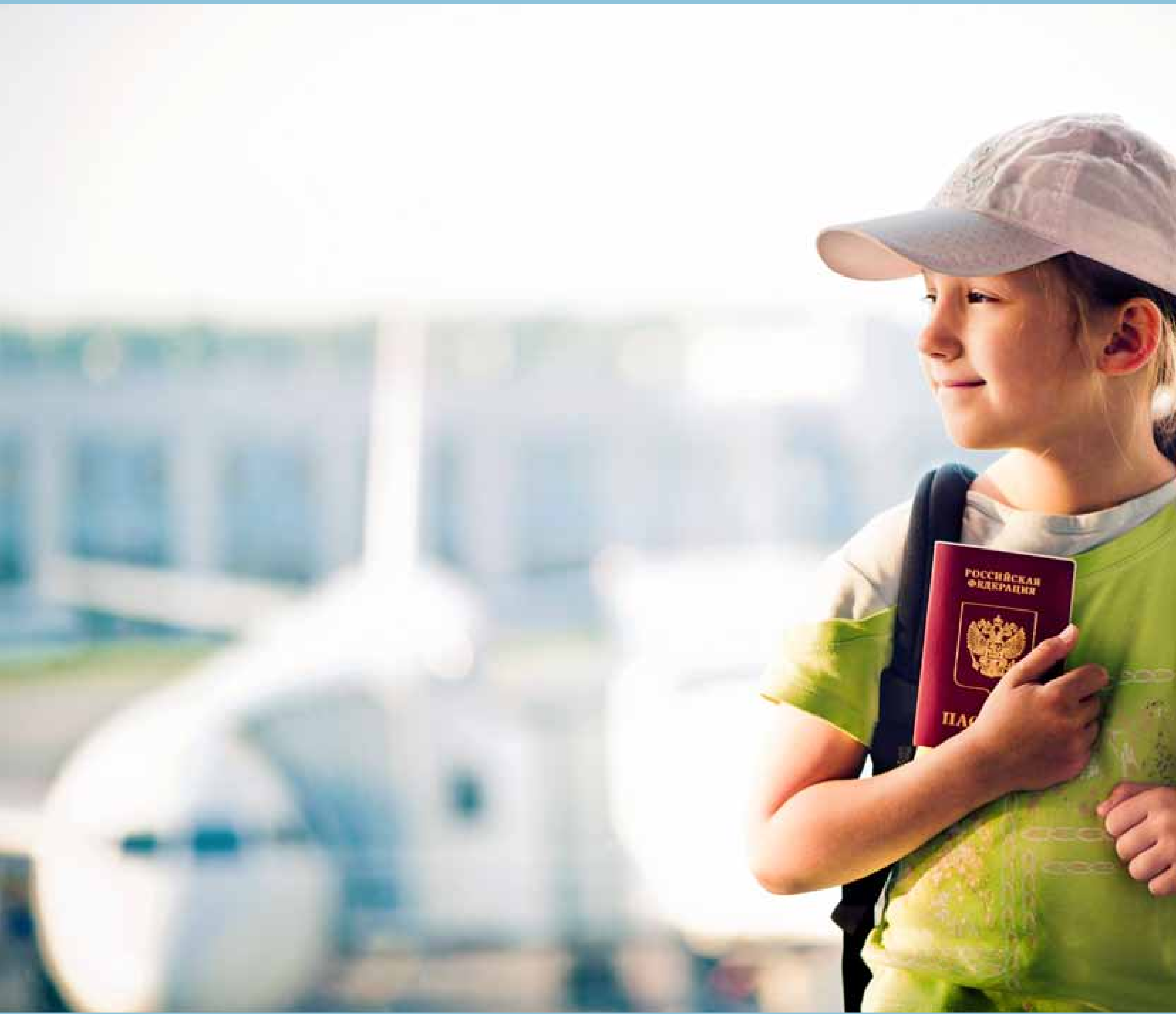

Çelebi Ground Handling Inc.
Annual Report 2010

ÇELEBİ

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Message from the Board of Directors

Distinguished customers, shareholders and employees,

One of Turkey's most prestigious establishments today with its deep-rooted corporate culture and structure, Çelebi Ground Handling (the Company) is a role model for sustainability in its industry with its business strategies implemented on a global perspective.

Our Company enjoys a robust capital structure, strong management and solid customer base. This triple structure incorporates the components that give us the ability to sustain our expansion, increase our productivity and maintain our profitable growth.

Authoring a successful performance in 2010, Çelebi Ground Handling devised and introduced its future moves, while continuing with its strong balance sheet growth. Before addressing the Company's performance and results in 2010, we would like to briefly share our opinions about the economic environment in the world and in Turkey in the reporting period.

Crisis exit strategies made up the key topic of the worldwide economy in 2010. As a result of the betterment in economic indicators that came particularly in the last two quarters of the year, 2010 has been regarded as the crisis exit year. Governments introduced various actions in an attempt to alleviate the effects of the global economic crisis, while central banks strove to support the process with expansionary monetary policies implemented throughout the year.

In the reporting period, the structural differences between developed versus emerging economies increased markedly and the growth rates of countries decoupled significantly. Overall, emerging economies displayed a better economic performance and remained the drivers of global economy.

After having shrunk by 0.6% in 2009, the world economy is estimated to have expanded 5% in 2010.

The US and Euro area economies left behind a tough year.

Low levels of employment continued to be a key issue for US and Euro area economies in 2010. The extraordinary rise in the value of euro proved to be another factor that bore a negative impact on the Euro area.

While FED (the US Federal Reserve Bank) focused on loose monetary policies, the ECB (European Central Bank) opted for tightening policies aimed at reducing public deficits.

In 2010, public debts hiked particularly in Greece, as well as in some EU countries. As a result, the risk scores of certain EU countries were elevated, while their credit ratings were downgraded. In 2010, the Euro area and the US economies are estimated to have grown 1.8% and 2.8%, respectively. Emerging economies, on the other hand, are expected to register an average growth of 7.1%, while China will retain leadership with a growth ratio of 10.3%.

In 2011, the growth rates are projected to reach the region of 3% in the USA, and 1.5% in Europe. In the process, increased asset prices will be the key to healthy growth. On another wing, it will be crucial to bar inflation through economic policies to be introduced in emerging economies, and especially in China.

All these points indicate that the betterment in the world economy will continue in 2011, while discussions regarding the sustainability of public debt stocks will keep dodging the agenda.

We attained successful financial and operational results in 2010.

Targeting growth and profitability ever since its inception, Çelebi Ground Handling keeps creating added value by skillfully capitalizing on its competitive advantages. Concentrated on accurately interpreting the dynamics of the national and international markets, Çelebi Ground Handling combined the strong, wide-reaching service organization at its disposal with modern applications, and successfully achieved its targets in 2010.

During 2010, Çelebi Ground Handling set up its 25th station at Balıkesir Körfez Airport, which began service provision by early 2011. With 13,000 flights, Sabiha Gökçen (SAW) Airport has been our third biggest station last year, thus positioning Sabiha Gökçen Station as the service provider for 25% of the total market at this airport.

The number of aircraft serviced via 3,511 employees was 105,242 in 2009; this figure rose to 132,763 serviced via 3,495 employees at year-end 2010, up 26.15%, excluding 35,290 airplanes provided with service out of İzmir, Antalya, Ankara and Adana stations for THY whose contract expired in 2010. The Company attained 11.41% increase in terms of weight in cargo operations in Turkey.

Message from the Board of Directors

The Company collaborated with Kültür University in order to improve the leadership skills of current and future managers, and to equip them with "business manager" qualities under a training program titled "Çelebi Academy". 12 staff members successfully completed the program. In addition, the Electronic Performance Appraisal System was launched during 2010.

In the reporting period, the Company made its transition to the Ground Fleet equipment tracking/monitoring system for the purpose of making more effective use of the equipment fleet in operational fields, achieving cost saving in maintenance and fuel, and improving the efficiency of ramp service safety. Within the frame of the E-SCF (Electronic Service Charge Form) project which will increase the accuracy of services provided to customers, minimize errors and speed up reconciliation during invoicing, Handheld Terminals were introduced at İstanbul (IST) and Antalya (AYT) stations during the course of the year. The system has been integrated with the Flight Information System and SAP module, thus bringing about time saving in billing processes.

During the reporting period, our Headquarters and İstanbul Station earned ISAGO (IATA Safety Audit for Ground Operations) Certificate, while the environmental sensitivity of Çelebi has been endorsed with the "Green Company" certificate awarded to our İzmir Station. We would also like to take this opportunity to share with you the joy we take in the Apron Safety Award granted to Çelebi Ground Handling.

Our first-ever international venture keeps growing.

Our subsidiary providing ground handling services at the Ferihegy International Airport in Budapest, the capital city of Hungary, Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság (Celebi Ground Handling Hungary) continued to perform successfully in 2010, and increased its market share, expanded its customer portfolio and grew the number of flights serviced to 19,915 (2009: 18,767).

2010 has been a year of important developments for Celebi Ground Handling Hungary with respect to cargo handling, as well. The company reached an agreement for provision of truck cargo handling with one of the world's leading air cargo carriers with an annual business volume of 14,000 tons and started offering service to truck import cargo initially, followed by truck export cargo as of 01 October 2010.

The recently designed off-airport warehouse went into service as of January 2011 with a view to furnishing higher quality service to truck cargoes.

Our share in the Indian market rises constantly.

Celebi Nas Airport Services India Private Limited (Celebi Nas), in which our Company participated as a co-founder on 12 December 2008, carries on with its operations that started on 01 July 2009 at Mumbai Chhatrapati Shivaji International Airport in India, and sustains its structured progress.

With seven new customers acquired during 2010, Celebi Nas expanded its portfolio coverage to 16 companies. Offering world-class service employing its state-of-the-art equipment with an investment worth of USD 15 million and 2,114 competent employees, Celebi Nas enjoys the well-deserved pride of having grown its market share to 30%.

In as short a period of time as 1.5 years, Celebi Nas started providing service to 17,000 domestic flight passengers, 1,000 domestic flight cargo, 7,100 international and 6,000 general aviation flights. The company will keep focusing on marketing activities also in 2011.

Founded on 08 November 2009 upon winning the contract for a 10-year ground handling license at the New Delhi International Airport, Celebi Ground Handling Delhi Pvt. Ltd. signed contracts with many major airline companies and expanded its customer portfolio following the legal permissions obtained in 2010.

With 327 people on its payroll as of end-December 2010, Celebi Ground Handling Delhi places training in its focal point in order to establish Çelebi standards and quality concept. Furthermore, efforts are underway in relation to ISO 9001-2000 certification, in keeping with the target of earning the certificate in 2011. Subsequently, necessary work will begin for ISO 14001.

Our cargo handling investments develop rapidly.

Çelebi Ground Handling makes its five decades of experience and expertise in ground handling industry available to its customers also in warehouse management. During 2010, Çelebi Ground Handling carried out its services out of three warehouses with an approximate covered area of 15,000 sqm in total, and the Company incessantly works towards broadening its product range.

Services provided from the Bağcılar Warehouse that was home to all import storage has been discontinued on

Message from the Board of Directors

31 December 2010. All of the services from this facility were directed to the newly built Çelebi Imports Transitory Storage Facility located in Atatürk Airport Cargo Terminal area from 21 January 2010. The Facility is furnished with security systems at international standards.

Celebi Delhi Cargo Terminal Management India Private Limited (Celebi Delhi Cargo), our subsidiary that started providing service at the New Delhi Indira Gandhi International Airport on 25 November 2009, attained significant surge in cargo volumes.

Equaling approximately 8 football fields, the current cargo terminal that provides service is set on a floor area of 63,000 sqm with a frontage of 565 meters and a width of 115.5 meters. With the new design completed, project implementation at the Delhi cargo terminal will be given maximum speed during 2011.

Our second major initiative in Europe after Hungary was realized through Celebi Cargo GmbH, our subsidiary that incorporates a 15,193 sqm warehouse area, 8,046 sqm office space and covered car park for 162 vehicles in Frankfurt Cargo City Süd. Poised to make a difference in the Frankfurt Airport with its cutting-edge machinery and equipment investment, the most successful industrial software across the globe, and high security standards, our warehouse will be of the utmost importance at this Europe's second biggest airport in terms of cargo traffic.

Covering also a fully automated ETV (Elevating Transfer Vehicle) with a capacity to handle 284 x 10 feet ULDs, the warehouse began offering service on 10 January 2011.

Our security company focused on training activities during 2010. On the other hand, interim audits conducted for ISO 9001:2000 and OHSAS 18001 certifications were finalized and our Company has been recertified. Along this line, weight was given to the activities of quality representatives and the quality team, and these individuals have been sent to certification programs.

The outlook

Possessing the culture of working, competing and establishing strategic alliances globally, our Company will transform 2011 and the years that follow into a period to reflect the results of current and ongoing projects in our financial and operational figures at a growing extent.

Our most vital task in the year ahead is to design long-term, sustainable projects with a keen eye on profitability and productivity, and ensure their healthy progress.

As we extend our gratitude to our shareholders, customers, business partners and all Çelebi employees who have made our successful results possible, we would like to highlight once again our commitment to keep creating increasing added value in the years coming for our domestic and foreign customers and business partners.

ÇELEBI GROUND HANDLING INC.

Canan Çelebioğlu Tokgöz
Vice Chairperson

Can Çelebioğlu
Chairman

Board of Directors' 2010 Annual Report

1. ACTIVITY STATEMENT

Çelebi Hava Servisi A.Ş. (Çelebi Ground Handling Inc, "the Company") was the first privately-owned ground handling services company in the Turkish aviation industry and has been in business since 1958. The Company's shares began trading in the Istanbul Stock Exchange (ISE) in 1996. The Company's principal business activity consists of providing domestic and foreign airlines and air cargo companies with ground handling services (representation, traffic, ramp, cargo, flight operations, and similar services) and refueling services. The Company's operations take place in Turkey at total 25 stations located in Adana, Ankara, Antalya, Bodrum, Bursa Yenişehir, Çorlu, Dalaman, Diyarbakır, Erzurum, Istanbul, Izmir, Isparta, Kars, Kayseri, Malatya, Mardin, Samsun, Trabzon, Van, Denizli, Hatay, Kahramanmaraş, Erzincan and Balıkesir airports which are under the control of State Airports Authority ("DHMI") and in Istanbul Sabiha Gökçen Airport which is under the control of Airport Administration and Aviation Industries ("HEAŞ").

The Company is registered with the Istanbul Trade Registry (192002-139527). Its address of record is:

Çelebi Hava Servisi A.Ş.
Anel İş Merkezi Saray Mahallesi Site Yolu Sokak No: 5 Kat: 9
34768 Ümraniye-İstanbul/Turkey

Consolidated in the Company's accounts as of 31 December 2010 on the basis of 49.99% participation ratio in accordance with the joint venture consolidation method, Çelebi IC Antalya Havalimanı Terminal Yatırım İşletme A.Ş. ("Çelebi IC") has been incorporated on 23 March 2004 pursuant to the "Implementing Agreement for the Building, Operating and Transfer of Antalya Airport 2nd International Terminal Building ("Terminal")" of 24 February 2004 concluded by and between the Company and the General Directorate of State Airports Authority (DHMİ). According to the said agreement and the supplemental agreement thereto dated 10 November 2004, the construction of the Terminal has been completed and operations started on 04 April 2005. The operating period of the Terminal expired on 23 September 2009, as per the Implementing Agreement. The other major shareholder in Çelebi IC is İçtaş İnşaat Sanayi ve Ticaret A.Ş. with a stake of 49.99%. Based on the General Assembly of Shareholders decision of 22 July 2010, the capital of Celebi IC has been decreased from TL 44,004,280 to TL 50,000.

The Company also owns 94.8% (2009: 94.8%) of Çelebi Security and Surveillance Consultancy Inc. ("Çelebi Security"), a joint stock company active in airport terminal security and providing security services to airline companies.

The Company also controls 70% stake (HUF 700,000,000) in the capital of Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH") offering ground handling service at Budapest Airport. The shares representing the remaining 30% (HUF 300,000,000) of the capital is held by Çelebi Aviation Holding.

Within the frame of the procedures concerning the tender put out for the performance of ground handling services for a period of 10 years at the Mumbai Chhatrapati Shivaji International Airport in India, which has been contracted out to the consortium that also included the Company, a company by the name "Celebi Nas Airport Services India Private Limited ("Celebi Nas") has been incorporated on 12 December 2008 to provide ground handling services at the said airport. Celebi Nas started the operations as of 01 July 2009. Based in the Maharashtra state in Mumbai, India, Celebi Nas has a capital of INR 100,000,000, in which the Company controls 51% stake as a founding partner. Subsequently, the capital of Celebi Nas has been increased to INR 400,000,000 as of 31 December 2010. In addition, INR 100,000,000, which has not been funded by the shareholders in Celebi Nas yet, has been paid as advance capital.

