboğa, it has the power to appoint and remove the majority of the board of directors and control of the entity by the board. Consequently, TAV Esenboğa is controlled by the Company and is consolidated in these financial statements.

The results of a subsidiary, Havaş, acquired from independent third party, during the year are included in the consolidated income statement from the effective date of acquisition.

BTA, TAV İşletme, TAV HTI, TAV Esenboğa, and ATÜ were acquired from parents of the Company on 29 December 2005. The acquired subsidiaries and the joint venture which were under common control, are accounted through a restatement of all periods presented.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised 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 recognised.

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 recognised.

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 2004 and 2003.

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 recognised 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 recognised 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, unrealised 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 recognised at the date of acquisition. Goodwill is initially recognised 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Area allocation income: Area allocation income is recognised 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 recognised when goods are delivered and title has passed.

Catering services income: Catering services income is recognised 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 recognised 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 recognised when in every 2 to 3 days according to sales reports provided from the entities.

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

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

In addition, the Group has other income as summarised 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 recognised when the shareholders' rights to receive payment have been established.

Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable 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 recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Build Operate Transfer (BOT) Investment

All construction expenditures and equipment and system investments, made during BOT period according to the agreements commenced with DHMİ 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 recognised 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 amortised 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 recognised 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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 capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 recognised 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 are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 realised. 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.

Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The Group recognises 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 recognised 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 capitalised in accordance with the Group's general policy on borrowing costs (see borrowing costs note).

Provisions

Provisions are recognised 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 2005, 2004 and 2003 have been determined using the number of TAV's shares as of 31 December 2005 respectively. Earnings per common share for 2004 and 2003 have been determined using the number of TAV's shares as of 31 December 2005 as if those shares had been outstanding for all periods presented. There are no potentially dilutive securities.

Financial instruments

Financial assets and financial liabilities are recognised 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 amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised 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 is estimated to be their fair values.

Investments

Investments are recognised and derecognised 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 amortised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised 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 amortised 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 and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Two subsidiaries in the Group, TAV HTI and TAV Esenboğa, 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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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, TAV Esenboğa, and ATÜ were acquired from parents of the Company on 29 December 2005. 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 comparative years 2004 and 2003.

5. CASH AND CASH EQUIVALENTS

	31 December 2005	31 December 2004	31 December 2003
Cash on hand	245,133	295,843	201,138
Cash at banks — demand deposits	3,228,151	10,594,848	683,911
Cash equivalents	7,312,855	6,713,349	47,625,672
Other liquid assets	141,942	105,090	86,241
	10,928,081	17,709,130	48,596,962

	31 December 2005	31 December 2004	31 December 2003
Cash equivalents			
Demand deposits	—	2,034,240	2,088,257
Time deposits	4,542,136	3,857,353	43,336,701
Reverse repurchase agreements	2,770,719	821,756	2,200,714
	7,312,855	6,713,349	47,625,672

The details of the Group's time deposits, maturities and interest rates as at 31 December 2005, 2004 and 2003 are as follows:

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
			4,542,136

Original Currency	Maturity	Interest rate %	31 December 2004
TRY	13.01.2005	0	109,482
TRY	03.01.2005	18.00	119,591
EUR	06.01.2005	1.75	499,932
EUR	17-20.01.2005	4.00	3,128,348
			3,857,353

Original Currency	Maturity	Interest rate %	31 December 2003
EUR	30.01.2004	2.50	500,148
EUR	19-28.01.2004	3.75	1,510,221
TRY	06.01.2004	29.50	99,009
EUR	05.01.2004	2.13	823,000
USD	31.03.2004	3.96	40,404,323
			43,336,701

5. CASH AND CASH EQUIVALENTS (cont'd)

The details of the Group's reverse repurchase agreements, maturities and interest rates as at 31 December 2005, 2004 and 2003 are as follows:

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

Original Currency	Maturity	Interest rate %	31 December 2004
TRY....................	03.01.2005	14.17	821,756
			821,756

Original Currency	Maturity	Interest rate %	31 December 2003
TRY....................	02.01.2004	22.29	1,699,158
TRY....................	02.01.2004	24.50-25.00	501,556
			2,200,714

6. RESTRICTED BANK BALANCES

	31 December 2005
Project, reserve and funding accounts(*).....	71,923,530
Cash collaterals(**)	63,504,471
	135,428,001

(*) As of 31 December 2005, some of the subsidiaries namely TAV HTI, 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 63,504,471 as of 31 December 2005 in respect of the Group's indebtedness under bridge loan agreements as a cash collateral.

7. INVESTMENTS

a) Investments held for trading

	31 December 2005	31 December 2004	31 December 2003
Debt securities:			
Investment funds — short term	610,178	732,137	406,754
	610,178	732,137	406,754

b) Available-for-sale investments

	Shareholding %	31 December 2005
Available for sale equity securities:		
Unlisted entities		
TAV Havacilik A.Ş	3.00	28,086
		28,086

c) Held to maturity investments

Original Currency	Maturity	Interest rate %	31 December 2004
USD	23.05.2005	1.00	474,032
USD	15.04.2005	4.67	19,964,728
EUR	17.06.2005	4.88	18,990,812
			39,429,572

Original Currency	Maturity	Interest rate %	31 December 2003
USD	23.05.2004	1.00	507,919
			507,919

8. TRADE RECEIVABLES (NET)

	31 December 2005	31 December 2004	31 December 2003
Trade receivables	11,728,247	4,390,821	6,609,463
Notes receivable	13,272	9,385	—
Discount on receivables (—)	(20,709)	(30,370)	(45,254)
Doubtful receivables	1,266,152	662,174	525,091
Allowance for doubtful receivables (—)	(1,266,152)	(662,174)	(525,091)
Other	20,393	35,106	105,919
	11,741,203	4,404,942	6,670,128

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

As of 31 December 2005, 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. There are no set payment terms for any of the related party transactions, except as specifically identified below for long term loans to the shareholders. 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.

Trading transactions

	31 December 2005	31 December 2004	31 December 2003
Trade receivables from related parties			
ATÜ Turizm İşletmeciliği A.Ş	216,377	299,557	206,242
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş	—	3,005,901	—
Tepe Savunma ve Güvenlik Sis. A.Ş	—	101,363	—
TAV Havacilik A.S	82,390	—	—
TAV Bilişim A.Ş	91,048	—	—
Arti Döviz Ticaret A.Ş	62,431	64,025	64,306
Task Tepe Akfen Su Kanal. İşl. A.Ş	58,544	—	—
Park Havacilik A.Ş	23,240	—	—
Other related parties	1,964	4,282	4,848
	535,994	3,475,128	275,396
Trade payables to related parties			
TAV Tepe Akfen Yat. İnş. ve İsl. A.Ş	16,952,475	—	—
IBS Brokerlik ve Sigorta Hizmetleri A.Ş	2,104,658	1,063,073	26,485
ATÜ Turizm İşletmeciliği A.Ş	2,036,069	786,830	—
Airport Consulting Servis. ve Dan. Ltd. Şti	—	—	81,199
TAV Yatirim Holding A.Ş	2,400,416	—	—
Tepe İnşaat Sanayi A.Ş	314,026	—	—
Meteksan Sistem ve Bilgisayar Tekn. A.Ş	277,309	51,297	57,996
Akinisi — Ekin Ortak Girişimi	255,181	—	—
Akfen İnşaat Turizm ve Ticaret A.Ş	226,998	—	—
Tepe Savunma ve Güvenlik Sistemleri A.Ş	173,024	—	164,205
Akfen Turizm Yat. ve İnş. A.Ş	57,733	42,382	40,322
Sera Yapi End. Ve Tic. Ltd. Şti	34,617	—	10,048
Havaş Havalimanlari Yer Hizmetleri A.Ş	1,219,341	—	—
Unifree Dutyfree A.Ş	2,019,353	—	—
Other related parties	43,454	23,197	25,818
	28,114,654	1,966,779	406,073
Services rendered to related parties			
ATÜ Turizm İşletmeciliği A.Ş	39,725,891	32,076,565	26,487,597
Havaş Havalimanlari Yer Hizmetleri A.Ş	3,256,755	—	—
Arti Döviz Ticaret A.Ş	986,829	852,427	810,713
Tepe Savunma ve Güvenlik Sistemleri A.Ş	414,942	70,484	—
Airport Consulting Servis. Ve Dan. Ltd. Şti	—	—	924,278
Park Termik	176,409	—	—
Other related parties	163,941	46,773	673
	44,724,767	33,046,249	28,223,261

9. RELATED PARTY TRANSACTIONS (cont'd)

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. Majority of service rendered to Havaş represents the bus and parking income of TAV İşletme.