The Company established Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") with an initial capital of INR 100,000, in which it controls a 74% share as a founding partner and which will be engaged in the brownfield development, modernization and financing of the existing cargo terminal in the airport in New Delhi, India, and in its operation for a period of 25 years. The capital of Celebi Delhi Cargo as of 31 December 2010 is INR 720,000,000.

Board of Directors' 2010 Annual Report

Upon winning the contract for the execution of airport ground handling services for a period of 10 years at the Delhi International Airport, a total of INR 635,882,000 has been paid in premium share capital during 2010 to fulfill the funding need of Celebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), the Company's 74%-owned subsidiary founded on 18 November 2009 with a paid-in capital of INR 10,000,000, through premium capital increase as per the governing legislation in India in order to fulfill the obligations arising from the Concession Agreement concluded with the tender authority and to ensure realization of planned investments. The Company holds 74% stake in the capital of Celebi GH Delhi.

On 25 March 2010, the Company participated as the founding partner with 100% stake in the capital of the company set up with the company name Celebi Ground Handling Europe SL ("Celebi Europe") with a capital of EUR 10,000 in Madrid, Spain. The objective of this company is to take on initiatives abroad, with a particular focus on European Union countries.

On 20 August 2010, the Company took over the entirety of the shares with a nominal value of TL 144,000 held by Çelebi Holding A.Ş., a Çelebi Group company, in Çelebi Cargo Warehouse and Distribution Services Inc. ("Çelebi Cargo") with a paid-in capital of TL 150,000, for a cash price of TL 146,880.- (at a price of TL 1.02- for a nominal value of TL 1.00-). Çelebi Cargo has been founded on 20 November 2008 to be involved in transport, cargo shipment, cargo storage and distribution activities and has not become operational yet. Çelebi Cargo will be engaged in air cargo storage and handling at the storage/warehouse facility with a covered area of 28,300 sqm Celebi Cargo GmbH rented in Frankfurt Cargo City Süd located in Frankfurt International Airport. Residing in Frankfurt, Germany, Celebi Cargo GmbH is a wholly owned subsidiary of the company founded in November 2009, and has a paid-in capital of EUR 4,000,000. The capital of Çelebi Cargo has been increased to TL 9,000,000 as of 31 December 2010; TL 8,500,000 of the incremental capital has been paid in.

Celebi GH Delhi participated in Delhi Aviation Services Private Limited ("DASL") by acquiring 16.67% stake in the company at the nominal value (INR 166,600); DASL resides in New Delhi, India, has a paid-in capital of INR 1,000,000 and was set up to ensure execution of air conditioning units installed on passenger bridges in the airport's passenger terminal, generator and utility water services in compliance with international standards.

2. BOARD OF DIRECTORS AND STATUTORY AUDITORS

The Company's Board of Directors consists of the following members:

Can Çelebioğlu	Chairman
Canan Çelebioğlu Tokgöz	Vice Chairperson
Engin Çelebioğlu	Board Member
Mehmet Kaya	Board Member
Necmi Yergök	Board Member
Aydın Günter	Board Member

Term of office for the members of the Board of Directors is one year, and the existing members have been re-elected for another year at the General Meeting convened on 21 April 2010. At the Meeting, it has also been decided unanimously by the participants to appoint Board members Mr. Can Çelebioğlu and Mrs. Canan Çelebioğlu Tokgöz as managing directors (executive members).

The Company's Board of Directors consists of people chosen from among designated candidates who satisfy the levels of knowledge and skills stipulated in the CMB's Corporate Governance Principles and who possess specific experience and backgrounds. In addition, all Board members are in possession of the essential knowledge needed to read and analyze financial statements and reports, are familiar with the legal framework governing the Company's day-to-day and long-term dealings and transactions, and are capable of and committed to taking part in all of the year's regularly scheduled board meetings.

According to article 8 ("Representing and Binding the Company") of our articles of incorporation, the Board of Directors is responsible for the administration of the Company and for representing it before outside parties. The Board of Directors may delegate some or all of its powers to represent and administer the Company to executive directors and/or to managers who are not members of the Board. The individuals with the power to represent and bind the Company and the ways they may do so are determined by the Board and duly registered and announced. In order for any documents issued by the Company or for any contracts that are entered into to be valid, they must be signed, below the Company's legal name, by an individual or by individuals authorized to do so by the Board of Directors.

The authorities and responsibilities of our Company's Board members and managers are stated in signature circular VI setting down the powers to represent and bind the Company that was registered by the İstanbul Trade Registry on 06 September 2006 and announced as having been registered in issue 6639 of the Turkish Trade Registry Gazette dated 11 September 2006.

As per the assignment of duties among the Board members elected at the Ordinary General Meeting of 21 April 2010, it has been decided by the unanimous votes of the participants to re-elect Mr. Can Çelebioğlu and Mrs. Canan Çelebioğlu Tokgöz as the Chairman and Vice Chairperson of the Board respectively.

Board of Auditors
At the General Meeting of 21 April 2010, Ramazan Özel, Uğur Doğan and Ümit Bozer have been re-elected as statutory auditors within the scope of the Turkish Commercial Code (TCC) and the Company's articles of association.

Statutory auditors serve one-year terms and hold office until the next annual general meeting. In February 2011, Seyhan Öztaylan has been appointed as a statutory auditor in accordance with the Company's articles of association, which position had been vacated by the resignation of Uğur Doğan, who was serving as a statutory auditor on the Company's Board of Auditors.

Audit Committee
On 04 May 2010, the Board of Directors decided to re-elect Engin Çelebioğlu and Mehmet Kaya as members of the audit committee from amongst the Board members elected at the 2009 Ordinary General Meeting of Shareholders convened on 21 April 2010, in line with the provisions of the relevant article of the CMB Communiqué X: 22 concerning Independent Audit Standards in the Capital Markets.

Senior Management
The names of the executives who served at the Company until 01 July 2010 are presented below.

Name	Title	Effective from
Salih Samim Aydın	Chief Executive Officer	2006
Talha Göksel	Assistant General Manager - Operations	2003
Hüsnü Tanzer Gücümen	Assistant General Manager - Financial Affairs	2004
Osman Yılmaz	Operations Director	2008
Mehmet Tunç Müstecaplıoğlu	Sales and Marketing Director	2009
Serhat Ziya Erten	Human Resources Director	2005
Ahmet Hamdi Arıkan	Technical and Logistics Director	2007
Murat Baş	Cargo and Warehouse Director	2008
Mehmet Sanlı Şekercioğlu	Cargo Sales and Marketing Director	2006

A reorganization was taken on that went into effect as of 01 July 2010 in order to ensure stable growth of the Company, maintain/improve its existing financial strength, and more effectively manage the operations conducted in and/or out of Turkey by our Company or via our Company's subsidiaries/joint ventures. In this frame, some of our directors already serving in the Company's top management have been appointed to management units set up at Çelebi Aviation Holding, our majority shareholder.

Board of Directors' 2010 Annual Report

The directors serving in the Company's top management as of 01 July 2010 following the reorganization of the Company are listed below:

Name	Title	Effective from
Talha Göksel	Chief Executive Officer	2010
Fuat Aşıcıoğlu	Financial Affairs Deputy Director	2010
Murat Nursel	Operations Director	2010
Mehmet Tunç Müstecaplıoğlu	Sales and Marketing Director	2009
Serhat Ziya Erten	Human Resources Director	2005

Ayfer Atlı has been appointed as the Financial Affairs Director effective 19 January 2011.

Investor Relations Unit and Coordination of Corporate Governance Practices

Pursuant to the provisions of Articles 7 and 8 of the CMB Communiqué Serial: IV, No: 41 on the Principles to be Complied with by Joint Stock Companies Subject to the Capital Market Law, and within the frame of efforts carried out to achieve full compliance with the Corporate Governance Principles published by the CMB, and to fully implement the same, the Company's Board of Directors;

• set up an Investor Relations Unit, which handles exercising of shareholding rights at our Company that is listed on the ISE, reports to the Board of Directors and maintains communication between the Board of Directors and shareholders. In this context, Abdullah Kırımlı, who serves as the Business Development Coordinator at Çelebi Havacılık Holding A.Ş., the majority shareholder in our Company, and who holds a "Capital Market Activities Advanced Level License" headed the Investor Relations Unit between 01 January-30 June 2010. From 01 July 2010, Deniz Bal has been appointed as the head of Investor Relations Unit, who served as the Company's Budget and Finance Manager and who was entitled to receive a "Capital Market Activities Advanced Level License". (Tel: +90-216-666 6767, e-mail: deniz.bal@celebi.com.tr)

• appointed a full-time manager responsible for the fulfillment of the Company's obligations arising from the capital market legislation, and coordination of corporate governance practices, who will report to the Board of Directors; thus, Özgür Eren, who currently works for our Company and holds a "Capital Market Activities Advanced Level License" and a "Corporate Governance Rating Expertise License", was assigned as executive personnel. (Tel: +90-216-666 6767, e-mail: ozgur.eren@celebi.com.tr)

3. MISSION, VISION AND STRATEGIC OBJECTIVES

Mission

Çelebi Ground Handling exists in order to make its expanding line of products and services available to larger groups while always remaining faithful to the Çelebi principles of quality, reliability, and business ethics.

Vision

With a team fully identified with the collective "Çelebi spirit", being an internationally leading and trustworthy company that creates changes in its sector and produces value for all stakeholders.

Strategic Objectives

The strategic objectives of Çelebi Ground Handling are to maintain its position as leader of the ground handling services sector in Turkey, to take part in ventures in ground handling services and terminal management and operations inside/outside Turkey.

Our Values

• **Respect for the individual:** We believe in the worth of each and every person and strive to make people feel that they are worthwhile. We accept individual differences and listen to and respect individual ideas. We give people opportunities to see the added value that they create and we support their efforts to develop themselves professionally.

• **Commitment to the rules of ethics:** Each one of us is a trustworthy, reputable, and self-respecting individual. For this reason, individually and as a company we are bound by ethical values in business and social life and we believe in the merits of fulfilling our promises in a timely manner, of producing high-quality results that are correct and reliable, and of acting in accordance with established beliefs, rules, and ways of thinking. The development of our company lies in the development of the individuals who make it up. For this reason, we believe first of all that we need to identify our own limitations and then acknowledge our responsibility for developing ourselves individually in order to overcome those limitations. “Development” is not understood exclusively in the professional dimension: we believe in the necessity of developing ourselves so as to improve our social skills as well. Telling others what we know and have seen and sharing what we have with others makes us richer as well. We assume the duty of each other’s development and guarantee our individual development through the people that we train to take our own places. Our commitment to development encourages us to constantly review how we do our work and perform our services and to strive to come up with methods that are more effective, productive, and straightforward.

• **Teamwork:** We believe in the need to complement each other in our efforts to maximize our individual successes and contributions. We strive in mutual assistance and solidarity with our shared goals, responsibilities, and sensitivities and with our rational and respectful professionalism. We are aware that the successes we achieve are the products of a team effort and with our collective “Çelebi spirit”; each of us feels the same sense of responsibility as individuals for the ensuing results.

• **Success and result focus:** As a team we strive to achieve our objectives without losing focus; make every necessary effort at every point to achieve results; maintain our discipline and determination to work until those results have been achieved. We take pleasure in work and in creating value. Each and every result and success we achieve is exciting for us.

Our Responsibilities

• **To our team:** Each of us is responsible for building a company that every member of our team can take pride in working for, for achieving a degree of cooperation that extends over many years, for creating a pleasant and calm work environment as one big family.

• **To our investors:** We fulfill our responsibilities towards our investors by creating a company which possesses the financial strength to guarantee its continued existence and which successful domestic and foreign firms will undertake joint projects with and whose shares are sought after by the public.

• **To our sector:** We see ourselves as having a responsibility to take our sector forwards and contribute proactively towards raising the standards of its services.

• **To society:** We believe we have a responsibility to improve the levels of health and education and also to inculcate a sense of environmental awareness in the society in which we live and we engage in an effort to make a difference, starting with ourselves.

4. INFORMATION ABOUT THE SECTOR IN WHICH THE COMPANY OPERATES AND ITS ACTIVITIES AND PERFORMANCE IN 2010

Turkish and Global Economies in 2010

In the world...

Oil prices
While oil prices averaged USD 62 a barrel in the January-December 2009 period, the same stood at USD 80 in average in the same period of 2010. The effects of the global financial crisis that broke out in the last quarter of 2008 diminished in 2010, bringing along increased commodity prices, while oil prices climbed up to USD 85 until April 2010. Towards September 2010, oil prices declined to USD 76, but went up to USD 89 again by end-December 2010. With the effect of the tensions stemming from the political developments in the Middle East region, oil prices are anticipated to average in the USD 96-98 range throughout 2011.

Growth
The US-originated financial crisis that broke out in the last quarter of 2008 is expected to make its presence felt across the world in 2010, even if at a decreasing extent. In the reporting period, the growth rates are estimated to return to positive values with the alleviated effects of the financial crisis. According to the IMF World Economic Outlook, the global growth figure for the world economy is estimated to be in the region of 5% in 2010. The report states a growth increase of 3% in developed economies this year and 2.5% next year, while foreseeing growth rates of 3% for the USA, 1.8% for the Euro area and 4.3% for Japan in 2010.

In Turkey...

Exchange rates
Having averaged 1.55 in the 12 months to end-2009, the US dollar declined to 1.51 in average year-to-year, a result of the positive course of the financial markets in Turkey in 2010, combined with the continued investments by foreign investors encouraged by the still very attractive levels of interest rates in Turkey as compared with developed countries. Similarly, after averaging 2.16 in 2009, the Euro rate had an average of 2.00 in the twelve months to end-2010. The US dollar/euro parity, on the other hand, went down from an average of 1.40 in 2009 to 1.32 in 2010. Measuring the value of Turkish lira against other currencies, the CBRT 2003=100 Basic Annual Consumer Prices Index results showed that the index value that stood at 116.61 at end-December 2009 rose as high as to 125.95 by end-December 2010.

Inflation
6.24% in the January-December 2009 period, inflation rose to 7.65% annually in 2010. The inflation report published by the Central Bank of the Republic of Turkey (CBRT) projects that the rise in commodity prices could drive the rate of inflation slightly above the targeted 5.30% in 2011.

Civil Aviation Industry

In the world...
During 2010, global civil aviation industry continued to develop; based on the data released by IATA (The International Air Transport Association), passenger and cargo transport volumes grew 8.2% and 20%, respectively, year-to-year. According to the same data, the industry's year-on capacity increase was 4.4% on the passenger side and 8.9% on the cargo side in 2010. The seating capacity utilization rate was up 2.7% and climbed to 78.4% in terms of the number of passengers transported, while the capacity utilization rate increased 5.2% on the cargo department to reach 53.8%.

Although the overall passenger traffic showed some increase during 2010, the highest rise came in the Middle East region in terms of income and capacity, while the lowest year-on rise took place in the Europe area that still suffers from the effects of the economic crisis.

Board of Directors' 2010 Annual Report

In Turkey...

In Turkey, the civil aviation industry sustained its stable growth and the number of commercial flights went up by 20% in domestic flights, 13% in international flights and 17% overall. Specifically at Sabiha Gökçen Airport, the flight traffic grew 63% year-on.

A positive contributor to the number of flights serviced by Çelebi Ground Handling was the inception of operations by the Company at Sabiha Gökçen Airport as of November 2009.

The 20% year-on growth in the air passenger traffic in Turkey in 2010 supports the data that indicates at the increased flight traffic. The 23% rise in domestic flight traffic points at the significance of increased demand and development in domestic flights with respect to the growth of the aviation industry.

In 2010, there was 10.82% increase in the number of aircraft serviced by Çelebi Ground Handling. Although the number of total flights suffered a year-on contraction due to the expiration of the contract concerning service to Turkish Airlines flights at four primary airports, namely Antalya, Ankara, İzmir and Adana as of 01 January 2010, inception of service provision at İstanbul Sabiha Gökçen Airport at year-end 2009 countered this trend. As a result, the number of flights the Company serviced in Turkey in 2010 increased 32% in domestic flights excluding THY, 24% in international flights excluding THY and 27% overall excluding THY. On the other hand, upon commencement of service provision as of 01 July 2009 in Mumbai, India, a total of 1,901 aircraft have been served annually in 2009 and 25,210 in 2010. In the same period, Çelebi Ground Handling Delhi Private Limited, the Company's venture in Delhi, started offering service to Turkish Airlines as well, and talks are continued intensely to reach a deal with other clients. During 2010, a total of 659 aircraft were serviced during 2010.

In terms of the number of flights serviced, Russia's Orenburg Airlines, to which the Company's service provision started in the second half of 2010, stands out as the key customer acquisition. Another agreement has been made with Airlines of Kuban, another Russian airline. Agreements were reached also with Wataniye Airways of Kuwait, which started its scheduled flights at Sabiha Gökçen Airport and then moved its operation to İstanbul Atatürk Airport, as well as to Borajet Airlines that began its domestic regional flights across Turkey. Pegasus Airlines agreement has been renewed, which covers the airports in the east of Turkey. Recently, agreements have been made and servicing started for Adria Airways, Saga Airways, Silkway and a number of other airlines at Sabiha Gökçen Airport.

Sales revenues generated by our subsidiary Çelebi-IC accounted for TL 51,688,143 of the net consolidated sales revenues in the 12 months to end-2009; however, no sales revenues were realized by that company in 2010 due to discontinuation of its activities as of 23 September 2009. On the other hand, total net sales revenues derived by our Company in 2010 via its investments in India amounted to TL 72,290,416. Excluding Çelebi-IC, there was 11.54% increase in consolidated net sales revenues with the effect of the 10.84% growth in sales revenues in Turkey operations.

The Company's consolidated gross profit for 2010 was up 14.75% to TL 124,853,983 (2009: TL 108,806,403). In the twelve-month period, the Company's operating profit grew a significant 32.57% and reached TL 53,670,902 (2009: TL 40,485,529).

2010 Activities and Performance

A strategy-focused organizational structure, an approach to service quality that is supported by sophisticated management systems, and a talent for adapting nimbly to change provided the energy and momentum for a very intensive year of activities.

An investment of Çelebi Ground Handling, Celebi Nas successfully continued with its ground handling operations started in 2009 at the Mumbai (Bombay) Chhatrapati Shivaji International Airport and acquired a market share that exceeds 35% in as short a period of time as one and a half years. Having quickly started to offer ground handling services to some of the world's select airlines in Mumbai, as well, Celebi Nas continues to broaden its customer portfolio.

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Poised to become a global actor in its industry, Çelebi had earned the right to provide ground handling services at Delhi Indira Gandhi Airport in 2009. Having started operations with Air Astana during 2010, the enterprise added Turkish Airlines and Austrian Airlines to its customer portfolio, thus continuing to increase its market share.

Çelebi was also the winner of the contract for operating the only bonded cargo warehouse situated again in the Delhi Airport in 2009, and took over the management of the same. During 2010, efforts continued to update and renovate the facility. The cargo handling volume of the Delhi Airport is expected to reach one million tons in nine years.

In Turkey, Çelebi Ground Handling started operations as of November 2009 at Sabiha Gökçen Airport, Turkey's fastest growing airport, and served more than 13 thousand flights. Sabiha Gökçen operations have fortified Çelebi Ground Handling's strong position in the market.

In 2010, Çelebi Ground Handling serviced more than 178,000 aircraft and over 36 million passengers in total in Turkey, India and Hungary. Total amount of cargo handled exceeded 480,000 tons.

As of end-2010 our Company had a consolidated net turnover of TL 347,005,479 (2009: TL 311,090,568) for the year and total consolidated net profit which was TL 27,782,633 last year has been realized as TL 26,619,503 in 2010.

Regarding company loyalty as one of the most important factors contributing to survival and success in the business world, Çelebi adheres to human resources policies and practices that have created a team of people whose levels of knowledge and skills are high, who can think creatively, have a strong sense of responsibility, and are self-confident.

Our company's vision seeks to make change permanent while also successfully managing it. Being a strategy-focused organization, developing a model of business perfectionism that is based on a total quality management approach and ensuring that this model is part of a proactive structure whose actions are inspired by customers expectations, increasing employee job satisfaction and productivity, creating resources of greater revenue, and developing a benchmarking/measurement culture and taking continuous advantage of it all number among our fundamental objectives.

The National Quality Movement and the "European Excellence Journey" Program

Our company is a member of the "National Quality Movement" that was launched in 2005 by KalDer (Turkish Quality Association) under the slogan "Quality in every aspect of life". Like the many other companies and organizations that have joined this movement to raise the quality of national life, ÇGH signed KalDer's "Pact". The areas in which the company is strong and those needing improvement using the self-evaluation methods based on the "EFQM Excellence Model" developed by the European Foundation for Quality Management were identified and improvements were made in line with the findings of these self-assessments.

As a result of these efforts, our Company received the EFQM Competency in Excellence 4 * award in November 2008. We strongly believe that ÇGH will be successful in its path to receiving the National Quality Award and the European Quality Award.

Our Company has a quality management system whose processes are fully defined, quantified, and monitored and which seeks to achieve continuous improvement. Our company's quality management system is based on precisely defining all service and management processes and on ensuring that the results of those processes can be quantified, monitored, and analyzed so that they may be further developed. Çelebi Ground Handling's quality management system has been accredited by Bureau Veritas with ISO 9001:2008 certification which covers the headquarters and 24 of our stations.

The Environmental Management System has been awarded with ISO 14001:2004 certificate at İzmir (ADB) station and the headquarters by Bureau Veritas.

Our Company has a management system which provides employees with a safe and healthy working environment, which carries out risk assessments that identify the threats and risks to which employees may be exposed and engaged in activities to reduce risk/threat levels through measures that are to be taken, which complies with the requirements of applicable laws and regulations, which develops and implements programs to achieve occupational health and safety objectives, and continuously monitors occupational health and safety performance. The Occupational Health and Safety Management System has been awarded with ISO 18001:2007 certificate at the headquarters and 24 of our stations by Bureau Veritas.

For the purposes of increasing service quality, gaining access to important information about the sector, and keeping track of market and technological developments, our company takes part in international seminars, meetings, and conferences held all over the world. In 2010 Çelebi Ground Handling attended seminars and other events organized by IATA International Ground Handling Council, IAHA, Ground Handling International, ACI, TIACA, Aviance, and others.

In an attempt to eliminate ground accidents and safety violations, and to develop a universal safety audit program, the IATA, in collaboration with air carriers, ground handling companies, civil aviation authorities, airport operators and other entities involved in the aviation industry, designed ISAGO, a standardized safety audit program for ground handlers, which is performed by airlines on behalf of IATA. The Company successfully passed IATA's ISAGO audit conducted for the İstanbul Station and the Headquarters units without any findings, and has become the first ISAGO-certified ground handler in Turkey.

Operational Productivity

The advanced resource planning and real-time control system (Inform-GroundStar) that was designed to achieve operational productivity in company operations has been successfully implemented and used in İstanbul, Antalya, stations during 2010. With the increase of flight numbers, the system is also started to be used in Sabiha Gökçen station. Furthermore, the use of Plan Control and Roaster modules for the purpose of planning and work schedule preparation at our stations in Ankara, Bodrum, Dalaman, Adana, Trabzon, Diyarbakır and Samsun still continues.

Its installation completed during 2009, the E-SCF (Electronic Service Charge Form) project is started to be run on the test system, and activated at our İstanbul and Antalya stations during 2010. The project is planned to be activated at İzmir, Sabiha Gökçen, Bodrum and Dalaman stations in 2011. After the project goes live, the workload of our operations department personnel will be alleviated, possible mistakes will be minimized, and time spent by staff for document preparation and forwarding will be reduced.

Relevant test work started in 2010, vehicle tracking system project is slated for introduction during 2011. The real-time vehicle tracking system aims to maximize the productivity of equipment, bring about saving in oil and maintenance costs, and ensure a more environmentally-sensitive operation through reduced release of exhaust gases. The system will also allow for easier control of distribution of equipment used in service production in the field through intensive operation periods.

Dividend Policy and Dividend Distribution

By a decision passed on 04 April 2006, the Company's Board of Directors devised a written Profit Distribution Policy concerning the distribution of attributable profits for the period derived by the Company, within the frame of the efforts to achieve alignment with the Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB) and the CMB resolution 4/67 dated 27 January 2006. The said decision has been publicly disclosed via the Material Event Disclosure dated 04 April 2006 submitted to the İstanbul Stock Exchange (ISE) and has also been presented for the information of shareholders at the Ordinary General Meeting held on 21 April 2006.

Accordingly, it has been decided as follows:

- Provided that CMB legislation and arrangements will not be contradicted, as a principle, at least 50% of the distributable profit each year will be paid out as dividends in profit distribution for 2006 and subsequent years.

- Such pay-out will be carried out in the form of free distribution of shares to be issued by addition of cash or dividends to the capital, or through distribution of a certain amount of cash and certain amount of bonus shares, taking into consideration the investment and financing needs required by the Company's long-term growth.

- This profit distribution policy will be adhered to, save for special circumstances that will be warranted by the Company's investments and financial position and extraordinary developments in economic conditions.

Within the frame of the decision passed at the Ordinary General Assembly Meeting held on 21 April 2010 in this context, it has been decided unanimously by all those in attendance to distribute TL 1.2873 gross at the ratio of 128.73% and TL 1.0942 net at the ratio of 109.42% for each share with a nominal value of TL 1, for cash dividends in the total gross amount of TL 31,282,014.59 from out of the 2009 profit and extraordinary reserves, and to make the distribution on 28 April 2009. The dividend pay-out to shareholders took place on the date so agreed.

5. CHANGES TO THE ARTICLES OF ASSOCIATION

Changes to the Articles of Association

Under the Capital Markets Board of Turkey (CMB) decision passed at its meeting no. 28/780 dated 09 September 2009, "Article 3 – Purpose and Scope" concerning furnishing guarantee, pledging and creation of mortgage in the Company's articles of association has been amended upon its unanimous ratification at the General Assembly Meeting that took place on 21 April 2010, which amendment has been approved by the CMB as per its letter no. 559, dated 19 February 2010, and the T.R. Ministry of Industry and Trade, Directorate General of Domestic Trade as per its letter no. 14150-666, dated 04 February 2010. The amended wording has been promulgated in the Turkish Trade Registry Gazette issue 7554 dated 30 April 2010 following the registration of the General Assembly Meeting.

Company Policies

Pursuant to the provision of Article 23 of the CMB Communiqué Serial: VIII, No: 54 on the Principles of Public Disclosure of Material Events and within the frame of efforts carried out to achieve full compliance with the Corporate Governance Principles published by the CMB, and to fully implement the same, the Company's Board of Directors has decided on 30 April 2009 to post the Information Policy, drawn up by the Company's General Management for the purpose of public disclosure within the frame of the Capital Market legislation, ISE regulations, the Company's articles of association and the CMB's Corporate Governance Principles, on the corporate website and the policy has been presented for the information of shareholders at the ordinary general meeting on 21 April 2006. The policy aims at:

• communicating the Company's past performance and future expectations within the frame of generally accepted accounting principles and CMB provisions, on the principles of completeness, fairness, accuracy, timeliness and intelligibility, making them equally available to all "stakeholders" such as national/foreign shareholders, stakeholders, investors and capital market institutions, and maintaining an active and transparent communication at all times; and
• ensuring that necessary information and disclosures other than trade secrets are made available to all stakeholders including shareholders, investors, employees and customers in a timely, accurate, complete, and intelligible manner, easily accessible at low cost.

6. INFORMATION ABOUT FINANCIAL STATEMENTS AND REPORTS

Consolidated financial statements of Çelebi Ground Handling are compliant with the Capital Markets Board of Turkey (CBRT) Communiqué Serial: XI, No: 29 on Financial Reporting Principles in the Capital Markets, which sets out the principles and procedures regarding financial reports to be drawn up by entities, their preparation and submission to related authorities. The said communiqué is effective for the financial statements pertaining to the first fiscal period starting from 01 January 2009 and the CMB Communiqué Serial: XI No: 25 on Accounting Standards in the Capital Markets has been revoked. Based on the communiqué, companies are required to draw up their financial statements in accordance with the International Financial Reporting Standards (IAS/IFRS) as accepted by the European Union. However, IAS/IFRS will be applied until the differences between the IAS/IFRS accepted by the European Union from those issued by the International Accounting Standards Board (IASB) are announced by the Turkish Accounting Standards Board (TASB). In the process, Turkish Accounting/Financial Reporting Standards (TAS/TFRS) issued by the TASB will be taken as the basis, which are in line with the aforementioned standards.

Based on a decision passed on 17 March 2005, the CMB has announced that, effective 01 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the accounting and reporting principles acknowledged by the CMB (the CMB Financial Reporting Standards). Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its financial statements for the accounting periods starting 01 January 2005.

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As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of the consolidated financial statements, the consolidated financial statements have been prepared within the framework of the CMB Communiqué Serial: XI, No: 29 and related promulgations clarifying this Communiqué as issued by the CMB in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in the formats recommended to be adhered to by the CMB in its weekly bulletins numbered 2008/16, 2008/18, 2009/2, 2009/4 and 2009/40, and incorporate the compulsory information. Pursuant to the CMB Communiqué Serial: XI, No: 29 and its promulgations clarifying the same, companies are obliged to present the hedging ratio of their total FX liabilities and the amounts of total exports and total imports in the notes to their financial statements.

When keeping its accounting records, the Company conforms to the Turkish Commercial Code (TCC), tax legislation, and the requirements of the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance (Ministry of Finance). Subsidiaries operating in foreign countries have their statutory financial statements drawn up in accordance with the laws and regulations applicable in the relevant countries. Consolidated financial statements are prepared according to legal records that are based on the historical cost principle, which reflect the necessary corrections and classifications for the purposes of correct representation as per the CMB Financial Reporting Standards.

The consolidated financial statements are prepared in Turkish lira ("TL"), which is the Group's functional currency, based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

There are no assets that are not included in the Company's consolidated financial statements for the year ended 31 December 2010. All matters that could be useful for those who will make use of these financial statements are contained in the financial statements and the footnotes thereto.

Impact of Warehouse Fire on the Consolidated Financial Statements

The Company has initiated suits and claims for legal action against other parties (DHMİ, other warehouse operators, insurers) on account of the fire amounting to TL 41,062,644 of which TL 34,748,398 represents actions in which it is a joint plaintiff and TL 6,314,246 represents actions in which it is the sole plaintiff.

As of 31 December 2010 the Company held a fully-paid insurance policy in the amount of USD 1,500,000 to cover the value of goods against the possibility that it might be held legally responsible for their damage by fire.

For covering the legal claims arising out of the cargo warehouse fire that broke out on 24 May 2006, the Company management decided to utilize its insurance policy with a cover of USD 10,000,000 under the funds set up with the State Airports Authority (in Turkish: DHMİ) and the other warehouse operator within the frame of the terms set out in the "Sharing Agreement" executed by and between the said parties. The said agreement has been set up to cover the joint claims in relation to losses arising as a result of the fire that occurred at the warehouse.

Although the Company, DHMİ and other warehouse operator that are parties to the agreement ("Fund Companies") maintain their defense that they should not be held liable in whatsoever manner for the fire in question and its consequences, the reinsurers of the Fund Companies decided to set up the fund in question in order to amicably settle pending or threatened suits against them. As of the disclosure date of the report, 30 suits, in which the Fund Companies are parties and which have a lawsuit value of TL 13,386,316 (USD 8,658,678) have been finalized through payment of TL 3,570,297 (USD 2,309,377) within the scope of settlement negotiations; talks are currently ongoing with claimants within the scope of the fund.

As of 31 December 2010, the Company management considers liquidation of all risks of the Fund Companies within the scope of the fund as a strong possibility as a result of the liquidation efforts carried out under the Fund. On the other hand, even if settlement efforts are disregarded, the Company envisages that the legal nature of its contractual liability it can assume by reason of the agreements with air carriers can be established restricted to the limits set out in international conventions against cargo owners; in this frame, the maximum amount of indemnification it can be held liable with respect to the existing claims and suits under the said international air transport and other legal rules will approximately amount to TL 11,879, 756, even if this is not considered a strong possibility, and the said amount can be covered within the frame of insurance limits.

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Total insurance guarantee the Company has is TL 16,886,426 (USD 10,922,656): the Company's insurance policy for the sum of TL 2,391,000 (USD 1,500,000) that is fully-paid as of 31 December 2010 and intended to be used if the Company is held legally liable for the fire, and TL 14,567,426 (USD 9,422,656), the amount remaining after the payments that corresponded to the Company's insurance policy were made within the frame of the fund out of the insurance policy with a coverage of USD 10,000,000 that is taken out by the Company, which takes place in the fund created to ensure amicable settlement of legal claims.

Accordingly, the Company management believes that all of the legal claims it has incurred can be settled amicably with the fully-paid insurance policy and the fund set up. Since no negative developments that would change the points disclosed in the prior period took place in relation to its possible liabilities, no provisions have been set aside in the consolidated financial statements dated 31 December 2010.