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Services rendered by related parties			
Tepe Savunma ve Güvenlik Sistemleri A.Ş	4,602,008	3,967,838	2,380,514
Tepe İnşaat Sanayi A.Ş	244,357	4,916,436	—
Havaş Havalimanlari Yer Hizmetleri A.Ş	1,326,626	—	—
Park Enerji Holding A.Ş	1,225,617	—	—
TAV Tepe Akfen Yat. İnş. Ve İşl A.Ş	3,539,938	—	—
TAV Yatirim Holding A.Ş	2,805,762	—	—
Meteksan Sistem ve Bilgisayar Tekn. A.Ş	565,559	445,794	376,110
Akfen İnşaat Turizm ve Ticaret A.Ş	442,358	—	—
Airport Consulting Servis. Ve Dan. Ltd. Şti	—	302,279	902,349
Sera Yapi End. Ve Tic. Ltd. Şti	—	100,950	—
Unifree Dutyfree A.Ş	40,718,304	35,747,094	34,463,712
Other related parties	41,224	39,601	—
	55,511,753	45,519,992	38,122,685

Nature of major transactions with related parties:

The Company receives maintenance services from Meteksan Sistem. Expenses incurred from Park Enerji Holding A.Ş. are related with consultancy expenses. Havaş renders bus services and parking lot services to TAV İşletme.

TAV Yatirim Holding A.Ş. ("TAV Holding") provided support, consultancy and such facilities to the Company in connection with information technology, finance, human resource, administration, accounting, general management and operations by way of human resources and/or consultants and allowed the Company to utilise any kind of resources of TAV Holding including know-how the matters mentioned during the period. The Company pays USD 2,000,000 plus VAT per month for such consulting and support services to TAV Holding.

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

ATÜ purchases the duty free goods sold from Unifree Dutyfree A.Ş. ATÜ operates duty free shops at the airport.

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Construction work rendered by related parties			
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş	93,536,213	4,264,460	—
	93,536,213	4,264,460	—

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.

9. RELATED PARTY TRANSACTIONS (cont'd)

Financing transactions

	31 December 2005	31 December 2003	31 December 2004
Loans receivable from related parties			
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş	45,711,388	31,121,308	1,618,515
Tepe İnşaat Sanayi A.Ş	88,100,764	51,200,106	40,133,388
Akfen İnşaat Turizm ve Ticaret A.Ş	60,108,539	42,082,149	26,579,470
Bilintur Bilkent Tur. İnş. Yat. Tic. Ltd. Şti	—	469,653	—
Sera Yapi End. ve Tic. Ltd. Şti	5,197,833	5,608,469	54,979
TAV Havacili A.Ş	2,238,257	—	—
Akfen Holding A.Ş	1,538,809	—	—
Other related parties	89,536	—	—
	202,985,126	130,481,685	68,386,352

The Group management structured the collection schedule for the loans of USD 181,497,862 (EUR 153,407,138) to Tepe İnşaat Sanayi A.Ş., Akfen İnşaat Turizm ve Ticaret A.Ş., and Sera Yapi End. ve Tic. Ltd. Şti. (shareholders of the Company) on 27 March 2006.

Loans receivable from related parties are presented under long term assets in the accompanying financial statements based on the history of collections. Subsequent to 31 December 2005, the Group management structured loans to shareholders for the first time on 27 March 2006.

	31 December 2005	31 December 2004	31 December 2003
Loans payable to related parties			
TAV Yatirim Holding A.Ş	15,185,586	—	—
Bilintur Bilkent Tur. İnş. Yat. Tic. Ltd. Şti	994,776	—	—
Tepe Emlak Yatirim İnşaat ve Tic. A.Ş	823,383	—	—
Other related parties	796,742	—	—
	17,800,487	—	—

Loans payable to related parties are classified as current liabilities being their maturities are not known and there is no previous history of payment as they were obtained in 2005 for the first time.

The interest rate used within the Group is 5.5% per annum. The Group converts related party TRY loan receivable and payable balances to USD and charges interest at a rate of 5.5% per annum. The USD conversion was performed using the Central Bank's announced exchange rates.

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Interest income from related parties			
Tepe İnşaat Sanayi A.Ş	3,704,538	1,678,153	2,500,061
Akfen İnşaat Turizm ve Ticaret A.Ş	3,085,419	1,316,680	1,511,023
TAV Yatirim Holding A.Ş	2,808,871	—	—
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş	1,922,439	527,743	—
Sera Yapi End. ve Tic. Ltd. Şti	358,259	88,704	—
Other related parties	49,996	—	—
	11,929,522	3,611,280	4,011,084
Interest expense to related parties			
Unifree Duty Free İşletmeciliği A.Ş	33,813	—	—
TAV Yatirim Holding A.Ş	11,214	—	—
Akfen İnşaat Turizm ve Ticaret A.Ş	—	1,838	—
Other related parties	8,141	—	—
	53,168	1,838	—

9. RELATED PARTY TRANSACTIONS (cont'd)

Other transactions

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Other gains from related parties			
TAV Tepe Akfen Yat. İnş. Ve İşl.	1,540,061	—	—
TAV Yatirim Holding A.Ş	1,150,163	—	—
Havaş Havalimanlari Yer Hizmetleri A.Ş	193,612	—	—
Tepe İnşaat Sanayi A.Ş	—	545,191	602,397
Akfen İnşaat Turizm ve Ticaret A.Ş.	—	—	207,213
Tepe Savunma ve Güvenlik Sistemleri A.Ş	—	807,269	134,785
ATÜ Turizm İşletmeciliği A.Ş	—	14,916	9,291
Other related parties	63,690	—	48,362
	2,947,526	1,367,376	1,002,048

Nature of other major transactions with related parties:

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

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Other expenses with related parties			
Donations to Bilkent University	1,512,112	1,489,697	1,305,256
	1,512,112	1,489,697	1,305,256

Compensation of key management personnel:

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

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Short-term benefits (salaries and bonuses)	1,143,140	1,260,543	751,498
	1,143,140	1,260,543	751,498

Some of the key management of the Group are included in TAV Yatirim Holding A.Ş.'s payroll, therefore they are not included in the above table as such expenses separately invoiced by TAV Yatirim Holding A.Ş.