The Companies Incorporated into Consolidation in 2010

The Company's consolidated financial statements for the period ending 31 December 2010 include the results of Çelebi IC Antalya Havalimanı Terminal Yatırım İşletme A.Ş. ("Çelebi IC") and Celebi Nas, two joint ventures which are consolidated on the basis of proportionate consolidation at its 49.99% and 51% stake respectively in those companies, as well as CGHH, Çelebi Security, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Cargo and Celebi Cargo GmbH, which are consolidated on a line-by-line basis. These companies are jointly referred to as the "Group".

Celebi Nas Airport Services India Private Limited

As of 31 December 2008, the Company controls, directly or indirectly, a total of 51% of the voting rights in Celebi Nas, the Company's associate residing in Mumbai, India. However, since this is insignificant with respect to consolidated financial statements, it has not been consolidated into consolidated financial statements until 30 June 2009, but was accounted for as available-for-sale financial assets. However, upon completion of Celebi Nas's organization and in consideration of the increase in its total assets, the results of this company was subjected to consolidation in the consolidated financial statements starting from 30 June 2009.

Celebi Delhi Cargo Terminal Management India Private Limited

While direct and indirect voting rights of Celebi Delhi Cargo were 74% until 31 December, this company was accounted for as available-for-sale financial assets in the 2009 interim financial statements since it was insignificant with respect to consolidated financial statements. However, upon completion of Celebi Delhi Cargo's organization and in consideration of the increase in its total assets, the results of this company were subjected to consolidation for the first time in the consolidated financial statements dated 31 December 2009.

Celebi Ground Handling Delhi Private Limited

While direct and indirect voting rights of Celebi Delhi Cargo was 74% until 30 June 2010, this company was accounted for as available-for-sale financial asset since it was insignificant with respect to consolidated financial statements. However, upon completion of Celebi Delhi Cargo's organization and in view of the increase in its total assets, the results of this company was subjected to consolidation for the first time in the consolidated financial statements dated 30 June 2010.

Çelebi Cargo Warehouse and Distribution Services Inc.

While total direct and indirect voting rights in Çelebi Cargo and Warehouse held by the Group is 99.9%, this company was accounted for as available-for-sale financial asset in the consolidated financial statements for the interim period 01 January – 30 September 2010 since it was insignificant with respect to consolidated financial statements. However, in view of the increase in the total assets of Çelebi Cargo and Warehouse, the results of this company were subjected to consolidation for the first time in the consolidated financial statements dated 31 December 2010.

Celebi Cargo GmbH

While total direct and indirect voting rights in Çelebi Cargo GmbH held by Çelebi Cargo and Warehouse is 100%, this company was accounted for as available-for-sale financial asset in the consolidated financial statements for the interim period 01 January – 30 September 2010 since the companies have not started their operations yet. However, in view of the increase in its total assets, Çelebi Cargo GmbH was subjected to consolidation for the first time in the consolidated financial statements dated 31 December 2010.

Comparative data and revision of financial statements from the prior period

In order to achieve alignment with the presentation of consolidated financial statements for the current period, comparative data have been reclassified when deemed necessary.

The Group's consolidated financial statements incorporate data for the prior period for comparison purposes so as to establish the financial standing and performance trends. The Group has drawn up its consolidated balance sheet as at 31 December 2010 in comparison with that as at 31 December 2009; its consolidated income statement for the period ending 31 December 2010 with that for the period ending 31 December 2009; its cash statement and statement of changes in equity for the period 01 January – 31 December 2010 with the relevant consolidated financial statements for the period 01 January – 31 December 2009.

7. ISSUES THAT HAVE ARISEN SINCE THE BALANCE-SHEET DATE

The incremental cash capital in the amount of INR 100,000,000 that was raised by reason of the decision to increase the paid-in capital of Celebi Nas to INR 500,000,000 has been contributed by the shareholders pro rata their stakes in the company. Apart from the said capital payment, it has been decided to make an advance capital payment of INR 55,000,000 to ensure provision of the necessary funding for the fulfillment of the equipment needed by Celebi Nas in the short term by the shareholders; thus, it has been decided to pay INR 28,050,00 (approximately USD 625,000) which corresponds to our 51% shareholding in the capital of Celebi Nas. In addition, it has also been decided to raise the upper limit of the company's registered capital to INR 800,000,000, and that capital and advance capital amounts, which still could not be funded due to the modifications made to the Indian legislation, to be paid on this occasion and in the future be regarded as capital or capital premium paid to the company pro rata the shareholders' respective stakes based on the computation to be made pursuant to the legislation governing Celebi Nas, and the same be added to its shareholders' equity.

It has been decided that Çelebi Security Systems and Consultancy Inc., a subsidiary of our Company, withdraw from certain activities in relation to aviation security and other security services; however, the permits and licenses held by the company under the provisions of applicable legislation will be maintained, the services furnished to customers in the company's customer portfolio will be phased out in line with the stipulations in the relevant contracts, and that the company's branches in Bandırma and Antalya will be shut down.

Within the frame of the disclosure made by Çelebioğlu Family (Can Çelebioğlu, Canan Çelebioğlu Tokgöz ve Engin Çelebioğlu) ("the Family") that is in the position of controlling shareholder in Çelebi Aviation Holding Inc. ("the Holding"), the majority shareholder of the Company, and in line with the Group's strategic plan aimed at achieving growth on a national and international level in the aviation industry, an unbinding letter of intent has been signed regarding the transfer of 99.99% of the shares that make up the Holding's capital and 22.63% of the shares that make up the capital of Çelebi Ground Handling Inc., which are held by the Family, to a company whereby Abraaj Investment Management Limited ("Abraaj"), residing in the city of Dubai in the United Arab Emirates, and the Family will equally share the capital, voting rights and management control.

On 24 March 2011, the Company participated in each one of the five tenders put out individually by the Brussels Airport Company ("TBAC"), the international airport operator of the Brussels National Airport ("BNA") residing in Brussels, Belgium. The tender proceedings concerned seven-year contracts for baggage handling at the airport, ramp handling for passenger aircraft, ramp handling for cargo aircraft, carrying catering materials inside the airport, and load/mail carrying inside the airport. The bids prepared by the Company have been submitted to the tender authority.

It has been decided to acquire all of the shares with a nominal value of INR 32,000,000 held by Sovika Aviation Private Services Limited ("Sovika") residing in India and representing 8% of the share of Celebi Nas with a paid-in capital of INR 400,000,000 for a total of USD 1,822,220, a price agreed upon through mutual bargain procedure. The decision also covers the share transfer price be transferred and blocked in an escrow bank account opened in the name and account of Sovika with a bank residing in Dubai, UAE, until all of the conditions set out in the share transfer agreement by and between our Company and Sovika shall have been fulfilled, and share transfer formalities shall have been consummated.

It has been decided that, upon fulfillment of all of the conditions set out in the share transfer agreement and consummation of share transfer, out of the capital advance of INR 100,000,000 in total which has been paid by Celebi Nas shareholders pro rata their stake in the capital, the advance capital amount of INR 8,000,000 already paid by Sovika to Celebi Nas pro rata its 8% share in the capital of Celebi Nas be returned in its entirety by Celebi Nas to Sovika, and that subsequently the same amount be paid by our Company to Celebi Nas as advance capital.

It has also been decided that capital and advance capital payments corresponding to Sovika's 8% shareholding in the capital of Celebi Nas, which are not paid by Sovika with respect to capital increases and advance capital payments made by Celebi Nas shareholders during 2011 until transfer formalities are completed, be made by our Company following the share transfer.

8. BASIC FINANCIAL RATIOS

The basic ratios showing our Company's financial structure, profitability, and debt-servicing were calculated on the basis of above mentioned consolidated financial statements dated 31 December 2010 and 31 December 2009.

	2010	2009
Current Ratio (Current Assets/Current Liabilities)	1.46	1.71
Cash Ratio (Cash Assets/Current Liabilities)	0.90	1.11
Average Collection Time	25	23
Current Liabilities/Total Liabilities	35.92%	41.07%
External Resources/Shareholder's Equity	179.58%	172.76%
Gross Profit Margin	35.98%	34.98%
Operating Profit (Loss)/Net Sales Proceeds	15.47%	13.01%
Operating Profit (Loss)/Total Assets	14.93%	12.36%

Current Ratio: Current ratio declined from 1.71 to 1.46, stemming from the 2.69% decline in current liabilities despite the 16.59% decrease in current assets.

Cash Ratio: Cash ratio dropped from 1.11 to 0.90 due to the 21.35% downturn in cash assets despite 2.69% reduction in current liabilities.

Gross Profit Margin: Gross profit margin went up from 34.98% to 35.98% due to the 9.82% increase in cost of sales despite the 11.54% increase in net sales revenues.

Operating Profit/Net Sales Proceeds: Consolidated net sales revenues rose from TL 311 million to TL 347 million. The 11.54% rise in net sales revenues in the 12 months to end 2010 stemmed from the total net sales revenues that reached TL 72,290,416 that the Company derived during 2010 via its investments in India, despite the absence of sales revenues by our subsidiary Çelebi-IC, which had generated sales revenues worth TL 51,688,143, due to discontinuation of its activities as of 23 September 2009. Excluding Celebi-IC, Turkey net sales revenues shows 10.84% increase. The main elements that affect the consolidated operating profit are as follows:

• Turkey operation's operating profit that dropped from TL 36,724,665 to TL 29,114,218, due to the cancelling out of the effect of Çelebi-IC on consolidation in the 12 months to end-2010,

• India operation's operating loss of TL 473,966 in the 12 months to end-2009 that transformed into a profit of TL 21,219,182 in the same period in 2010,

• Hungary operation's operating profit that rose from TL 4,234,830 to TL 5,258,576 in the same period, which made a positive contribution of TL 1,023,746 to consolidated operating profit.

Included in consolidation on 31 December 2010, Celebi Cargo GmbH (Germany) made a negative impact of TL – 1,921,074 to 2010 consolidated operating profit, and the operating loss arose from the organization and incorporation expenses of the company incurred at the time of incorporation.

9. NATURE AND VALUE OF ISSUED CAPITAL MARKET INSTRUMENTS

As of 31 December 2010 our Company's issued capital amounted to TL 24,300,000. Our Company's capital structure on the dates of 31 December 2010 and 31 December 2009 was as follows:

Shareholders	(%)	31 December 2010	(%)	31 December 2009
Çelebi Aviation Holding Inc.	54.73	13,299,633	53.03	12,885,383
Engin Çelebioğlu	10.01	2,432,430	10.01	2,432,430
Can Çelebioğlu	7.50	1,822,770	7.50	1,822,770
Canan Çelebioğlu Tokgöz	5.11	1,242,720	7.49	1,820,970
Others	22.65	5,502,447	21.97	5,338,447
TOTAL	100.00	24,300,000	100.00	24,300,000

Identities of ultimate non-corporate controlling shareholders

The identities of our Company's ultimate non-corporate controlling shareholders purged of all cross-shareholding interests are as follows:

Shareholders	31 December 2010 (%)	31 December 2009 (%)
Engin Çelebioğlu	28.25	27.68
Can Çelebioğlu	25.74	25.17
Canan Çelebioğlu Tokgöz	23.36	25.17
Others	22.65	21.97
TOTAL	100.00	100.00

10. DEVELOPMENTS IN INVESTMENTS; INVESTMENT INCENTIVES USED

The amount of the intangible asset investments the Company has realized in 2010 has been TL 21,264,196 TL (2009: TL 12,194,972). 39% of the investments have been in machinery, equipment and appliances, and 33% in special costs. No investment incentives are available related to the investments realized by the Company in 2010.

Total consolidated investment of the Group in tangible and intangible assets in 2010 amounted to TL 67,441,481 (2009: TL 62,931,008).

11. INFORMATION ABOUT PRODUCTION AND SALES OF GOODS AND SERVICES

The number of aircraft that our Company provided services in a period of 12 months ending 31 December 2010 is stated below:

Number of aircraft served	2010	2009	2008	2010-2009 %	2009-2008 %
Turkey					
International flights	67,248	57,040	63,932	17.90	(10.78)
Domestic flights	65,516	83,406	81,675	(21.45)	2.12
Turkey total	132,763	140,446	145,606	(5.47)	(3.54)
Hungary	19,915	18,767	22,063	6.12	(14.94)
India	25,869	1,901	0	-	-
Total	178,547	161,114	167,669	10.82	(3.91)

Weight of cargo handled by the Company in the 12 months to 31 December 2010:

	31 December 2010		31 December 2009	
Group (Consolidated)	WT (Imports)	WT (Exports)	WT (Imports)	WT (Exports)
Çelebi Ground Handling Inc.	50,086	44,476	42,009	42,868
Celebi Delhi Cargo (India)	173,010	213,737	14,600	17,092
Total Tons	223,097	258,213	56,609	59,960

12. BASIC RISK MANAGEMENT POLICIES

Due to the nature of its activities, the Group is focused on managing various financial risks including the effect of changes in exchange and interest rates. By its risk management program, the Group aims to minimize the potential negative effect to be caused by the volatilities in the markets.

Risk management is carried out within the frame of policies approved by the Board of Directors.

The tasks of planning risk management, overseeing its operations and effectiveness, and ensuring that the internal audit team carries out its activities within the framework of the risk management plan are the duty of the Audit Committee, which has been set up by a Board of Directors resolution pursuant to CMB regulations. The Audit Committee formulates a risk management and internal audit system capable of minimizing the risks that the Company could be confronted by and takes such measures as are needed to ensure that the system functions reliably.

Interest rate risk
Within the frame of its principle to manage risk with natural actions consisting of balancing the maturities of assets and liabilities sensitive to interest rates, the Company management utilizes its interest-bearing assets in short-term investments. In addition, the Company protects itself from the interest risk arising from floating-rate bank loans through limited use of interest rate swap agreements that take place among derivative instruments as and when deemed necessary.

Liquidity and funding risk
The cash flow, made up of repayment times and amounts of loans, is managed in view of the amount of free cash flow to be generated by the Group on its activities. Therefore, while the option of debt repayment with the cash generated on activities when necessary is kept available on one hand, sufficient number of reliable and high-quality lending resources are kept accessible on the other.

Credit risk
Credit risk consists of cash and cash equivalents, deposits held with banks, and customers exposed to credit risk that cover uncollected receivables.

With respect to the management of the credit risk concerning its receivables from customers, the Company identifies a risk limit individually for each customer (excluding related parties) using bank and other guarantees, and the customer carries out its business transactions so as not to exceed this risk limit. In the absence of these guarantees or in cases where they are required to be exceeded, transactions are carried out within internal limits set by procedures.

Exchange rate risk
Taking into consideration the significantly volatile course adopted in the past by the Turkish Lira against major foreign currencies and its over-valuation, the Group espoused a conservative monetary position and financial risk management policy. The Group is exposed to exchange rate risk due to its operations conducted in numerous currency units. Efforts are spent to keep the ratio of the amount of positions of these currencies among themselves or against Turkish Lira to total shareholders' equity within certain limits. To this end, foreign currency position is continually analyzed, and the exchange rate risk is managed using balance sheet transactions, or when necessary, off-balance sheet derivative instruments.

13. INFORMATION ABOUT PERSONNEL AND HUMAN RESOURCES POLICY

As of 31 December 2010, our Company had a total of 3,495 employees on its payroll. (3,511 on 31 December 2009.) The average numbers of employees working for the Company in 2010 and 2009 were 3,512 and 3,416, respectively.

The numbers of employees of the Group in 2010 and 2009 were 9,623 and 7,283, respectively.

Group (Consolidated)	31.12.2010 Number of Employees	31.12.2009 Number of Employees
Çelebi Ground Handling Inc. ("Company")	3,495	3,511
Çelebi Security and Surveillance Consultancy Inc.	217	201
Celebi Ground Handling Hungary (Indirect Subsidiary) (Hungary)	672	607
Celebi Nas (India)	2,114	809
Celebi Delhi Cargo (India) (including sub-contracted personnel)	2,798	2,155
Celebi Delhi Ground Handling	327	0
Total	**9,623**	**7,283**

Our Company has entered into no collective bargaining agreements. The Company provides employees' salary, overtime, meal, health insurance, and service award benefits as well as all legal rights and entitlements due to them under the Labor Law and associated applicable.

Human Resources Policy

With a view to rendering the Company's image before the society and its employees continuous, as well as its success, the Company's HR Committee oversees and develops all human resources practices that are supported by documentation and systems, and the resulting HR culture.

Our station managers are responsible for ensuring that Company-established HR policies are adhered to in all areas of their individual accountability without regard for language, race, religion, creed, or sex. Station managers also act as employee representatives and among their basic responsibilities are keeping employees informed about Company decisions and developments that may affect them.

There has never been a single instance of a complaint from anyone about discrimination among employees at our Company, which takes all due care to ensure that its personnel are not subjected to any kind of physical, mental, or emotional abuse whatsoever.