10. INVENTORIES

	31 December 2005	31 December 2004	31 December 2003
Duty free inventories	4,898,553	4,017,323	4,082,268
Catering inventories	464,565	261,159	209,105
Goods in transit	127,527	—	—
Other inventories	101,562	41,763	26,128
Less: Provision for slow moving and obsolete inventories	(252,945)	(209,634)	(156,217)
	5,339,262	4,110,611	4,161,284

Provision for slow moving and obsolete inventories:

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
At 1 January	209,634	156,217	145,303
Additional provision for the year	43,311	53,417	10,914
At the end of the period	252,945	209,634	156,217
BOT Inventory			
Spare parts	2,347,468	1,008,509	2,242,812
Order advances given	7,455,204	229,463	1,560,977
	9,802,672	1,237,972	3,803,789

11. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

	31 December 2005	31 December 2004	31 December 2003
Other receivables and current assets:			
VAT portion of prepaid rent to DHMİ (short term)	21,205,685	—	—
Prepaid rent	1,265,459	—	—
Prepaid insurance	3,217,110	1,647,877	492,851
Income accruals	365,429	161,547	111,068
VAT deductible and carried forward	1,813,838	2,161,775	1,739,726
Prepaid taxes and dues	1,115,846	64,240	41,992
Advances given to personnel	73,949	6,260	13,664
Business advances given	42,532	15,332	95,541
Other receivables	536,236	69,526	219,255
	29,636,084	4,126,557	2,714,097
Other non current assets:			
VAT portion of prepaid rent to DHMİ (long term)	55,337,143	—	—
Non current prepaid insurance	778,760	—	—
Other non current receivable	—	9,772	—
	56,115,903	9,772	—

12. GOODWILL

Cost	
At 1 January 2005	—
Arising on acquisition of a subsidiary	72,717,730
At 31 December 2005	72,717,730
Carrying amount	
At 31 December 2005	72,717,730

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).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds Improvements	Constructio n in progress	Advances given and other PP&E	Total
Cost								
Opening balance, 1 January 2003	94,575	2,593,224	165,601	4,859,171	—	—	—	7,712,571
Foreign currency translation effect	—	11,315	(6,703)	98,073	—	—	—	102,685
Additions........	—	—	11,370	52,932	—	6,399	—	70,701
Disposals........	(94,575)	(1,819,964)	(10,300)	(3,745,090)	—	—	—	(5,669,929)
Closing balance, 31 December 2003	—	784,575	159,968	1,265,086	—	6,399	—	2,216,028
Foreign currency translation effect	—	9,807	6,821	87,558	—	560	—	104,746
Additions........	585,724	—	—	804,840	—	12,410	—	1,402,974
Closing balance, 31 December 2004	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 from CIP........	—	—	—	—	62,705	(26,650)	—	36,055
Closing balance, 31 December 2005	630,326	28,802,443	6,434,448	7,563,362	6,023,105	174,276	62,433	49,690,393
Accumulated depreciation								
Opening balance, 1 January 2003	79,302	2,109,032	63,982	3,940,187	—	—	—	6,192,503
Depreciation charge for the year	—	288,645	31,218	406,682	—	—	—	726,545
Foreign currency translation effect	—	6,312	(7,535)	80,136	—	—	—	78,913
Eliminated on disposals	(79,302)	(1,781,060)	(6,180)	(3,361,973)	—	—	—	(5,228,515)
Closing balance, 31 December 2003	—	622,929	81,485	1,065,032	—	—	—	1,769,446
Foreign currency translation effect	—	7,432	2,896	79,528	—	—	—	89,856
Depreciation charge for the year	976	158,239	32,207	193,664	—	—	—	385,086
Closing balance, 31 December 2004	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 year	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)
Closing balance, 31 December 2005	24,852	20,961,832	2,661,193	4,876,633	2,938,659	—	—	31,463,169
Carrying amount at 31 December 2003	—	161,646	78,483	200,054	—	6,399	—	446,582
Carrying amount at 31 December 2004	584,748	5,782	50,201	819,260	—	19,369	—	1,479,360
Carrying amount at 31 December 2005	605,474	7,840,611	3,773,255	2,686,729	3,084,446	174,276	62,433	18,227,224

The depreciation periods for property, plant and equipment are as follows:

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Useful life
Buildings	50 years
Machinery and equipment ...	5 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements.....	5-6 years

The carrying amount of the Group's fixtures and equipment includes an amount of EUR 316,673 (2004: EUR 216,707, 2003: 0) in respect of assets held under finance leases.

14. BUILT-OPERATE-TRANSFER (BOT) INVESTMENTS (NET)

	31 December 2005	31 December 2004	31 December 2003
Net book value of			
Short term BOT investments	—	48,033,387	—
Long term BOT investments	134,3	7,428,598	129,8
Total	134,3	55,461,985	129,8

	Atatürk International Airport		Ankara Esenboğa International Airport	İzmir Adnan Menderes Airport		Tbilisi International Airport	Batumi International Airport	
	BOT Investment	Advances given (for BOT)	Construction in progress (for BOT)	Construction in progress (for BOT)	Advances given (for BOT)	Construction in progress (for BOT)	Construction in progress (for BOT)	Total
Cost								
Opening balance, 1 January 2003	333,611,835	—	—	—	—	—	—	333,611,835
Foreign currency translation effect	572,999	—	—	—	—	—	—	572,999
Additions	42,554,231	85,990	—	—	—	—	—	42,640,221
Disposals	(36,740)	—	—	—	—	—	—	(36,740)
Transfers from CIP and advances	65,970	(65,970)	—	—	—	—	—	—
Closing balance, 31 December 2003	376,768,295	20,020	—	—	—	—	—	376,788,315
Foreign currency translation effect	498,480	—	—	—	—	—	—	498,480
Additions	11,332,894	553,860	7,428,598	—	—	—	—	19,315,352
Disposals	(112,500)	—	—	—	—	—	—	(112,500)
Transfers from CIP and advances	559,842	(559,842)	—	—	—	—	—	—
Closing balance, 31 December 2004	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 DHMİ-İstanbul airport	(390,710,020)	—	—	—	—	—	—	(390,710,020)
Closing balance, 31 December 2005	—	—	112,500,369	12,407,579	9,425,772	—	—	134,333,720
Accumulated depreciation								
Opening balance, 1 January 2003	174,811,142	—	—	—	—	—	—	174,811,142
Depreciation charge for the year	71,788,118	—	—	—	—	—	—	71,788,118
Foreign currency translation effect	294,429	—	—	—	—	—	—	294,429
Eliminated on disposals	(3,062)	—	—	—	—	—	—	(3,062)
Closing balance, 31 December 2003	246,890,627	—	—	—	—	—	—	246,890,627
Foreign currency translation effect	352,524	—	—	—	—	—	—	352,524
Depreciation charge for the year	93,867,220	—	—	—	—	—	—	93,867,220
Eliminated on disposals	(82,709)	—	—	—	—	—	—	(82,709)
Closing balance, 31 December 2004	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 DHMİ-İstanbul airport	(390,710,020)	—	—	—	—	—	—	(390,710,020)
Closing balance, 31 December 2005	—	—	—	—	—	—	—	—
Carrying amount at 31 December 2003	129,877,668	20,020	—	—	—	—	—	129,897,688
Carrying amount at 31 December 2004	48,019,349	14,038	7,428,598	—	—	—	—	55,461,985
Carrying amount at 31 December 2005	—	—	112,500,369	12,407,579	9,425,772	—	—	134,333,720

BOT Investments are depreciated during the BOT contract period commencing from the date of operation of the terminals

15. PREPAID CONCESSION EXPENSES

31 December 2005	Rent	Prepaid Development expenditures	Total
Additions	491,231,077	4,161,231	495,392,308
Current year concession (3 July 2005-31 December 2005)	(67,870,274)	(2,044,907)	(69,915,181)
	423,360,803	2,116,324	425,477,127
Represented as short term prepaid concession expense	117,289,312	—	117,289,312
Represented as long term prepaid concession expense	306,071,491	2,116,324	308,187,815

Rent:

The total rent associated with the concession agreement is US Dollar 2,543,000,000 plus VAT (Euro 2,149,415,685). TAV Havalimanlari Terminal İşletmeciliği A.Ş. 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	118,217,863
03.01.2008	139,865,000	118,217,863
03.01.2009	139,865,000	118,217,863
03.01.2010	139,865,000	118,217,863
03.01.2011	139,865,000	118,217,863
03.01.2012	139,865,000	118,217,863
Between 2013 and 2020	1,118,920,000	945,742,899
	1,958,110,000	1,655,050,077

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.