The elements that underlie human resources policies

Supporting participation, teamwork, enterprise, creativity, and productivity, making our Company an employer which people prefer to work for and which treats its personnel like one big happy family and strives to keep it that way are the foundation stones of the Çelebi HR policy.

Board of Directors' 2010 Annual Report

Human Resources Systems

- **Recruitment and Placement**
  - Recruitment Process
  - Orientation
- **Performance Management**
  - Objectives and Competency Management
  - Compensation
- **Career Management**
- **Training**
  - Coaching
  - Career Planning
  - Personal Development Training
- **Compensation Management**
- **Corporate Development Activities**
  - Corporate Culture, Vision, Mission
  - Employee Satisfaction Applications
  - Regulation Studies
  - Organization & Operations Studies
  - Data-processing Infrastructure

Recruitment and Placement

Recruitment Proses Creation of a Group-wide Pool of Candidates

The main principle in recruitment and placement is obtaining the human resource needs in a most efficient and most rapid way with the principle of "the right person for the right job". In this context the personnel needs are determined in accordance with the Company's goals and strategies in the frame of human resources planning, and the profile that the position needs is stated on the ground of the job definition and competencies. Human Resources personnel control whether the vacancy is placed in the budget when the request for a new employee comes. The position planning has to be conducted carefully, with special attention to efficiency. The Human Resources Department and Division Managers share the responsibility of recruiting personnel who are suitable for company mission and vision, who can perform the responsibilities of the job, who can adapt to the work conditions, who have the required competencies, and who at the least have the qualifications the job necessitates. Giving the opportunities primarily to all Çelebi employees for the jobs at the Company and Group companies suitable for their career development and potential is our recruiting policy. In the frame of this policy, a candidate information bank has been constituted in our Group companies and each day this bank becomes a databank all our Group companies can use. The program used in this purpose in the Holding structure is planned to turn into an integrated program connected to the other human resources processes.

Candidate Databank

The candidate databank includes the applications of the potential candidates that Çelebi employees suggest, candidates directly applying by sending CVs or filling the application form, people responding to an advertisement or announcement, applications collected during career days at various universities, applications from private training courses and education establishments with whom we plan to develop cooperation, and digital applications via electronic environment. The priority sequence followed in recruitment and selecting employees is:

- The employees apply to internal announcement,
- Candidates suggested by Çelebi personnel,
- Candidates who has applied directly or to an advertisement before,
- Candidates called by advertisement,
- Candidates directed to the Group by outsourcing consultancy firms.

All recruitment processes are performed in accordance of the recruitment and placement regulations by the human resources departments of the connected companies. Also foreign languages, general skills tests and personality profiles prepared by the professional organizations for candidate selection are used. Reference control is conducted for the candidates who are found suitable for the job.

Orientation
Newly-hired employees are put through an orientation program in which they are informed about the Company's mission, vision, principles, and policies as well as about Çelebi Group companies, their areas of activity, and their working conditions.

Performance Management

Performance Evaluation
Performance evaluation system is carried out in order to ensure the existence of an environment suitable for the attainment of Company goals; identify and improve competency levels and priorities; support promotion, rotation, and career planning functions; strengthen relationships between subordinate and superior; develop management competencies in managers; and speed up the flow of information at all levels provide through feedback.

Once a year all our employees are given a performance evaluation by our Performance Evaluation System that has been designed to ensure that evaluations are made according to objective criteria defined according to required competencies. Objective-based evaluation criteria have been included in the performance evaluation system in addition to the performance-based evaluations to which is middle and senior managers are subject.

The 360-degree performance management system of which first performance evaluation was applied as a pilot study in 2006 was continued to be applied in 2010 and the work on turning into a more objective system by not only the subordinates evaluating the employees but also different channels evaluating each other was carried on.

During 2009, competencies used in the Human Resources processes have been reviewed and revised. Aiming to more clearly define the competencies expected of positions in a simpler and easier-to-understand manner, the project identified individual competencies for each position across Çelebi and established their weights.

"SAP Performance Appraisal System", which enables online handling of the Performance Appraisal application, represents another project that was conducted and brought to finalization during 2009. Theoretical and practical training sessions on the system and the Performance Management System were given to all managers subject to objective-based evaluation in 2010. "SAP Performance Appraisal System" is used for performance evaluation during the course of 2010.

Rewarding Performance
Based on the results of the annual performance appraisal, employees with outstanding performances will be rewarded also in 2010 as previous years, with bonuses corresponding to a certain ratio of their annual salaries.

Career Management
The objective of career planning has been to create a candidate pool from internal sources and enable placement of candidates from that pool to vacant positions at Çelebi Ground Handling as well as synchronizing the employees' and the Company's expectations. In 2009, a total of six senior executives were assigned for ground handling operation in Mumbai and cargo operations in Delhi. In 2010, three senior executives were trained and geared up within the frame of our ground handling operations in Delhi/India and in Hungary. These executives have been assigned to critical roles.

In this context in all our companies:
• Career maps are designed in accordance with the competency and qualification scales drawn formerly and trainings and rotations at each career step are continuously followed.
• For critical positions a back-up strategy is being developed.

With a view to giving a more systematic structure to the career management function, "Improvement Committees" were set up at the Headquarters and our stations in 2009. The project was successfully continued in 2010 as well.

These committees hold annual meetings to:
- ensure a realistic succession plan,
- identify eligible employees for critical roles,
- determine, develop and follow-up employees with a high-potential,
- review and control employee profile.

Parallel to the criteria for internal appointments, promotion/rotation opportunities are offered to the employees. The position needs are primarily announced to Çelebi employees and the priority is given to our personnel. The internal managers' promotion rate which was 75% in 2008 has been increased to 83.70% in 2009 and 82.76% in 2010.

Training

Çelebi sets different levels of studies related to training and development programs. These parameters are intended to help determine and improve the areas to be developed, especially related to knowledge, skills and behavioral characteristics which all Çelebi jobs necessitate, and in order to prepare the employees for future responsibilities.

The Human Resources Department develops annual plans for personal and professional development training programs that are determined on a need basis, as well as compulsory trainings identified by the Directorate General of Civil Aviation (DGCA).

Personal and professional development trainings are determined for staff members proposed at the Performance Appraisal Outcomes and Development Panel conducted annually across the Company, and then incorporated in the plan. During 2010, training per person was 1.37 days.

All training reports are accessible via the SAP system. Training budget planning and reporting are performed periodically by the HR on the basis of these records.

Stations are provided with access to all training documents, technical training modules, exams, company guidelines/procedures and regulations via Lotus Notes.

All operational technical training programs are given by internal trainers. All documents, training modules and tests used for training are updated and announced biennially in a refreshing session held with internal trainers.

Agreements are made with professional training consultancy firms for personal and professional development training (Presentation Techniques, Teamwork, Management Skills, etc.)

In 2010, the training module addressing the Ramp Department more heavily populated by blue-collar employees has been revised with a different perspective. The module has been simplified into a language that is easier to be understood by blue-collar workers, while visuality has been taken to the forefront with the films produced and animations designed, thereby creating an unmatched training module.

Corporate Development Activities

Employee Satisfaction

In 2007, consultancy service has been obtained from Synovate to establish employee satisfaction level. In this frame, an employee satisfaction survey was administered covering all employees on permanent staff with the Company, which was concluded with a participation ratio of 81%. To allow for the analysis of survey results, the outcomes were shared with all stations, inputs were consolidated, and an action plan was developed. With a view to encouraging efforts for improving the results revealed by the survey, targets in relation to the next year's survey were incorporated in the 2008 station manager PD system.

In the repeat of the employee satisfaction survey in 2008, the participation ratio was raised from 81% in 2007 to 92%. The ESS score improved by 50% in 2008 as compared with the previous year. In 2009, a consultancy firm was not engaged for the employee satisfaction measurements. Instead, these data were compiled in meetings and visits paid by the Human Resources Department to branches and units. Via the meetings held bi-annually, action plans were formulated to enhance employee satisfaction, under which necessary steps were taken. Synovate was engaged once again to conduct an employee loyalty survey in 2010; based on the results of the survey that secured a participation ratio of 88.85%, Company-wide loyalty index that stood at 69% in 2008 rose to 70% in 2010.

Company Regulations

Existing HR and training regulations that are currently in use are regularly reviewed and revised to ensure that they satisfy needs. In addition, joint projects are also carried out to develop new regulations for operational or other issues as circumstances dictate.

Organization

Organizational structures are reviewed, revised, and standardized to maximize their effectiveness and ability to satisfy needs. Particular attention is given to ensuring that any organizational changes are tracked and made known throughout the Company. Determining hierarchical levels and revising roles in light of existing conditions is a prime consideration in all HR policies.

Communication

For the purposes of fostering a participatory style of management and providing all employees secure and safe working conditions, personnel are kept informed about issues concerning the Company's financial standing, compensation, career development, training, health, and similar at meetings on every occasion where it is possible to convey such messages. Feedback from personnel in the form of attitudes, opinions, suggestions, and complaints are used as input in subsequent activities. Along this line, development workshops were organized in 2010 broken down for employees and managers working at the Headquarters and the station management offices so as to ensure communication of employee opinions in a free platform, and the results were presented in a report to the senior management.

Furthermore, a suggestion development system was established in 2008 which targets participation of all employees so as to make more effective use of employees' opinions.

Employee Safety

Our Company has a management system which provides employees with a safe and healthy working environment, which carries out risk assessments that identify the threats and risks to which employees may be exposed and engaged in activities to reduce risk/threat levels through measures that are to be taken, which complies with the requirements of applicable laws and regulations, which develops and implements programs to achieve occupational health and safety objectives, and continuously monitors occupational health and safety performance.

Our Company's occupational health and safety management system was awarded OHSAS 18001 Occupational Health & Safety Assessment Series certification at its headquarters and 24 stations.

Board of Directors' 2010 Annual Report

Social Activities

In 2010, a painting contest themed "My Holiday" was organized for the current employees' children aged 7-9 and 10-12, and the children that were placed in the top 5 ranks in both age groups were sent surprise gifts, while their paintings were exhibited at the station management offices. A second organization was a photography contest looking for the answer to the question "What is development" through photographs. The photographers that claimed the top three places were awarded, and the best five photographs were put on display at the station management offices.

14. DONATIONS

In the year ending 31 December 2010, the Company's grants and donations totaled TL 5,819,219.

As a significant part of the social responsibility projects carried out by our Company and within the frame of the protocol made with the Erzincan University Rectorship, expenses in the nature of donations incurred in relation to the construction works and ongoing activities of the School of Civil Aviation established under the Erzincan University organization totaled TL 15,766,992; of this amount, TL 761,100 was donated in 2008, TL 9,698,892 in 2009 and TL 5,306,228 in 2010.

In addition, the Company incurred expenses in the nature of donations worth TL 472,000 in total for ten village elementary schools that were repaired and furnished during 2010 within the frame of the "Support to Corporate Education Project Protocol" our Company executed with the Ministry of Education Directorate of Investments and Enterprises and TOÇEV (Tüvana Educational Support Foundation) under another important social responsibility project.

The Company's donations and grants to various foundations, associations, chambers, public institutions and organizations amounted to TL 40,991 in 2010. The same year, Çelebi Security also donated TL 28,450.

15. PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY BOARD OF DIRECTORS

1. Our financial statements prepared on the basis of our legal books of account dated 31 December 2010 show a net current profit in the amount of TL 41,885,965.26 remaining after the deduction of all taxes and other legal obligations.

Since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that needs to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account is TL 41,885,965.26.

2. Net profit of the period after Tax and Legal Liabilities are deducted, in our consolidated financial statements as of 31 December 2010 that have been prepared in the accordance with CMB communiqué XI, No: 29 concerning accounting standards in capital markets (IFRS), and which have been audited by independent organizations, has amounted to TL 26,619,503.00.

Within the frame of CMB legislation, net distributable profit for the period computed is TL 26,619,503.00, since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period in our consolidated financial statements and no first legal reserves to be set aside pursuant to the TCC.

3. According to CMB regulations, the sum of Net Distributable Profit for the Period and Extraordinary Reserves is TL 40,940,906.23, which is net distributable profit for the period in the amount of TL 26,619,503.00 plus Extraordinary Reserves in the amount of TL 14,321,403.23 as reported in our legal books and consolidated financial statements as of 31 December 2010 and which may be subject to distribution to our shareholders.

Board of Directors'
2010 Annual Report

Accordingly; we hereby submit for the approval of the Ordinary General Meeting of Shareholders our proposal to distribute the Net Distributable Profit for the Period in the amount of TL 26,619,503.00 reported in the Company's Consolidated Financial Statements dated 31 December 2010 and Extraordinary Reserves in the amount of TL 14,321,403.23 reported in our legal records and consolidated financial statements as dividends that are to be paid out as shown below:

ÇELEBİ HAVA SERVİSİ A.Ş. PROFIT DISTRIBUTION TABLE FOR 2010 (TL)

	As required by CMB laws and regulations	As shown in the legal books of account
Net current profit	26,619,503.00	41,885,965.26
Extraordinary reserves	14,321,403.23	14,321,403.23
Total	40,940,906.23	56,207,368.49
1st legal reserve (-)	-	-
1st dividend (-)	(24,310,002.73)	(24,310,002.73)
From ordinary reserves (-)	(13,019,457.48)	(13,019,457.48)
2nd legal reserve (-)	(3,611,446.02)	(3,611,446.02)
Transferred to extraordinary reserves	0.00	15,266,462.26

And therefore;

• To pay to resident corporate entities and to non-resident corporate entities that earn dividends through an office or permanent representative in Turkey a gross/net cash dividend in the amount of TL 1.5362 for each share with a nominal value of TL 1.00, which corresponds to a dividend rate of 153.62%;

• To pay to other shareholders a gross cash dividend in the amount of TL 1.5362 for each share with a nominal value of TL 1.00 and corresponding to a dividend rate of 153.62% or a net cash dividend in the amount of TL 1.3058 for each share with a nominal value of TL 1.00 and corresponding to a dividend rate of 130.58%; and

• To set the date of dividend payout as 05 May 2011.

ÇELEBİ GROUND HANDLING INC.
BOARD OF DIRECTORS

Corporate Governance Principles Compliance Report

App. I

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Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

While full compliance and complete implementation of the corporate governance principles published by CMB could not be achieved by our Company in the fiscal year ending 31 December 2010, work required understanding these principles and achieving their compliance and implementation has begun and is in progress.

The issues on which compliance was not achieved and the reasons for this are explained in the appropriate sections of this report.

Activities will be continued to be carried out to bring about structural changes and adopt principles in 2011 such as amending the Company's articles of incorporation, setting up the Committees specified in the principles, restructuring Company organs as stipulated, developing the infrastructure needed so that announcements can be under conditions complying with the principles. We hereby declare that we will strive to bring ourselves into substantial compliance with these principles and implement them.

PART I: SHAREHOLDERS

2. SHAREHOLDER RELATIONS UNIT

During 2010, relations with shareholders were carried out until 01 July 2010 by the managers/specialists holding CMB Advanced Level Licenses who work at the Holding's Business Development Department and the Company's Financial Affairs Department, whose contact details are provided below:

		Contact information	
Name	Position	Telephone	E-mail address
Abdullah Kırımlı	Business Development Coordinator	(+90 216) 666 6767 - 6950	abdullah.kirimli@celebi.com.tr
Özgür Eren	Specialist	(+90 216) 666 6767 - 1517	ozgur.eren@celebi.com.tr

Upon the reorganization that took place in the Company, Abdullah Kırımlı who served as the head of Investor Relations Unit has been appointed the Business Development Coordinator at Çelebi Aviation Holding Inc. ("the Holding"); thus, Deniz Bal has been assigned as the head of Investor Relations Unit as of 01 July 2010, who has earned the "Capital Market Activities Advanced Level License" and who presently functions as the Budget and Finance Manager at the Company. Contact details for the individuals handling investor relations at the Company are presented below:

		Contact information	
Name	Position	Telephone	E-mail address
Deniz Bal	Budget and Finance Manager	(+90 216) 666 6767 - 1550	deniz.bal@celebi.com.tr
Özgür Eren	Specialist	(+90 216) 666 6767 - 1517	ozgur.eren@celebi.com.tr

The Holding Legal Affairs Department and the Company's Financial Affairs Department worked in coordination to ensure that the Ordinary General Assembly meeting has been held in accordance with applicable legislation and the Company's articles of association, and to prepare the documents that will be made available to shareholders at this meeting.

3. SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

During the reporting period there were a limited number of verbal requests made by our Company's shareholders and investors for information about the performance of our Company's shares on the ISE, about the amounts and timings of dividend payments and share capital increases, about investments in progress, and about publicly disclosed financial statements and their footnotes. These requests were responded to in light of any information that had previously been publicly disclosed by means of special circumstance announcements within the framework of CMB regulations and on the basis of information provided in the "Questions and Answers" section of the Company's corporate website.

Shareholders' electronic access to information concerning the exercise of their rights through the Company's corporate website at www.celebihandling.com was at the level stipulated in the corporate governance principles announced by the Capital Markets Board. At the same time, developments related to shareholders' exercise of their rights were also publicly disclosed by means of special circumstance announcements as required by CMB regulations and through newspaper announcements as required by law.

Moreover, in 2010 five informational meetings were held so as to keep brokers and analysts well informed on the Company's activities and financial performance.

A request to have a special auditor appointed is not an individual right provided for under our Company's articles of incorporation. There were no requests for the appointment of a special auditor in 2010.

Corporate Governance Principles Compliance Report

4. INFORMATION ABOUT GENERAL MEETINGS

General meetings held during the reporting period	Date	% of shares in attendance	Meeting announcements and invitations
Ordinary general meeting	21/04/2010	77.54%	Date, place, time and agenda were announced via: • Special circumstance announcement made to ISE on 31/03/2010 • Announcements published in the 01/04/2010 issues of *Turkish Commercial Gazette* no: 7534 and *Milliyet newspaper* • Announcement in the Company's internet site • Letters sent to registered shareholders

Participation in general meetings

The Company's ordinary general meeting held on 21 April 2010 was attended by shareholders responding either in person or in proxy to invitations sent out as well as by three members of the Company's Board of Directors, all management-level personnel, personnel of the Çelebi Holding Business Development Department responsible for managing shareholder relations, and representatives of a number of media organizations.

Entries in the shareholders' register

There is no period of time stipulated in the Company's articles of incorporation in which the holders of registered shares must have entries made in the shareholders' register in order to take part in general meetings. The provisions of the Turkish Commercial Law (TTK) governing such matters are complied with by the Company. Shares corresponding to more than 99% of our Company's capital have been duly registered as required by Capital Markets Board regulations. Shares belonging to our shareholders are retained in custody in the investor subaccounts of our Company as issuer and/or of brokerage concerns held by the Central Registry Agency.

Information announced to shareholders

Before the Company's ordinary general meeting held on 21 April 2010, the financial statements for the fiscal year ending 31 December 2009 and independent auditor's report prepared by the statutory auditors elected by the general assembly of shareholders in accordance with the provisions of TTK and the Company's articles of incorporation, the Board of Directors' profit distribution proposal, and Board of Directors annual report prepared within the framework of CMB regulations and containing the statements of Company managers responsible for annual financial statements and reports as well as information about Company activities in 2009 and the board's explanations about them were all made available for the examination of Company shareholders and other stakeholders at the Company's headquarters as of the date on which the general meeting was announced. The reports and other documents were also sent to media organizations and brokerages in order to better disseminate the information contained in them with the public and existing and potential investors.

Shareholders' exercise of their right to ask questions at general meetings

The shareholders exercised their right to ask questions at ordinary general meeting held on 21 April 2010 and these questions were answered by the Company board members and executives that attended the meeting.

Motions made by shareholders at general meetings

At the ordinary general meeting held on 21 April 2010, the following five motions were made by shareholders on the subjects indicated below and each motion was passed by a majority vote:

• The meeting's presiding committee is formed and authorized to sign the meeting minutes and documents on behalf of the general assembly of shareholders.

• Whereas the balance sheet and income statement included in the annual report were made available for shareholders to examine before the general meeting and both were handed out to those present at the meeting, the general meeting agrees that it suffices to read the Statutory Auditors' Report and Opinion of the Independent Auditors' Report for the discussion of item 3 on the agenda.

• Whereas the balance sheet and income statement included in the annual report were made available for shareholders to examine before the general meeting and both were handed out to those present at the meeting, the general meeting agrees that a reading of the main headings of both balance sheet and income statement suffices for the discussion of item 3 on the agenda.

• The candidates designated within the framework of the provisions of our Company's articles of incorporation to replace members of the Board of Directors whose terms of office have expired are hereby elected; Mr. Can Çelebioğlu and Mrs. Canan Çelebioğlu Tokgöz from amongst Board members are to be appointed as managing directors, and managing directors are to be paid remuneration.

• The candidates designated within the framework of the provisions of our Company's articles of incorporation to replace statutory auditors whose terms of office have expired are hereby elected.

Inclusion of a provision in the articles of incorporation requiring decisions of a highly important nature to be taken at a general meeting

The Company's articles of incorporation contain no provisions requiring decisions of a highly important nature such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a general meeting. This failure to comply with the corporate governance principles published by CMB stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

Action taken to facilitation participation in general meetings

To facilitate participation in general meetings, a special circumstance announcement concerning them is made as required by CMB regulations while invitations announcing the meetings are published within the framework of the provisions of TCC and the articles of incorporation at least fifteen days before the meeting date in *Türkiye Ticaret Sicili Gazetesi* and one newspaper published in the place where our headquarters are located and announced in our Company's internet site. Media organizations are also contacted to have the meeting announced in the press and electronic media.

Availability of general meeting minutes for inspection by shareholders

After they have been registered in accordance with associated applicable laws, regulations, and administrative provisions, general meeting minutes are published in *Türkiye Ticaret Sicili Gazetesi* and are always available for the inspection of stakeholders at our Company's headquarters and on its corporate website.

5. VOTING RIGHTS AND MINORITY RIGHTS

According to our Company's articles of incorporation, none of our Company's shares incorporate special voting rights. Three categories ("A", "B", and "C") of shares have been issued representing the Company's capital. Of these, only the owners of "A" and "B" shares have the right to designate candidates to be elected as Company directors and statutory auditors.

There are no reciprocal shareholding interests between our Company and our corporate entity shareholders.

Minority shareholdings interests are not represented in the Company's administration because there is are no minority shareholders who have been designated as candidates in elections for Company directors or statutory auditors and elected to such positions.

The Company's articles of incorporation contain no provisions concerning the representation of minority shareholding interests on the Board of Directors or governing the accumulated voting method.

6. DIVIDEND PAYMENT POLICY AND TIMING

Special rights concerning participation in the Company's profits

There are no special rights concerning anyone's participation in the Company's profits.

Corporate Governance Principles Compliance Report

Dividend payment policy

With the decision of the Board of Directors on 4 April 2006 our Company defined a written Profit Distribution Policy constituting a groundwork for preparation of profit distribution for presentation to the General Council in the frame of the compliance studies with Corporate Governance Principles published by Capital Markets Board "CMB" and of the CMB decision number 4/67 and dated 27 January 2006. The decision was announced to the public through the material disclosure sent to ISE on 4 April 2006 and informed to the shareholders during the Ordinary General Meeting held on 28 April 2006.

According to the statement it was decided;

• To formulate a written dividend payment policy on the basis of which the dividend recommendations concerning the distribution of the Company's profits that are to be submitted to general meetings are to be prepared; according to which policy, it is an accepted principle that at least 50% of the distributable profit available in 2006 and the years that follow will be paid out as a dividend each year insofar as this does not conflict with the rules and regulations of the Capital Markets Board;

• Depending on the Company's needs for investment and financing to support its long-term growth, to make such distributions as cash payments or in the form of free shares of stock distributed to shareholders representing profits that have been capitalized, or partially in cash and partially as shares;

• To abide by the above-stated dividend payment policy unless the Company's investment and/or financial circumstances or extraordinary developments in economic conditions make it necessary to do otherwise.

Dividend payment timing

Within the framework of the decision taken at the Ordinary General Meeting on 21 April 2010, for each TRY 1 nominal value share, 128.73% gross TL 1.2873, 109.42% net TL 1.0942 from the profit in 2009 and from extraordinary reserves a total gross TL 31,282,014.59 cash dividends distribution would be made on 28 April 2010, it was decided by unanimous vote, and the dividend payment has been realized to the shareholders on this date.

7. TRANSFERRING SHARES

The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. COMPANY DISCLOSURE POLICY

Pursuant to the provision of Article 23 of the CMB Communiqué Serial: VIII, No: 54 on the Principles of Public Disclosure of Material Events and within the frame of efforts carried out to achieve full compliance with the Corporate Governance Principles published by the CMB, and to fully implement the same, the Company's Board of Directors resolved on 30 April 2009 to approve the Information Policy developed by the Company's General Management, to post it on the corporate website and present it for the information of shareholders at the immediately following general meeting. Enforced as of the same date, the Company Information Policy aims at communicating the Company's past performance and future expectations within the frame of generally accepted accounting principles and CMB provisions, on the principles of completeness, fairness, accuracy, timeliness and intelligibility, making them equally available to all "stakeholders" such as national/foreign shareholders, stakeholders, investors and capital market institutions, and targets to maintain an active and transparent communication and to ensure that necessary information and disclosures other than trade secrets are made available to all stakeholders including shareholders, investors, employees and customers in a timely, accurate, complete, and intelligible manner, easily accessible at low cost.

The Company "Information Policy" can be accessed at the corporate website at www.celebihandling.com under the main heading "Information".

9. SPECIAL CIRCUMSTANCE ANNOUNCEMENTS

Our Company made 30 special circumstance announcements in 2010 pursuant to CMB regulations. There was no additional information required by CMB and/or ISE.

All special circumstance announcements were made in due time.

10. THE INTERNET SITE AND ITS CONTENT

The address of our corporate website is www.celebihandling.com.

Corporate Governance Principles Compliance Report

Presence on the corporate website of information stipulated in the corporate governance principles published by CMB

Information	Availability
Commercial registry information	Yes
Current partnership and management structure	Yes
Detailed information about preferential share rights	Yes
Current form of the Company's articles of incorporation together with dates and numbers of trade registry gazettes in which amendments were published	Yes
Special circumstance announcements	Yes
Annual reports	Yes
Periodic financial statements and reports	Yes
Prospectuses and public offering circulars	n/a
General meeting agendas	Yes
General meeting attendance rosters and minutes	Yes
Proxy form	Yes
Mandatory information forms prepared for proxy solicitation or tender offers	n/a
Minutes of Board of Directors meetings whose decisions might have a material impact on the capital market instruments issued by the Company	Yes
Frequently-asked questions / Requests for information, questions, and warnings made to the Company / The Company's responses to them	Yes

Stakeholders are presently able to access some information in electronic format on our Company's corporate website at www.celebihandling.com.

11. DISCLOSURE OF ULTIMATE NON-CORPORATE SHAREHOLDERS WHO HAVE A CONTROLLING INTEREST

The identities of our Company's ultimate non-corporate controlling shareholders purged of all cross-shareholding interests are presented in section 9 ("9. Nature and Value of Issued Capital Market Instruments") of our Company's 2010 annual report.

12. PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

Pursuant to the provision of Article 16 of the CMB Communiqué Serial: VIII, No: 54 on the Principles of Public Disclosure of Material Events and within the frame of efforts carried out to ensure achievement of full compliance by the Company with the Corporate Governance Principles published by the CMB, and to fully implement the same, the Company's Board of Directors resolved that a list of individuals having regular access to Company insider information be prepared and kept up-to-date by the Company Investor Relations Unit, and that the list be posted on the corporate website on 30 April 2009; in this frame, the list was made available on the Company internet site as of the said date.

PART III: STAKEHOLDERS

13. KEEPING STAKEHOLDERS INFORMED

Based on the Company 's Board of Directors decision passed on 19 March 2009, pursuant to the provision of Article 7 of the CMB Communiqué Serial: IV No: 41 on the Principles to be Complied with by Joint Stock Companies Subject to the Capital Market Law, and within the frame of efforts carried out to ensure achievement of full compliance by the Company with the Corporate Governance Principles published by the CMB and to fully implement the same, the Company set up an Investor Relations Unit, which will handle exercising of shareholding rights at our Company that is listed on the ISE, which reports to the Board of Directors, and which will maintain communication between the Board of Directors and shareholders. In this context, Abdullah Kırımlı, who serves as the Business Development Coordinator at Çelebi Havacılık Holding A.Ş., the majority shareholder in our Company, and who holds a "Capital Market Activities Advanced Level License" was appointed as the head of the Investor Relations Unit as a full-time manager responsible for the fulfillment of the Company's obligations arising from the capital market legislation, coordination of corporate governance practices and reporting thereon to the Board of Directors, and Özgür Eren, who works for our Company and holds a "Capital Market Activities Advanced Level License" and a "Corporate Governance Rating Expertise License", was assigned as executive personnel. Upon the reorganization that took place in the Company, Abdullah Kırımlı who served as the head of Investor Relations Unit has been appointed the Business Development Coordinator at Çelebi Aviation Holding Inc. ("the Holding"); thus, Deniz Bal has been assigned as the head of Investor Relations Unit as of 01

Corporate Governance Principles Compliance Report

July 2010, who has earned the "Capital Market Activities Advanced Level License" and who presently functions as the Budget and Finance Manager at the Company.

In 2010, for the purpose of informing stakeholders, our Company's executive director and other members of management gave interviews that appeared in the press and electronic media, took part in TV programs and discussions, and made press statements. Detailed information about the Company and its investments was provided in the course of such appearances and announcements.

14. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Airport ground handling services are a part of the civil aviation industry and as such they are a business that imposes stringent demands on specialization and expertise whose rules are specifically spelled out by international aviation agencies and organizations. Partaking in the management of a company engaged in this sector requires expertise in a variety of different areas and for that reason, no significant steps have been taken in the direction of involving the Company's employees, the majority of which are blue-collar workers, in the Company's management.

In matters involving non-technical issues such as employee rights and human resources policies on the other hand, individual workplace meetings are held regularly and at least once a year during which employees' views on the conduct of work and Company practices are solicited. Changes are made where necessary in light of such views and feedback is provided.

15. HUMAN RESOURCES POLICY

Our Company HR policy is presented in section 13 ("13. Information about Personnel; Human Resources Policy") of our Company's annual report for 2010.

16. RELATIONS WITH CUSTOMERS AND SUPPLIERS

Customer satisfaction

Because it is our Company's principle to provide service wherever our customers may be, and with the domestic civil aviation market being deregulated and opened to privately-owned carriers our services continued in a total of 25 stations in 2010.

In order to provide better service to airlines in the growing ground handling services market, our Company became the first ground handling services company in Turkey using GroundStar Inform software system prepared by German technology firm Inform to support the control of ground handling services resources and processes on automation. The system is consisting of three modules. Real-Time Control module is used successfully in Istanbul, Antalya and İzmir. Planning Control and Roaster modules are used in Ankara, Adana, Trabzon, Dalaman, Bodrum, Diyarbakır and Samsun Stations.

GroundStar Inform's Planning Control, Real-Time Task Management, and Real-Time Control modules make it possible to plan and allocate resources efficiently and productively. GroundStar is currently being used in more than 90 airports around the world by airlines (including British Airways, Lufthansa, and ServisAir) as well as by catering and ground handling services companies.

The CELEBRIS projects initiated in 2005 with the purpose of increasing the business perfection and hence customer satisfaction, collects Flight Information System, Agreements Follow-up and Pricing, Customer Invoicing and Quality Management under one system. In 2009, the CELEBRIS project has been modernized and renamed as IKARUS within the framework of process improvement studies. Efforts for further improving the system continued in 2010.

The other project, "CRM" is an effective Customer Relations Management model and application infrastructure and is successfully being used in our headquarters and stations. On another wing, Microsoft Dynamics CRM was purchased to enable utilization of the CRM software also in foreign countries and to ensure integration among all our ventures due to our investments that grow rapidly particularly in India, and a project has been designed for its installation. New software is slated for launch in April 2011.

The quality management systems that our Company employs are the ones most preferred in the world of civil aviation: AHS 1000 and IATA AHM 804 These systems make it possible to identify and report measurable quality criteria and contribute significantly to airline and ground handling services companies' ability to function more productively and improve their operational performance. By means of these systems, it is possible to observe at what step of the service process problems are being experienced and to take corrective action accordingly. Any customer dissatisfaction arising in the conduct of service can be monitored at all stations. Complaints received from customers can be dealt with quickly by taking measures needed to make improvements. For the purpose of preventing any possible customer dissatisfaction in advance, all our stations are audited regularly twice a year by the Quality Department and stations take immediate corrective action to eliminate any divergences that are identified as a result of these audits.

Within the frame of its project to constantly enhance customer satisfaction, our Company carried on with "Çelebi Scorecard", the customer loyalty and satisfaction survey started in 2005. Consultancy has been received from an independent and internationally recognized research company for the administration of "Çelebi Scorecard" survey, and the results were sent online to our customers.

The "Smiling Service Project" that was identified as being concerned with the quality service that our Company seeks to deliver to customers and erected on "Seven Basic Principles", continued during 2010.