16. OTHER INTANGIBLE ASSETS

	Purchased Software	Customer relationships	DHMİ License	Total
Cost				
At 1 January 2003	108,414	—	—	108,414
Foreign currency translation effect	6,310	—	—	6,310
Additions	19,885	—	—	19,885
At 31 December 2003	134,609	—	—	134,609
Foreign currency translation effect	6,844	—	—	6,844
Additions	168,872	—	—	168,872
At 31 December 2004	310,325	—	—	310,325
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
At 31 December 2005	898,342	13,539,909	1,393,814	15,832,065
Amortisation				
At 1 January 2003	38,465	—	—	38,465
Foreign currency translation effect	2,210	—	—	2,210
Charge for the year	23,466	—	—	23,466
At 31 December 2003	64,141	—	—	64,141
Foreign currency translation effect	3,044	—	—	3,044
Charge for the year	32,530	—	—	32,530
At 31 December 2004	99,715	—	—	99,715
Foreign currency translation effect	11,460	—	—	11,460
Acquired on acquisition of subsidiary	94,073	—	—	94,073
Charge for the year	115,988	676,995	—	792,983
At 31 December 2005	321,236	676,995	—	998,231
Carrying amount				
Net book value, as of 31 December 2003	70,468	—	—	70,468
Net book value, as of 31 December 2004	210,610	—	—	210,610
Net book value, as of 31 December 2005	577,106	12,862,914	1,393,814	14,833,834

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 DHMİ licence. Customer relationships have 10 years useful life and DHMİ rights have indefinite useful life.

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 2005	31 December 2004	31 December 2003
Current assets	11,745,182	8,309,987	9,120,306
Non-current assets	19,065,433	837,520	951,241
Current liabilities	4,780,851	2,516,851	2,962,870
Non-current liabilities	19,419,908	317,540	207,337
Income	92,475,712	81,744,636	70,189,836
Expenses	87,526,099	74,935,852	66,062,087

A 60.00 per cent equity shareholding with an equivalent voting power, in Havaş Havalimanlari 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 Havalimanlari Yer Hizmetleri A.Ş.:

	31 December 2005
Current assets	7,232,281
Non-current assets	21,007,703
Current liabilities	6,034,252
Non-current liabilities	2,091,606
Income	50,952,107
Expenses	51,033,455

18. BANK LOANS

The details of the Group's bank loans as at 31 December 2005 are as follows:

	Presented as	
Projects	Current liabilities	Non-current liabilities
TAV HTI	92,433,616	564,075,027
TAV İzmir	32,862,303	—
TAV Esenboğa	—	79,483,793
ATÜ	1,086,219	18,940,263
TAV	84,546,627	10,000,000
Other	562,127	638,457
	211,490,892	673,137,540

18. BANK LOANS (cont'd)

TAV HTI

Original Currency	Maturity	Interest rate %	Presented as Current Liabilities	Non-current liabilities
EUR	31.12.2015	Euribor+2.50	18,534,474	386,383,838
EUR	31.12.2015	Euribor+5.00	1,587,766	32,198,653
USD	31.12.2015	Libor+2.50	7,112,095	145,492,536
USD	07.07.2006	Libor+2.00	65,199,281	—
			92,433,616	564,075,027

TAV HTI has bank loans in the amount of EUR 470,108,270 ("Tranch A") and USD originated EUR 152,611,982 ("Tranch B") under a senior facility agreement and EUR 33,788,391 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 canceled 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, with 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.

Among the above event of defaults, financial covenants are summarised as follows and the companies shall ensure the following financial covenants semiannually;

a) the Debt Service Cover Ratios are each greater than or equal to

— TAV HTI : 1.10:1

b) the Loan Life Cover Ratio and the Average Projected Debt Service Cover Ratio are greater than or equal to

— TAV HTI : 1.15:1

c) the Debt to Equity Ratio is no greater than.

— TAV HTI : 85:15

Other covenants restrict TAV HTI to enter certain transactions.

In addition, unless an Initial Public Offering has occurred, on each date upon which a distribution could take place pursuant to the terms of the borrowing agreements (whether or not in fact TAV HTI makes such distribution) the TAV HTI must pay 25% for the repayment of principals of loans.

Upon the occurrence of an Initial Public Offering, the proceeds of such Initial Public Offering in an amount equal to 50% of the Euro equivalent of USD 40,000,000 are applied in prepayment of the Mezzanine Facility.

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 prepayment date.

The borrowing repayable according to the original term of the contract as of 31 December 2005 is as follows;

	31 December 2005
On demand or within one year.....	92,433,616
In the second year	25,835,497
In the third year............................	33,208,642
In the fourth year..........................	45,064,658
In the fifth year.............................	54,207,357
After five years	405,758,873
	656,5

18. BANK LOANS (cont'd)

TAV İzmir

Original Currency	Maturity	Interest rate %	Presented as Current liabilities	Non-current liabilities
EUR	14.08.2006	Euribor + 3	10,207,944	
EUR	14.12.2006	Euribor + 3	12,608,074	—
EUR	04.10.2006	Euribor + 2	10,046,285	—
			32,862,303	—

TAV İzmir has bank loans in the amount of EUR 32,862,303 from different banks. There are not any outstanding amounts TAV İzmir can borrow from the bank related to the borrowing agreements. The bank repayments are payable within one year.

TAV Esenboğa

Original Currency	Maturity	Interest rate %	Presented as Current liabilities	Non-current liabilities
EUR	31.12.2016	Euribor+3.5	—	75,041,186
EUR	30.06.2016	Euribor+0.85	—	4,442,607
			—	79,483,793

The loans are subject to certain covenants similar to those for TAV HTI. These loans require semi annual principal and interest payments according to bank agreements. TAV Esenboğa have the option to use EUR 98.5 million available loan related to the borrowing agreement. These loans require semi annual principal and interest payments at each 30 June and at each 31 December according to bank agreements.

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.

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 up to USD 0,5 million for the acquisition cost of any assets or leases of assets
- indebtedness up to USD 3 million for the payment of tax and social security liabilities

The financial covenants set out in the bank loan are:

a) The Debt Service Cover Ratios are each greater than or equal to

— TAV Esenboğa : 1.10:1

b) The Loan Life Cover Ratio and the Average Projected Debt Service Cover Ratio are greater than or equal to

— TAV Esenboğa : 1.15:1

c) The Debt to Equity Ratio is no greater than.

— TAV Esenboğa : 75:25

Other covenants restrict TAV Esenboğa to enter certain transactions.

The borrowing repayable according to the original term of the contract as of 31 December 2005 is as follows;

	31 December 2005
On demand or within one year	—
In the second year.........................	2,340,088
In the third year	3,907,551
In the fourth year..........................	5,894,645
In the fifth year.............................	6,689,483
After five years..............................	60,652,026
	79,483,793

18. BANK LOANS (cont'd)

Pledges related with Project 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.

ATÜ

Original Currency	Maturity	Interest rate %	Presented as Current Liabilities	Non-current liabilities
20.12.2015..........	21.12.2015	Euribor+2.70	543,821	9,470,131
20.12.2015..........	21.12.2015	Euribor+2.70	542,398	9,470,132
			1,086,219	18,940,263

ATÜ has bank loans in the amount of EUR 20,026,482 under loan agreement. The loan agreement requires 50% of all monies otherwise available for distribution as dividends shall be utilised for mandatory prepayment of the Facility. There are not any outstanding amounts ATÜ can borrow from the bank related to the borrowing agreement.

The borrowing repayable according to the original term of the contract as of 31 December 2005 is as follows;

	31 December 2005
On demand or within one year	1,086,219
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..............................	10,522,367
	20,026,482

TAV

Original Currency	Maturity	Interest rate %	Presented as Current Liabilities	Non-current liabilities
TRY....................	—	Spot Loan	270	—
USD....................	31.12.2006	Libor+3.75	84,546,357	
EUR....................	07.12.2010	Euribor+3.75	—	5,000,000
EUR....................	04.01.2007	Euribor+1.90	—	5,000,000
			84,546,627	10,000,000

TAV Havalimanlari İşletme A.Ş. has obtained bank loans in the amount of EUR 94,546,627 under loan agreements with three different banks. According to loan agreements, there are some informational covenant matters that are not restrictive.

The borrowing repayable according to the original term of the contract as of 31 December 2005 is as follows;

	31 December 2005
On demand or within one year	84,546,627
In the second year.........................	5,731,640
In the third year	1,422,120
In the fourth year..........................	1,422,120
In the fifth year.............................	1,424,120
	94,546,627

The Euribor rate is 2.362% — 2.844% and Libor rate is 4.3857% — 4.8226% as of 31 December 2005.

18. BANK LOANS (cont'd)

TAV (cont'd)

The group's borrowings are repayable as of 31 December 2005 are as follows:

	31 December 2005
On demand or within one year.....	211,490,892
In the second year	36,599,998
In the third year............................	40,692,946
In the fourth year..........................	54,485,897
In the fifth year.............................	64,425,434
After five years	476,933,265
	884,628,432

The details of the Group's bank loans as at 31 December 2004 are as follows:

			Presented as	
Original Currency	Maturity	Interest rate %	Current liabilities	Non-current liabilities
USD.....................	(Letter of credit)	—	351,203	—
TRY.....................	04.01-05.01.2005	—	550,819	—
EUR.....................	03.03.2005	5.00	10,165,278	—
USD.....................	23.05.2005	5.28	9,218,126	—
EUR.....................	17.06.2005	Euribor+3.00	33,308,523	—
EUR.....................	30.06.2005	5.00	10,000,000	—
EUR.....................	30.06.2010	Euribor+2.00	341,116	15,000,000
EUR.....................	31.12.2009	Euribor+2.00	—	25,000,000
			63,935,065	40,000,000

The details of the Group's bank loans as at 31 December 2003 are as follows:

			Presented as	
Original Currency	Maturity	Interest rate %	Current liabilities	Non-current liabilities
EUR.....................	(Letter of credit)	—	2,229,333	—
USD.....................	(Letter of credit)	—	325,722	—
TRY.....................	Spot loan	—	423,577	—
USD.....................	16.01.2004 17.11.2004	4.80-7.25	8,129,820	—
USD.....................	05.01.2005 25.03.2005	5.18-6.13	26,401,837	10,024,431
EUR.....................	25.03.2005	Euribor+4.75	34,649,867	8,331,132
EUR.....................	24.05.2004 26.07.2004	4.41-4.60	921,489	—
			73,081,645	18,355,563

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The group's borrowings are repayable as of 31 December 2004 and 2003 are as follows:

	31 December 2004	31 December 2003
On demand or within one year.....	63,935,065	73,081,645
In the second year	—	18,355,563
In the third year............................	—	—
In the fourth year	—	—
In the fifth year	25,000,000	—
After five years	15,000,000	—
	103,935,065	91,437,208

19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of Minimum lease payments	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Amounts payable under finance leases				
Within one year	45,805	191,654	39,560	179,136
In the second to fifth years inclusive	42,071	—	39,669	—
	87,876	191,654	79,229	179,136
Less: future finance charges	(8,647)	(12,518)	—	—
Present value of lease obligations	79,229	179,136	79,229	179,136

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is 2 years as of 31 December 2005. For the year ended 31 December 2005, the average effective borrowing rate was 8.3 (2004: 8.7 per cent). 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.

20. TRADE PAYABLES

	31 December 2005	31 December 2004	31 December 2003
Trade payables	9,006,904	9,112,225	7,844,507
Notes payable	1,271	—	167,157
Discount on payables (—)	(68,442)	(180,092)	(86,858)
Deposits and guarantees received	328,686	272,199	222,440
Other trade creditors	29,951	24,634	12,807
	9,298,370	9,228,966	8,160,053

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

21. OTHER PAYABLES AND DEFERRED REVENUE

	31 December 2005	31 December 2004	31 December 2003
Current liabilities:			
Contractual obligations, current portion(*)	—	26,864,582	—
Due to personnel	492,005	55,248	244,565
Employment termination benefit payable	1,610,783	—	—
Advances received	620,520	149,726	46,186
VAT payable	283,769	—	—
Taxes and dues payable	3,616,262	616,424	384,615
Social security premiums payable	2,170,134	493,908	412,638
Expense accruals	1,724,650	265,356	36,470
Deferred revenue	2,705,084	257,540	65,503
Unused vacation	759,781	166,743	208,898
Other accruals and liabilities	380,733	85,399	76,838
	14,363,721	28,954,926	1,475,713
Non current liabilities:			
Contractual obligations(*)	—	—	22,682,236
Deferred income(**)	19,565,648	51,523	11,613
Expense accruals	—	—	26
	19,565,648	51,523	22,693,875
Contractual Obligations	—	27,567,979	24,562,010
Discount	—	(703,397)	(1,879,774)
Contractual Obligations (Net)	—	26,864,582	22,682,236

(*) The Group obliged to pay the accumulated depreciation for the AAT investment or renew it before transferring to DHMİ until 3 July 2005. The charge for each year was calculated as 8,747,309 Million TL. The obligation has been paid to DHMİ in 2005. Therefore contractual obligation as of 31 December 2004 is presented under short term liabilities.

(**) Deferred income amounting to EUR 18,207,209 is related with the prepaid concession rent income from ATÜ.

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 1,088 (2004: EUR 862, 2003: EUR 722) for each period of service at 31 December 2005.

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 2005, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at 31 December 2005 have been calculated assuming an annual inflation rate of 6.175% (2004: 10% and 2003) and a discount rate of 12% (2004: 16% and 2003) resulting in a real discount rate of approximately 5.49% (2004: 5.45% and 2003: 5.93%). 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.

	31 December 2005	31 December 2004	31 December 2003
Obligation, current portion	—	1,903,274	—
Obligation, long term portion	2,359,745	600,279	1,447,771
Total	2,359,745	2,503,553	1,447,771

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Present value at 1 January	2,503,553	1,447,771	939,331
Service cost	1,273,158	1,105,653	586,918
Interest cost	133,498	108,464	65,526
Retirement pay paid	(1,550,045)	(77,888)	(106,010)
Retirement pay payable(*)	(1,610,783)	—	—
Provision released	(44,666)	(15,676)	(15,604)
Obligation acquired on acquisition of subsidiary	1,258,894	—	—
Translation (gain)/loss	396,136	(64,771)	(22,390)
Present value at end of the period	2,359,745	2,503,553	1,447,771

* 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. Therefore obligation of the Company as of 31 December 2004 is presented under short term liabilities. EUR 1,550,045 of total liability has been paid in 2005 and the remaining balance of EUR 1,193,555 will be paid in 2006.

23. TAXATION ON INCOME

	31 December 2005	31 December 2004	31 December 2003
Current tax liability:			
Current corporate tax provision....	2,134,669	2,334,187	2,546,808
Prepaid taxes and funds...............	(1,420,709)	(1,476,676)	(1,573,627)
	713,960	857,511	973,181

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Income tax expense/(benefit):			
Current tax................................	2,134,669	2,334,187	2,546,808
Deferred tax (benefit)/charge.....	(12,024,218)	(1,678,571)	(31,524,675)
	(9,889,549)	655,616	(28,977,867)

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 2005 is 30% (2004: 33% and 2003: 30%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2005 is 30% (2004: 33% and 2003: 30%). The excess temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after January 2006 over 20% will be deducted from future temporary tax returns.

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 23 July 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.

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 in 2006.