The primary goal of this project is to provide the personnel of Passenger Services Department with encouragement and support to deliver high-quality personalized service by making it possible for them to adopt participatory and positive attitudes in their personal and working lives. On the basis of monthly and annual evaluations, successful personnel are rewarded in a variety of ways.

Another service that our Company provides to enhance customer satisfaction consists of specialized training for personnel in assisting physically handicapped passengers. This training program, which was prepared jointly with the Darüşşafaka Foundation, continued all year long in 2010. Station personnel who deal directly with disabled and physically handicapped passengers at airports before and after flights and who provide such passengers with transfer services received certificates showing their successful completion of the course.

Trade secrets

Under the heading of trade secrets, our Company gives the utmost attention to protecting the confidentiality of any information in comes into possession of about its customers and suppliers. The non-disclosure of customer-related information without the customer's knowledge is guaranteed as a separate clause in contractual agreements with customers.

Compliance with the sector's international rules

Our Company takes all necessary measures to ensure that it establishes good relations with customers in which neither party has an unjustified advantage over the other and to comply strictly with the terms of its agreements with them. For this purpose, our Company uses the "Standard Ground Handling Services Contract" prepared and recommended by IATA as its reference.

17. SOCIAL RESPONSIBILITY

Compliance with European Union Environmental Norms

When procuring new equipment, our Company only purchases items that comply with EU environmental norms. Our Company fully complies with all EU standards governing the prevention of noise and pollution.

Sectoral responsibility projects

There is not as yet a particularly great public awareness of the civil aviation industry in our country and for this reason, our Company gives special importance to supporting its sector so that it becomes better known and appreciated and is thus able to attract high-quality human resources.

To this end, the Company directly supports and sponsors:

• TV programs about civil aviation

• The "Career Days" event held each year at the Eskişehir College of Civil Aviation

• The congresses, seminars, and training projects of aviation industry professional organizations.

On the other hand, the Company established cooperation with the Ministry of Transport and Erzincan University. Within the scope of the collaboration, the project has been launched to set up a School of Civil Aviation under the university. Under the project, a school building is constructed with a floor area of 4,000 m^2 and a covered area of 15,000 m^2 holding 30 classrooms for a student body of 1,500.

Registrations for the 2010-2011 academic year at the Erzincan Ali Cavit Çelebioğlu Civil Aviation School, construction of which was completed as of September 2010, were accepted on August 31st and September 1st.

Students registering in the school's Civil Aviation Transportation Management Department will complete a five-year program consisting of a first year of English language prep followed by a four-year BA curriculum. Because students who have been accepted into the prep class will be studying English at a language school in Erzincan city, the official opening of the civil aviation school itself is planned to take place before the start of the 2011-2012 academic year.

Under the "I'm Home" project, which is being carried out in collaboration with TOÇEV (Tüvana Educational Support Foundation), the Ministry of National Education and the Ministry of Transportation, Çelebi initiated work in 2008 to renovate the lodging allocated to the teachers of 50 village schools identified in cities located in the eastern part of the country, and to equip them with basic furniture and appliances.

Under the repairing and renovation works carried out, Çelebi Homes are recreated in a healthy structure from their foundations to their roofs. Improvements are made to the interiors as well and the homes are furnished and equipped with basic necessities and appliances from sofa beds to refrigerators, TV sets to stoves. Each Çelebi Home is thus converted into a cozy home enabling the teachers to move in just taking along their personal belongings and "feel at home".

The two Çelebi Homes that represent the first completed links of the chain have been delivered to teachers working with great devotion and commitment at the furthest point of Anatolia during a ceremony held in Kara Çoban village.

During the conduct of the "I'm Home" project in 2009, eight more homes were built, of which two were in Diyarbakır, two in Erzurum, three in Erzincan, and one in Mardin, thus bringing the total number to ten. As a result of activities undertaken in 2010, the number of homes completed and turned over reached twenty with the addition of two in Hatay, two in Kahramanmaraş, three in Malatya, and three in Osmaniye. Plans are to complete fifty of these homes by 2013.

The environment and nature

Our Company has an environment management system (EMS) which has been developed in order to systematically reduce or eliminate the harm that is or may be caused to the environment. Our Company's EMS aims at identifying environmental factors and at controlling such factors in order to minimize their environmental impact and to improve environmental performance during all the stages from the design of services to their presentation to the customers.

The environment management system has been awarded ISO 14001:2004 certification at headquarters offices and at the İzmir station by the firm of Bureau Veritas. With this certification, we declare that we shall:

• Carry out programs to minimize our waste and achieve compliance with laws and regulations.

• Carry out programs to minimize resource use.

• Coordinate efforts aimed at more environment-friendly production.

Aware of the need and responsibility on the part of people to use the natural resources they require to maintain a good way of life in a renewable way, which is to say mindfully of future generations as well, our Company engages in the following activities to achieve optimum use of natural resources and to minimize pollution.

• Every year it has its exhaust gas emissions regularly analyzed by an accredited organization.

• It has drinking water treated and has periodic analyses performed on water samples.

• In order to achieve more effective use of natural resources, waste at our Company is sorted and the recyclable elements (paper, plastic, etc) are regularly collected. Photocell systems have been installed at some stations to reduce water and electricity consumption.

• Waste oil (hydraulic oil etc) from technical workshops is eliminated by sending it to facilities where it is specially burned.

• Hazardous wastes produced as a result of our activities are shipped to establishments licensed by the Ministry of Environment and Forestry for disposal.

• Specialized equipment (battery-powered forklifts etc) that does not cause emissions is used.

Our Company's goal is to be an organization whose practices make it the most environmentally sensitive company in the aviation industry through an approach that safeguards and enhances the quality of life of its employees and customers.

Corporate Governance Principles Compliance Report

Waste created at our Company's business units is surrendered to organizations licensed by the Ministry of Environment and Forestry for elimination/recycling. A waste inventory is conducted in order to determine the Company's environmental performance every year and the Company sends its "Environmental Performance Reports" to concerned agencies and organizations. During 2010, 26,905 liters of waste oil, 27,121 kilograms waste batteries, 2,576 kilograms waste filters were eliminated by surrendering to licensed organizations.

In 2009, Republic of Turkey Ministry of Transport Directorate General of Civil Aviation (DGCA) launched the project Green Airport in an effort to systematically reduce and eliminate the actual or potential damage caused to the environment by establishments operating in airports.

Çelebi Ground Handling İzmir Station filed an application with the DGCA for assessment of its operations according to the project criteria; as a result of the reviews carried out, it has been established that Çelebi Ground Handling İzmir Station meets the required conditions under the Project Green Airport, and certified as a Green Company. Along this line, Çelebi Ground Handling, with the title earned, was entitled to use the logo set out in the project, as well as 20% discount in the extension fees charged on various permits such as enterprise authorization certificate, licenses and certificates.

Our Company is not a defendant in any suit brought against it on account of harm caused to the environment.

General social responsibility projects

Health services: Our Company has been supporting the Lokman Hekim Health Foundation since 1986. Based in Gebze-Beylikbağı outside İstanbul, this foundation serves low-income people who are in need of health services without any concern for material gain.

PART IV: THE BOARD OF DIRECTORS

18. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS; NON-EXECUTIVE DIRECTORS

According to article 7 ("Board of Directors") of our Company's articles of incorporation, the Company's affairs and administration are the responsibility of a six-member board of directors elected by the general assembly of shareholders from among candidates, at least four of which are put up by a majority of Class A shareholders and at least two of which are put up by a majority of Class B shareholders. Company directors are elected to maximum terms of three years. A director whose term of office expires may be reelected.

A director who represents a corporate-entity shareholder must notify the Company if his relationship with that entity terminates, whereupon his seat on the board is vacated.

If a vacancy occurs in the board's membership before a term of office expires, the remaining directors will chose a new member from among candidates designated by a majority of shareholders of the same class as put the departing member up as a candidate. This newly-elected director will be subject to the approval of the very next general assembly of shareholders that is held. A member elected to the board in this way will fill out the remaining term of the departing director.

According to article 8 ("Representing and binding the company") of our articles of incorporation, the Board of Directors is responsible for the administration of the Company and for representing it before outside parties. The Board of Directors may delegate some or all of its powers to represent and administer the Company to executive directors and/or to managers who are not members of the board. The individuals with the power to represent and bind the Company and the ways they may do so are determined by the board and duly registered and announced. In order for any documents issued by the Company or for any contracts that are entered into to be valid, they must be signed, below the Company's legal name, by an individual or by individuals authorized to do so by the Board of Directors.

Corporate Governance Principles Compliance Report

Within the framework of statements concerning this matter made in the corporate governance principles published by CMB, the members of our Company's Board of Directors have been divided into the categories of executive/non-executive directors in light of the duties they undertake in the conduct of the Company's affairs together with the Company general manager, and within the responsibilities defined in the Company's list of authorized signatures that is currently in circulation:

Name	Position	Status
Can Çelebioğlu	Chairman	Executive/Managing Director
Canan Çelebioğlu Tokgöz	Vice Chairperson	Executive/Managing Director
Engin Çelebioğlu	Board Member	Non-executive
Mehmet Kaya	Board Member	Non-executive
Necmi Yergök	Board Member	Non-executive
Aydın Günter	Board Member	Non-executive

There are no independent members on our Company's Board of Directors. Company directors are not subject to any specific rules and/or limitations concerning their undertaking another duty or other duties outside the Company. This failure to comply with the corporate governance principles published by CMB stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

19. QUALIFICATIONS OF COMPANY DIRECTORS

The Company's board of directors consists of people chosen from among designated candidates who satisfy the levels of knowledge and skills stipulated in the CMB's corporate governance principles and who possess specific experience and backgrounds.

None of the members of our Company's Board of Directors have ever been sentenced to penal servitude or imprisonment of more than five years (excluding negligible offenses, whether or not they were pardoned) for convictions on account of violations of laws and regulations governing capital markets, insurance, banking, money-laundering, lending money; have ever been convicted of infamous offenses such as embezzlement, aggravated embezzlement, extortion, bribery, theft, fraud, forgery, abuse of trust, or fraudulent bankruptcy; or of crimes of evasion, save for evasion of use or evasion of consumption; or of duplicity in government tenders or procurements; or of betraying state secrets; or of tax evasion or attempted tax evasion or involvement in tax evasion.

In addition, all Company directors are in possession of the essential knowledge needed to read and analyze financial statements and reports, are familiar with the legal framework governing the Company's day-to-day and long-term dealings and transactions, and are capable of and committed to taking part in all of the year's regularly scheduled board meetings.

Principles concerning these qualifications are not specifically embodied in the Company's articles of incorporation. This failure to comply with the corporate governance principles published by CMB stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

20. MISSION, VISION, AND STRATEGIC GOALS OF THE COMPANY

Our Company's mission, vision, and strategic goals are presented in section 3 ("3.Company mission, vision, and strategic goals") of 2010 annual report.

21. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISMS

The planning, conduct, functioning, and oversight of the effectiveness of risk management and internal control and the conduct of the internal control team's activities within the framework of the plan are the responsibility of the Audit Committee that has been set up by a Board of Directors resolution and as per article 28/A added to CMB communiqué X: 16. The creates a risk management and internal audit system capable of minimizing the impact of the risks that the Company may be confronted by and takes such measures as needed to ensure that this system functions reliably.

While there is no separate unity responsible for risk management and control in the Company's organization, these functions are carried out by the Holding Company's Internal Control Unity under the guidance of the Audit Committee.

Information about basic risks management policies are presented in section 12 ("12. Basic Risks Management Policies" of our Company's annual report for 2010.

22. AUTHORITIES AND RESPONSIBILITIES OF COMPANY DIRECTORS AND EXECUTIVES

According to article 8 ("Representing and binding the company") of our articles of incorporation, the Board of Directors is responsible for the administration of the Company and for representing it before outside parties. The Board of Directors may delegate some or all of its powers to represent and administer the Company to executive directors and/or to managers who are not members of the board. The individuals with the power to represent and bind the Company and the ways they may do so are determined by the board and duly registered and announced. In order for any documents issued by the Company or for any contracts that are entered into to be valid, they must be signed, below the Company's legal name, by an individual or by individuals authorized to do so by the Board of Directors.

The authorities and responsibilities of our Company's directors and managers are spelled out in signature circular VI setting down the powers to represent and bind the Company that was registered by the İstanbul Commercial Registrar on 06 September 2006 and announced as having been registered in issue 6639 of *Türkiye Ticaret Sicili Gazetesi* dated 11 September 2006.

Statements concerning the authorities and responsibilities of the Company's directors and managers are not specifically embodied in the Company's articles of incorporation. This failure to comply with the corporate governance principles published by CMB stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

23. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

Determining the agenda for board meetings

Agendas for Board of Directors meetings may be determined in three different ways. The chairman may determine the agenda on the basis of suggestions received from board members; the Company's general manager may determine the agenda himself; the agenda for the next board meeting may be determined during a board meeting that is in progress.

Number of board meetings during the reporting period

The Company's Board of Directors convened 73 times during 2010.

Separate secretariat responsible for keeping Company directors informed and maintaining communication with and among them

The secretariat of the chairman of the Board of Directors carries out the duty of keeping members of the board informed and maintaining communication with and among them.

Meeting attendance and invitation methods and processes

The secretariat of the chairman of the Board of Directors keeps Company directors informed about meeting times and agendas by means of reports sent out regularly prior to the meeting. In 2010, 4 board members have attended in 68 board meetings, 5 members in 4 board meetings and 6 members (full number) in 1 board meetings.

The right of dissenting members to have their reasonable and detailed objects entered into the record and to convey them in writing to the Company's statutory auditors

All decisions taken at all Company board meetings held during 2010 were passed by unanimous vote of the attendants.

Public disclosure of the independent directors' reasons for their dissenting votes on issues they disagree with

There are no independent directors on the Company's Board of Directors.

Compliance with the requirement of physical presence at board meetings at which issues enumerated in article 2.17.4 of section IV of CMB's corporate governance principles

At the board meetings of our Company on CMB Corporate Governance Principles 4th Part Article number 2.17.4, the full Board participated except 19 meetings which two members did not attend in 2010.

Inclusion of questions raised by board members during Board of Directors meetings in resolution memoranda

No questions raised by members of the Company's Board of Directors during meetings were entered into resolution memoranda.

Corporate Governance Principles Compliance Report

The ability of Company directors to exercise special voting rights or veto board decisions

Our Company's articles of incorporation do not invest any Company director with special voting rights or the ability to veto board decisions.

The failure of our Company to comply with some corporate governance principles published by CMB concerning the operating principles of the Board of Directors stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

24. PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

At the ordinary general meeting held on 21 April 2010 to discuss the Company's results in 2009, shareholders voted to authorize Company directors to personally engage in the businesses falling within the Company's object and scope, to perform them on behalf of others, and to become partners in and enter into other transactions with companies engaged in such businesses as per articles 334 and 335 of the Turkish Commercial Law. However no Company director engaged in any transaction or competed with the Company in 2010.

The failure to comply with the corporate governance principles published by CMB prohibitions on doing business or competing with the Company stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning this issue.

25. RULES OF ETHICS

Two publications (*Corporate Culture* and *Our Policies*) have been put out by the Company. These publications contain not only the vision and mission statements that have been adopted by the Company and are included in its every publication, on its corporate website, and on the Company intranet, but also the principles that must apply and to which every employee must adhere in all dealings with Company personnel and outside parties. Copies of these publications are given to every newly hired employee during his orientation.

Every year Company meetings are held in which Company directors and the general manager take part for the purposes of informing senior, middle, and lower management about the Company's ethical values, and short, medium, and long-term strategy within the framework of the mission and vision statements and ensuring that such matters are conveyed through them to all lower-echelon employees.

26. NUMBERS, STRUCTURES, AND INDEPENDENCE OF COMMITTEES WITHIN THE BOARD OF DIRECTORS

An Audit Committee has been set up by a Board of Directors pursuant to article 28/A added to CMB communiqué X: 16 by communiqué X: 19. There are no other committees set up within the board other than this Audit Committee.

The Audit Committee consists of Engin Çelebioğlu and Mehmet Kaya, both of whom were chosen from the board's non-executive directors.

The Company's Audit Committee convened five times during 2009 at which times they queried Company managers and looked into whether or not our publicly disclosed financial statements accurately reflected the true standing of our operational results and whether or not the accounting principles adhered to by the Company were in compliance with CMB laws and regulations. They reached the conclusion that financial statements were correct and had been prepared in accordance with such requirements.

Moreover, they presented their thoughts and opinions to the Company Board of Directors, on the explanations made at the declaration and notification of the annual and interim financial statements within the context of 28/B decisions of communiqué on "Capital Markets Independent Audit" Serial: X No.16 of Capital Markets Board and on information transmission and coordination to ISE, relations with the partners, and CMB Serial: VIII No.54, on material disclosures covered by communiqué on Principles on material disclosure to public within the context of the principles in ISE quotation regulations article 18/A as well as on defining by which executives of the Company these disclosures are to be conducted.