23. TAXATION ON INCOME (cont'd)

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 recognises 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 30% (2004 and 2003: 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 2005	31 December 2004	31 December 2003
Deferred tax (assets)/liabilities:			
Revaluation and depreciation/amortisation differences of fixed assets	(260,313)	(3,262,508)	(5,993,430)
Revaluation of prepaid rent to DHMİ	(563,141)	—	—
Provision for employment termination benefits	(278,470)	(751,065)	(434,331)
Unused investment incentive	(15,536,271)		—
Tax losses carried forward	(2,230,428)	(3,562,249)	—
Change in fair value of interest rate derivatives	(460,204)	—	—
Discount on receivables and payables	12,223	54,071	12,481
Provision for doubtful receivables	(140,091)	(51,352)	(110,673)
Other	(818,441)	(227,095)	238,400
Net deferred tax assets	(20,275,136)	(7,800,198)	(6,287,553)

Subsidiaries that have deferred tax liabilities position:

	31 December 2005	31 December 2004	31 December 2003
Revaluation and depreciation/amortisation differences of fixed assets	4,925,967	785,172	—
Provision for employment termination benefits	(429,454)	—	—
Unused investment incentive	(155,516)	(669,804)	—
Discount on receivables and payables	2,097	—	—
Provision for doubtful receivables	(40,695)	—	—
Other	(375,248)	—	—
Net deferred tax liabilities	3,927,151	115,368	—

At the balance sheet date, the Group has unused tax losses of EUR 7,434,759 (2004: EUR 11,874,163 and 2003: 0) available for offset against future profits. A deferred tax asset has been recognised in respect of 2,230,428 (2004: EUR 3,562,249, 2003: 0) of such losses. Unutilised tax losses will expire as follows:

	31 December 2005	31 December 2004	31 December 2003
Expire in 2009	547,445	11,874,163	—
Expire in 2010	6,887,314	—	—
Total	7,434,759	11,874,163	—

23. TAXATION ON INCOME (cont'd)

Movements of deferred tax (assets)/liabilities are as follows:

	Year ended 31 December 2005	**Year ended 31 December 2004**	**Year ended 31 December 2003**
Opening balance at 1 January	(7,684,830)	(6,287,553)	25,853,355
Acquisition of subsidiary(*)	4,519,475	—	—
Charged to profit or loss for the year	(12,024,218)	(1,678,571)	(31,524,675)
Translation effect	(1,158,412)	281,294	(616,233)
Closing balance at the end of the period	(16,347,985)	(7,684,830)	(6,287,553)

* Balance represents the deferred tax liability of HAVAŞ at the time of acquisition.

Total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31 December 2005	**Year ended 31 December 2004**	**Year ended 31 December 2003**
Reconciliation of taxation:			
Profit before tax	30,651,711	13,525,863	37,634,940
Tax at the domestic income tax rate of 30% (2004: 33% and 2003: 30%)	9,195,513	4,463,534	11,290,482
— tax effects of:			
— expenses that are not deductible in determining taxable profit	551,056	613,772	41,659
— non-taxable income	(243,270)	(1,203,654)	—
— utilisation of tax losses not previously recognised	1,011,272	351,618	585,487
— investment incentives used	(15,360,302)	(669,804)	(15,310,081)
— effect of consolidation eliminations	(158,031)	(3,073)	23,743
— effect of other adjustments	(4,885,787)	(2,896,777)	(25,609,157)
Tax (income)/expense for the year	(9,889,549)	655,616	(28,977,867)

24. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Commitments and contingencies

	31 December 2005	31 December 2004	31 December 2003
Letter of guarantees given to DHMİ	117,993,819	—	—
Letter of guarantees given to third parties...........	94,186,677	94,437,040	46,168,226
Letter of credit..	1,020,103	—	—
Notes payable given	88,855	—	—
	213,289,454	94,437,040	46,168,226

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.

TAV HTI is obliged to give 6% of the total rent amount as a letter of guarantee for 15.5 years amounting to USD 152,580,000 according to the rent agreement made with the Landlord Authority ("DHMİ"). EUR 117,993,819 of the total obligation has been provided by the Group as of 31 December 2005, and the rest of the obligation of 34,586,181 EUR in terms of letter of guarantees has been provided by Akfen İnşaat ve Turizm A.Ş. as of 31 December 2005. The Company has transferred the letter of guarantees to Tav Havalimanlari İşletme A.Ş. during year 2006.

Havaş's shares have been pledged for the loan amounting to YTL 140,888,999 (EUR 88,748,976).

The accounts of TAV Havalimanlari 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 but should have been deducted in 2004 and 2005. The assessment therefore results in a difference in the 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 recognised of 2,201,345 TRY in 2004 and 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 with 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 30 September 2006.

Contractual obligations

TAV HTI

TAV HTI is bound by the terms of the Concession Agreement made with DHMİ. 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.

DHMİ may terminate the Concession Agreement if the ownership of interest of TAV 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, DHMİ 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 ("DHMİ") 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.

The Group encompass the provision and 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 determined by the owner authority in the rent contract. According to the agreement, the Group should complete the installation until 1 January 2007.

24. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (cont'd)

TAV Esenboğa and TAV İzmir

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreement made with DHMİ. 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.

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 DHMİ.

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, DHMİ 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 DHMİ 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.

Havaş

Prior to the legal transfer of 95% of the shares in TAV İzmir in December 2006, Havas owned 100% of TAV İzmir. Based on a prior agreement, it intended to transfer 100% of these shares to the Group. A Protocol for Joint Venture was executed between Bayindir Insaat Turizm A.S. ("Bayindir"), Havaalanlari Yer Hizmetleri A.S. ("Havas") and Urart Gümrüksüz Magaza İşletmeciligi ve Ticaret A.S. ("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 Havalimani Uluslararasi Terminal Insaati ve İşletmeciligi A.S. ("TAV İzmir"), which has not been incorporated as of the date of the Joint Venture Protocol, is incorporated, Havas will sell the 5% of the shares that it owns in TAV İzmir to Urart. In 2005, Urart filed a lawsuit against Bayindir, Havas 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 Havas 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 license) signed with the Landlord Authority ("DHMİ"), the Company undertakes the liability of all the losses incurred by its personnel to DHMİ 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 DHMİ 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 DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ 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 DHMİ 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 DHMİ will have the right to retain the immovables built in the area without any pay.

24. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (cont'd)

Contingent asset

The Company is able to expense this VAT on concession rent payments upon the issuance of the related invoice, and DHMİ issues the invoice annually. Cumulative VAT expense related with DHMİ invoices as of 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 DHMİ, for not being subject to VAT. According to temporary VAT code number 12, the Group stated that airport privatisations are exempt from VAT. Group management believes that this court will be finalised in Group's favor, paid VAT will be reimbursed to the Group, and the Group will not pay VAT on concession rent anymore.

25. SHARE CAPITAL AND LEGAL RESERVES

The parent's share capital held as of 31 December 2005 is as follows:

Shareholders	(%)	31 December 2005
Tepe İnşaat San. A.Ş	7.50	11,000,000
TAV Yatirim Holding A.Ş	40.00	
Akfen İnşaat Tur. ve Tic. A.Ş	6.80	10,718,500
Akfen Holding A.Ş	0.70	281,500
Hyper Foreign Trade Holland N.V	45.00	18,000,000
Paid in capital in TRY (nominal)	100.00	40,000,000
Paid in capital in EUR (nominal)		25,196,850
Effect of non-cash increases and exchange rates		56,863,220
Paid in capital in EUR		82,060,070

The Company's share capital consists of 40,000,000 shares amounted to TRY 40,000,000 in 2005 (2004 and 2003: 40,000,000).

Tepe İnşaat Sanayi A.Ş., Sera Yapi End. ve Tic. Ltd. Şti. and Akfen İnşaat Turizm ve Ticaret A.Ş. are shareholders of Hyper Foreign Trade Holland N.V.

BTA, TAV İşletme, TAV HTI, TAV Esenboğa, and ATÜ were acquired from parents of the Company on 29 December 2005. The acquired subsidiaries and the joint venture which were under common control, are accounted for by use of the pooling of interest method. Accordingly, the financial statements of these entities have been retrospectively included in the accompanying consolidated financial statements, as if these entities had merged at the beginning of the earliest period presented, beginning of 2003. Share capital represents the combined share capital of the Group at 31 December 2004 and 2003 as there is not a legal parent company and effective from 31 December 2005 share capital represents the parent Company's capital.

Legal Reserves

The 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.

26. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Continuing operations			
Sales of duty free goods	92,478,101	81,744,636	70,189,836
Aviation income(*)	75,861,069	62,034,528	67,413,649
Ground handling income(*)	22,846,637	—	—
Concession fee — duty free(*)	37,953,622	32,556,131	27,150,341
Catering services income(*)	23,346,298	17,776,804	12,542,029
Income from car parking operations(*)	12,630,148	7,546,320	5,861,893
Bus services income(*)	6,890,724	—	—
Area allocation income(*)	9,069,360	8,913,400	8,052,551
Lounge services income(*)	3,260,866	1,019,648	1,075,381
Income from hotel reservations	2,750,102	1,035,491	—
Baggage transfer system income	282,706	673,490	900,569
Ticket sales income	703,900	—	—
Prime valet services income	511,721	—	—
Prime class income(*)	438,013	—	—
Other operating income	14,041	—	—
Operating income — Gross	289,037,308	213,300,448	193,186,249
Sales returns and discounts(—)	(711,736)	(469,758)	(316,254)
Net operating income	288,325,572	212,830,690	192,869,995

(*) See Note 9 for related party transactions.

27. OTHER OPERATING INCOME

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Advertising income(*)	5,954,216	3,715,160	3,421,128
Utility and general participation income(*)	3,355,550	3,099,912	3,185,289
Furniture & fixture renewal income	4,489,814	—	—
Commission return income		337,857	—
Rent income (sublease)(*)	1,327,417	980,085	741,306
Project income(*)	1,325,515	1,352,459	993,296
Provision released	7,600	6,019	415
	16,460,112	9,491,492	8,341,434

(*) See Note 9 for other related party transactions.

28. OTHER OPERATING EXPENSE

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Management consultancy fee(*)	2,805,762	—	—
Maintenance expenditures(*)	15,040,829	9,349,435	10,577,202
VAT not recoverable	6,032,743	—	—
Cleaning expense	3,738,798	3,284,172	2,324,104
Security cost(*)	4,602,008	3,967,838	2,380,514
Utility cost	6,743,271	5,095,879	4,618,965
Insurance expense(*)	2,248,182	2,595,430	2,827,953
Consultancy expenses(*)	4,382,447	533,985	1,392,879
Communication and stationary expenses	427,841	471,646	254,657
Traveling and transportation expenses	525,575	438,518	1,116,111
Taxes	1,177,600	107,588	81,777
Representation expenses(*)	202,624	353,849	92,964
Advertisement and marketing expenses	426,205	534,136	406,543
Provision expenses	488,131	247,989	588,755
Rent expense(*)	1,603,065	1,550,839	1,425,240
Project expense(*)	138,029	14,033	300,972
Expenses incurred from customs	177,015	124,843	—
Export fee	274,565	—	—
Packaging and label expenses	230,599	228,322	177,964
Legal expenses	210,204	—	—
Other operating expenses(*)	2,623,868	714,317	1,273,070
	54,099,361	29,612,819	29,839,670

(*) See Note 9 for related party transactions.

29. INVESTMENT INCOME

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Interest on bank deposits and intercompany loans(*)	14,852,965	7,015,832	8,023,691
Profit on sale of marketable securities	371,797	50,580	489,237
	15,224,762	7,066,412	8,512,928

(*) See Note 9 for related party transactions

30. OTHER GAINS AND LOSSES

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Donations to Bilkent University(—)	(1,512,112)	(1,489,697)	(1,305,256)
Gain on sale of fixed assets(*)	1,150,163	—	1,758,695
Other income(*)	769,887	710,379	775,654
	407,938	(779,318)	1,229,093

(*) See Note 9 for related party transactions.

31. FINANCE COSTS (NET)

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Interest on loans(*)	(11,384,801)	(6,930,907)	(9,512,230)
Commission for letter of guarantees	(1,434,953)	(282,175)	(553,655)
Bank charges	(24,468,680)	(120,283)	(1,576,518)
	(37,288,434)	(7,333,365)	(11,642,403)
Discount interest expense — net	(940,531)	(967,796)	(2,086,591)
Fair value of derivatives	(1,534,012)	—	—
Other finance costs(—)	(512,754)	(11,815)	(715,091)
	(40,275,731)	(8,312,976)	(14,444,085)

(*) See Note 9 for related party transactions.

Net borrowing costs including in the cost of qualifying assets during the year are EUR 4,146,717 (2004: 2,600,000). 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 Havaalanlari 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.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

Net assets acquired	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
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)
	19,768,012	10,871,751	30,639,763
Goodwill			72,717,730
Total consideration, satisfied by cash			103,357,493
Net cash outflow arising on acquisition			
Cash consideration paid			103,357,493
Cash and cash equivalents acquired			(7,196,216)
			96,161,277

The goodwill arising on the acquisition of Havaş Havalimanlari 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 Havalimanlari 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

	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
Current..................	102,782	1,636,794	1,534,012

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 178,000,000 have floating interest receipts at EURIBOR plus 3.5 per cent.

34. BUSINESS SEGMENTS

For management purposes, the Group is currently organised 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, and TAV İzmir.
- 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 services. The Group company included in this segment is TAV İşletme.

Segment information about these segments is presented below:

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)
Operating profit	20,931,525	(2,468,142)	5,460,696	2,436,135	1,493,056	192,389	28,045,659
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 amortisation	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)

34. BUSINESS SEGMENTS (cont'd)

31 December 2004

	Terminal Services	Catering Service	Duty Free Service	Ground handling service	Other	Consolidation Eliminations	Consolidated
Operating income	151,320,498	20,631,596	81,744,636	—	—	(40,866,040)	212,830,690
Operating expenses	106,754,549	(19,990,703)	(43,019,155)	—	—	9,076,874	160,687,533
Other operating income	8,893,163	467,581	980,085	—	—	(849,337)	9,491,492
Other operating expenses	29,481,759	(2,156,553)	(32,027,131)	—	(42,666)	34,095,290	29,612,819
Operating profit	23,977,353	(1,048,079)	7,678,435	—	(42,666)	1,456,787	32,021,830
Other information							
-Assets	279,387,367	5,342,809	9,147,507	—	27,682	(23,235,595)	270,669,770
-Liabilities	(162,615,313)	(5,529,619)	(2,834,391)	—	(57,444)	23,243,940	(147,792,827)
-Tangible, intangible assets and BOT purchases	17,614,519	2,364,363	901,512	—	6,804	—	20,887,198
-Tangible, intangible assets and BOT depreciation and amortisation	90,692,261	2,482,255	1,110,320	—	—	—	94,284,836

31 December 2003

	Terminal Services	Catering Service	Duty Free Service	Ground handling service	Other	Consolidation Eliminations	Consolidated
Operating income	141,464,868	14,502,129	70,189,836	—	—	(33,286,838)	192,869,995
Operating expenses	82,910,775	(12,872,044)	(37,417,523)	—	—	6,640,853	126,559,489
Other operating income	7,545,158	380,072	741,306	—	—	(325,102)	8,341,434
Other operating expenses	27,831,587	(1,973,674)	(27,382,305)	—	—	27,347,896	29,839,670
Operating profit	38,267,664	36,483	6,131,314	—	—	376,809	44,812,270
Other information							
-Assets	251,814,980	12,722,702	10,071,547	—	—	(2,354,703)	272,254,526
-Liabilities	(114,573,276)	(11,204,125)	(3,170,207)	—	—	2,353,734	(126,593,874)
-Tangible, intangible assets and BOT purchases	42,429,522	84,549	216,736	—	—	—	42,730,807
-Tangible, intangible assets and BOT depreciation and amortisation	70,722,019	1,278,275	537,835	—	—	—	72,538,129

35. ADDITIONAL EVENTS AFTER THE BALANCE SHEET DATE

The name of the company formerly known as 'TAV Havalimanlari Terminal İşletmeciliği A.Ş.' has been changed into 'TAV İstanbul Terminal İşletmeciliği A.Ş.' as of 7 August 2006.

The name of the ultimate shareholder of the company formerly known as 'TAV Havalimanlari İşletme A.Ş.' has been changed into 'TAV Havalimanlari Holding A.Ş.' as of 7 August 2006.

On 21 July 2006, share capital of the Company has been increased to TRY 200,000,000 with nominal value.

TAV Havalimanlari İşletme A.Ş.'s nominal share has been increased from TRY 200,000,000 to TRY 232,500,000 at 6 December 2006. The increased capital has been fully paid on 22 December 2006.

TAV Havalimanlari İşletme A.Ş.'s 9.87% of shares has been sold to IDB Infrastructure Fund L.P., Global Investment House KSCC and Global Opportunistic Fund II Company BSCC at 3 May 2006 and 8 August 2006 respectively. The shareholders of the Group have paid their loan payables to TAV Havalimanlari Holding A.Ş. with the funds provided from this sale. The shareholders are planning to pay the rest of their loan payables to TAV Havalimanlari Holding A.Ş. following to the planned next share sale.

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.

A hedging 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).

35. ADDITIONAL EVENTS AFTER THE BALANCE SHEET DATE (cont'd)

Subsequent to year end the Group violated a number of its debt covenants resulting in EUR 814,498,716 of its debt becoming currently payable. The Group has committed to complete a financial restructuring and based on that expectation the bank has granted a waiver of the non-compliance. The banks have waived default matters with various waiver letters dated on or before 20 December 2006, provided that funds generated by shareholders have been made to the accounts of the Group's bank accounts, among other things. The Company's shareholders, Tepe and Akfen Group companies sold 21% their shares in the Company, to third parties (Babcock Brown Turkish Airportd LLC and Goldman Sachs International), and additionally obtained an additional USD 70 million of a loan from a bank. The investors 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. As of 22 December 2006, the shareholders have transferred USD 317.5 million to the Group.

TAV İzmir has started its operations on 9 September 2006.

TAV Esenboğa has started its operations on 13 October 2006.

The Companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ. DHMİ has requested an extension of EUR 13,900,000 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the operation period by 8 months and 27 days. DHMİ has not requested the rest of the additional investment within 20% limit as of this report date.

Bridge loan that TAV HTI utilised from WestLB amounting to EUR 65,199,281 (USD 75 million) has been paid as of 7 July 2006.

Change in the tax rate

According to Law No: 5520 "Corporate Tax Law" announced in Official Gazette on 21 June 2006, corporate tax rate has decreased to 20% starting from 1 January 2006 (31 December 2005: 30%).

The application of incentive allowance has been ceased as of 1.1.2006. However, the amount for unused incentive allowance as of 31 December 2005 can be carried forward for offset against future taxable income if the companies have insufficient taxable income. Nonetheless, incentive allowance carried forward can only be offset against income obtained in 2006, 2007 and 2008. The transfer of incentive allowance amount that cannot be offset against corporate income attributable to 2008 to future periods is not applicable.

Companies will apply a 30% of corporate tax rate if incentive allowance carried forward can be offset against their taxable income in their corporate tax balances for 2006, 2007 and 2008. Unless companies benefit from incentive allowance carried forward, corporate tax rate will be 20% and also no right for incentive allowance will be granted. The Company's management planned not to benefit from investment incentives in the following years.

Change in tax rate has been disclosed as follows:

	31 December 2005
Net deferred tax asset	16,347,985
Less: unused investment incentive	(15,691,787)
Deferred tax asset at 30% as of 31 December 2005	656,198
Deferred tax asset at 20% as of 1 January 2006	(437.465)
Decrease in deferred tax asset as a result of reduction in tax rate	218,733

36. RESTATEMENT OF CURRENT AND PRIOR YEAR FINANCIAL STATEMENTS

The financial statements as of and for the years ended 31 December 2005, 2004 and 2003 have been restated for the following:

a — In prior periods the Company consolidated TAV İzmir and reflected a minority interest for the shares of TAV İzmir held indirectly by the other 40% shareholder of HAVAS. The other shareholders do not have a right to these shares as they relinquished such right at the time of acquisition and, accordingly, TAV İzmir should have been fully consolidated (see Note 1 for complete description of ownership). The Group has restated the financial statements for all periods subsequent to acquisition to eliminate the minority interest and fully consolidated TAV İzmir. Effect of change in accounting method of TAV İzmir is as follows:

	2005 Previously Reported EUR	2005 Restated EUR	The effect of restatement EUR
As of 31 December			
Minority interest	51,943,783	43,411,225	(8,532,558)
Payables to related parties	24,791,000	28,163,540	3,372,540
Trade payables	11,403,028	9,249,484	(2,153,544)
Retained earnings	42,471,058	45,106,420	2,635,362
Goodwill	74,430,356	72,717,730	(1,712,626)
Total Current Assets	314,473,687	311,508,115	(2,965,572)

As retained earnings and minority interest figures have been changed in shareholders equity due to the change in accounting method of TAV İzmir, statement of changes in shareholders equity for the year ended 31 December 2005 has also been restated.

b — Certain loan covenants and commitments and contingencies those were not disclosed in prior year disclosures, have been included in this report.

c — As the companies cannot declare a consolidated tax return in Turkey, subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately in the current period financial statements. For comparability purposes, gross up of deferred tax assets and liabilities have been made to the balance sheets as of 31 December 2004 as well. Effect of change in presentation is as follows:

	Previously Reported EUR	Restated EUR	The effect of restatement EUR
As of 31 December 2005			
Deferred tax assets	16,347,985	20,275,136	3,927,151
Deferred tax liabilities	—	3,927,151	3,927,151
As of 31 December 2004			
Deferred tax assets	7,684,830	7,800,198	115,368
Deferred tax liabilities	—	115,368	115,368

d — While preparing financial statements as of 30 September 2006, the Group determined certain reclassification differences in income statement for the years ended 31 December 2005, 2004 and 2003. In order to be able to have comparable financial statements and disclosures, the Group management made the related reclassifications to the income statement and related disclosures for the year ended 31 December 2005, 2004 and 2003. These reclassifications do not have any effect on net profit/loss figure. In accordance with the reclassifications made to income statement, necessary reclassifications have also been made to segment reporting disclosure (Note 35).

e — On the statements of cash flows, translation reserve generated by the subsidiaries whose functional currencies are other than EUR, has been allocated to each line item of the cash flow statements, whereas it was presented separately before.

f — Following restatements have been done to current and prior year financial statements:

	Previously Reported EUR	Restated EUR	The effect of restatement EUR
As of 31 December 2005			
Concession fee-duty free	39,142,324	37,953,622	(1,188,702)
Area allocation income	7,880,658	9,069,360	1,188,702
As of 31 December 2004			
Concession rent expenses (operating expenses)	1,225,730	—	1,225,730
Rent expense (other operating expenses)	325,109	1,550,839	(1,225,730)
As of 31 December 2003			
Concession rent expenses (operating expenses)	1,122,928	—	1,122,928
Rent expense (other operating expenses)	302,312	1,425,240	(1,122,928)