The failure to comply with the corporate governance principles published by CMB concerning numbers, structures, and independence of committees within the Board of Directors stems from the fact that the Company's Board of Directors has not completed its own assessment of developments and practices concerning these issues.

27. FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

In the context of the decision taken at the Shareholders Ordinary General Meeting held on 21 April 2010, no session fee is paid to the board members. On the other hand, fees were paid on a monthly basis to those according to their knowledge, experience and specialization, to Vice Chairperson, Canan Çelebioğlu Tokgöz (executive board member/ managing director), together with our General Manager; Chairman Can Çelebioğlu (executive board member/ managing director); Board Member Mehmet Kaya, not an executive position however for the legal services on Tax Code and Fiscal Legislation; and to Board Member Necmi Yergök, again a non-executive position but for the responsibilities he undertook on technical and equipment maintenance in 2010.

At the 2009 Ordinary General Meeting convened on 21 April 2010, it has been resolved to appoint Can Çelebioğlu and Canan Çelebioğlu Tokgöz from amongst Board members as managing directors (executive members) and to pay a net monthly remuneration of EUR 30,000 to each managing director.

The Company's Board members' debts carried forward from 2009 are worth TL 42,856. Loans (advances on salaries) granted during 2010 totaled TL 20,000; the loans (advances on salaries) provided and the balance carried over from 31 December 2009 were fully collected during 2010. There were no amounts due (advances on salaries) from the Board members as of 31 December 2010. The Company lent (advances on salaries) a total of TL 35,000 to Company executives during 2010, of which TL 8,000 has been collected.

The amount due (advances on salaries) from the Company executives as of 31 December 2010 is TL 27,000. The terms of these loans made to board members and managers were not prolonged nor were their conditions improved; no credit was extended to them under the rubric of personal loan nor were they provided with any guarantees such as surety through any third party.

Statutory Auditors' Report

APP- 2

STATUTORY AUDITORS' REPORT

Shareholders General Assembly,

A- Company Title	Çelebi Hava Servisi Anonim Şirketi
B- Head Office	Anel İş Merkezi, Saray Mah. Site Yolu Sok. No: 5 Kat: 9 34768 Ümraniye / İstanbul-TURKEY
C- Capital	Registered Capital: TL 100,000,000 Issued Capital: TL 24,300,000
D- Activity	Airport Ground Handling Services
Auditor's/Auditor's Name/Names and duration of appointment, their relation to the company (employed/partners or not)	- Uğur DOĞAN (duration of appointment "21 April 2010-01 February 2011" not employee nor partner) - Ümit BOZER (appointed for "1 year, for the period between two ordinary meetings of General Assembly" - not employee nor partner) - Ramazan ÖZEL (appointed for "1 year, for the period between two ordinary meetings of General Assembly" - not employee nor partner) - Seyhan ÖZTAYLAN ÇELİK (appointed for 1 year, for the period from 1 February 2011 until the next ordinary general assembly meeting – not employee nor partner)
Numbers or Board of Directors meetings and the Board of Auditors meetings participated	Participation took place in all Board of Directors meetings held during the year. Our auditing team held five meetings.
Extent of inspection made on the Company's accounts, books and documents, inspection dates and conclusions reached	During inspections made several times on various dates within the period, books and registers have been controlled as to whether they had been completed in due time, correctly and in accordance with the law. It was observed that the decisions pertinent to the Company management had been transcribed to the exercise book, which was kept in accordance with the accepted practice.
Number or counts made at the Company treasury according to Clause No.3, Paragraph No. 1, Article No. 353 of the Turkish Commercial Law, and their results	Counts were made in every two months at the Company's treasury, totaling six during the period. It was observed that the cash balance was in accordance with the actual records.
Dates and results or inspections made according to Clause No. 4, Paragraph No. 1, Article No. 353 of the Turkish Commercial Law and their results	Inspections made every month showed that entries correspond to actual materials and documents.
Denunciations or irregularities reported to the Board of Auditors and measures take	No complaints or denunciations of any kind have been made to the Board of Auditors.

We have audited the accounts and the operations of Çelebi Hava Servisi A.Ş. for the period ending 31.12.2010 in accordance with the Turkish Law of Commerce, the Company's Articles of Association and other legislation, as well as according to the generally accepted accounting principles and standards.

In our opinion, the appended Balance Sheet, established on 31.12.2010, the contents of which we have approved, reflects the Company's real financial situation during the considered period. The Profit/Loss Statement for the period 01.01.2010-31.12.2010 reflects the real results of the activities for the considered period, and the proposals made by the Board of Directors concerning profit distribution is in accordance with the Law and with the Articles of Association of the Company.

We submit to your approval the Balance Sheet and the Profit/Loss Statement as well as the ratification of the Board of Directors.

01 April 2011

BOARD OF AUDITORS

Ramazan ÖZEL   Ümit BOZER   Seyhan ÖZTAYLAN ÇELİK

Statement Concerning the Consolidated Financial Statements and Reports for the Period 1 January 2010 to 31 December 2010
01.04.2011

APP- 3

Subject: The presentations of the consolidated financial statements and reports of Çelebi Ground Handling Inc. for the twelve-month period ending 31 December 2010, which have been prepared in accordance with Capital Markets Board (CMB) communiqué XI, No: 29 concerning accounting standards in capital markets and International Financial Reporting Standards (IFRS).

We hereby represent that;

a. we have examined the independently audited consolidated financial statements, which have been approved by our Company's Board of Directors decision no. 2011-10 dated 01 April 2011 and by the Audit Committee decision no. 2011-02 dated 01 April 2011, which have not been adjusted for inflation, which incorporate the compulsory data and based on recommended formats and drawn up in accordance with the International Financial Reporting Standards (IFRS) in accordance with the CMB Communiqué XI:29 on Principles of Financial Reporting in Capital Markets as per the CMB decision 11/367 dated 17 March 2005 and the announcements in the CMB's weekly bulletins numbered 2008/16, 2008/18, 2009/2, 2009/4 and 2009/40, and the Board of Directors' Annual Report for the year ended 31 December 2010, with respect to their representation of a true and fair view of the Company's financial standing and operating results;
b. to the best of our knowledge we have with respect to our positions and responsibilities in the Company, these financial statements and annual report contain no misrepresentations on material matters or no omissions whose absence could be misleading as of the date on which the statement was made; and
c. to the best of our knowledge we have with respect to our positions and responsibilities in the Company, the financial statements drawn up in accordance with the financial reporting standards in force –inclusive of those subject to consolidation- represent a true and fair view of the Company's assets, liabilities, financial status and profit/loss, and that the annual report represents a fair view of the development and performance of the business –inclusive of those subject to consolidation-, the Company's financial standing, and the key risks and uncertainties it is exposed to.

ÇELEBİ GROUND HANDLING INC.

Ayfer ATLI	Talha GÖKSEL
Financial Affairs Director	Chief Executive Officer

Çelebi Hava Servisi A.Ş.
Convenience Translation Into English of Consolidated Financial Statements for the Period 1 January - 31 December 2010 and Independent Auditor's Report

App-4

PRICEWATERHOUSECOOPERS

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Çelebi Hava Servisi A.Ş.

1. We have audited the accompanying consolidated financial statements of Çelebi Hava Servisi A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards accepted by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the proper preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Çelebi Hava Servisi A.Ş. as of 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Çelebi Hava Servisi A.Ş.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

Emphasis of matter

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

5. As explained in Note 30 to the consolidated financial statements, the Cargo building of Çelebi Hava Servisi A.Ş. (the "Company") located in Atatürk Airport Terminal C in which the Company carries out its cargo-warehouse operations was damaged due to a fire broke out on 24 May 2006. As a result of the fire, goods belonging to third parties located in the cargo building during the fire were damaged. Some of the owners of the goods, insurance companies and airline transportation companies have applied to the Company and its insurance company for the compensation of their losses by filing lawsuit against the Company and through enforcement proceedings. The Company granted its approval for the utilization of its insurance policy amounting to USD 10.000.000 US Dollar in the fund established by the Company, Devlet Hava Meydanları İşletmeleri ("DHMİ") and the other warehouse management company to settle the claims within the terms defined in the "Sharing Agreement" which is signed between the same parties. In this context, the management of the Company foresees that the probability of being liable for the losses is remote because it was not found to be responsible for the fire and was therefore not considered legally responsible for the losses of the third parties. The ultimate result of the compensation claims which could not be settled amicably, enforcement proceedings and law suits against the Company could not be determined and no provision has been accounted for in the accompanying consolidated financial statements as of
31 December 2010.

Additional paragraph for convenience translation into English

6. The accounting principles described in Note 2 to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations of the Group in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Baki Erdal, SMMM
Partner

Istanbul, 1 April 2011

Çelebi Hava Servisi A.Ş.

App-5

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Çelebi Hava Servisi A.Ş.

Consolidated Balance Sheets at 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	5	74.299.694	94.601.180
Trade receivables	8	26.680.690	22.222.384
Due from related parties	26	1.921.067	10.522.877
Other receivables	9	3.343.009	2.428.627
Inventories	10	4.501.809	3.758.396
Other current assets	16	10.354.283	11.778.014
Total current assets		**121.100.552**	**145.311.478**
Non-current assets			
Financial investments	6	26.286	-
Other non-current receivables	9	10.952.105	3.920.651
Property, plant and equipment	11	147.824.704	102.331.411
Intangible assets	12	62.115.400	56.542.155
Goodwill	13	17.242.957	18.528.001
Deferred income tax assets	24	-	180.951
Other non-current assets	16	19.831	754.870
Total non-current assets		**238.181.283**	**182.258.039**
Total assets		**359.281.835**	**327.569.517**

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

Çelebi Hava Servisi A.Ş.

Consolidated Balance Sheets at 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	2009
LIABILITIES			
Current liabilities			
Financial borrowings	7	28.666.079	35.855.662
Trade payables	8	15.960.633	14.421.523
Due to related parties	26	2.497.009	664.070
Other payables	9	7.493.141	8.137.545
Provisions	14	11.586.739	8.056.554
Provision for employee benefits	15	900.492	-
Current tax liabilities	24	1.507.408	155.439
Other current liabilities	16	14.292.844	17.908.070
Total current liabilities		**82.904.345**	**85.198.863**
Non-current liabilities			
Financial borrowings	7	129.425.555	102.446.246
Derivative financial instruments	27	4.555.792	7.080.848
Other non-current payables	9	977.029	332.319
Deferred income tax liabilities	24	3.950.655	3.798.263
Provision for employee benefits	15	6.610.155	6.080.473
Other non-current liabilities	16	2.349.136	2.535.966
Total non-current liabilities		**147.868.322**	**122.274.115**
Total liabilities		**230.772.667**	**207.472.978**
EQUITY			
Equity attributable to equity holders of the parent			
Capital	17	24.300.000	24.300.000
Restricted reserves	17	22.962.009	19.322.144
Foreign currency translation differences	2.1	4.041.133	915.353
Additional contribution to shareholders' equity related to merger	31	(545.407)	-
Retained earnings	17	34.650.353	47.471.772
Net profit for the year	17	26.619.503	27.782.633
Non-controlling interest		**16.481.577**	**304.637**
Total equity		**128.509.168**	**120.096.539**
Total liabilities and equity		**359.281.835**	**327.569.517**
Contingent assets and liabilities	14		

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

Çelebi Hava Servisi A.Ş.

Consolidated Statements of Income for the Years Ended 31 December 2010 And 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	2009
CONTINUING OPERATIONS			
Sales - net	18	347.005.479	311.090.568
Cost of sales (-)	18	(222.151.496)	(202.284.165)
GROSS PROFIT	**18**	**124.853.983**	**108.806.403**
General administrative expenses (-)	20	(61.845.467)	(46.761.419)
Other operating income	21	2.064.027	3.044.146
Other operating expense (-)	21	(11.401.641)	(24.603.601)
OPERATING PROFIT		**53.670.902**	**40.485.529**
Financial income	22	17.955.727	29.030.073
Financial expenses (-)	23	(25.277.419)	(30.502.280)
PROFIT BEFORE TAXATION		**46.349.210**	**39.013.322**
Income tax expense		**(16.009.585)**	**(10.888.511)**
Current tax expense	24	(15.697.412)	(11.007.573)
Deferred tax (expense)/income	24	(312.173)	119.062
NET PROFIT FOR THE YEAR		**30.339.625**	**28.124.811**
Attributable to:			
Non-controlling interest		3.720.122	342.178
Equity holders of the parent		26.619.503	27.782.633
		30.339.625	**28.124.811**
Earnings per share (Kr)	25	0,011	0,011

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

Çelebi Hava Servisi A.Ş.

Consolidated Statements of Comprehensive Income for the Years Ended 31 December 2010 And 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	2010	2009
Net profit for the year	**30.339.625**	**28.124.811**
Other comprehensive income:		
Currency translation differences	4.133.367	(162.356)
Other comprehensive income/(loss) for the year	**4.133.367**	**(162.356)**
Total comprehensive income for the year	**34.472.992**	**27.962.455**
Total comprehensive income attributable to:		
Non-controlling interest	4.727.709	249.772
Equity holders of the parent	29.745.283	27.712.683
	34.472.992	**27.962.455**

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

Çelebi Hava Servisi A.Ş.
Consolidated Statements of Changes in Equity for the Years Ended 31 December 2010 and 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Capital	Restricted reserves	Foreign currency translation differences	Additional contribution to equity related to merger	Retained earnings	Net profit for the year	Non-controlling interest	Total equity
Balances at 1 January 2009	17	24.300.000	15.358.025	985.303	-	54.526.957	35.044.734	116.361	130.331.380
Transfers to retained earnings		-	-	-	-	35.044.734	(35.044.734)	-	-
Increase in non-controlling interest due to consolidation of subsidiary	17	-	-	-	-	-	-	812	812
Transfers to reserves	17	-	3.964.119	-	-	(3.964.119)	-	-	-
Dividends paid	17	-	-	-	-	(38.135.800)	-	(62.308)	(38.198.108)
Total comprehensive income		-	-	(69.950)	-	-	27.782.633	249.772	27.962.455
Balances at 31 December 2009		24.300.000	19.322.144	915.353	-	47.471.772	27.782.633	304.637	120.096.539
Balances at 1 January 2010	17	24.300.000	19.322.144	915.353	-	47.471.772	27.782.633	304.637	120.096.539
Transfers to retained earnings		-	-	-	-	27.782.633	(27.782.633)	-	-
Increase in non-controlling interest due to consolidation of subsidiary	17	-	-	-	-	-	-	91.497	91.497
Transactions with non-controlling interest	17	-	-	-	-	(5.682.172)	-	5.682.172	-
Increase in non-controlling interest due to increase in capital	17	-	-	-	-	-	-	5.787.639	5.787.639
Additional contribution to equity related to merger	31	-	-	-	(545.407)	-	-	-	(545.407)
Transfers to reserves	17	-	3.639.865	-	-	(3.639.865)	-	-	-
Dividends paid	17	-	-	-	-	(31.282.015)	-	(112.077)	(31.394.092)
Total comprehensive income	17	-	-	3.125.780	-	-	26.619.503	4.727.709	34.472.992
Balances at 31 December 2010		24.300.000	22.962.009	4.041.133	(545.407)	34.650.353	26.619.503	16.481.577	128.509.168

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

Çelebi Hava Servisi A.Ş.
Consolidated Statements of Cash Flow for the Years Ended 31 December 2010 and 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	2009
Cash flow provided from operating activities			
Profit before tax		46.349.210	39.013.322
Adjustments to reconcile income before tax to net cash provided by operating activities:			
Depreciation and amortization	11, 12	24.584.528	36.216.997
Provision for employment termination benefits	15	3.853.218	6.060.051
Provision for investment consultancy	14	3.134.290	3.440.525
Provision for unused vacation	14	170.236	(109.246)
Provision for sales commissions	14	2.150.184	(9.407)
Provision for borrowing commission expense	14	-	596.732
Expense accrual for DHMI	14	-	(553.933)
Expense accrual for airport authorities	14	16.579.718	238.951
Provision for litigation	14	458.300	64.977
Other provisions	14	3.934.027	778.077
Provision for doubtful receivable	8	844.259	94.363
Change in derivative financial instruments	27	(1.995.308)	(2.221.655)
Interest income	22	(3.268.416)	(5.518.861)
Interest expense	23	10.465.751	7.035.839
Losses/(gains) from sales of property, plant and equipment		(272.904)	(181.741)
Unrecognized foreign exchange differences (income)/expense		544.977	(504.534)
Net profit of non-controlling interest		3.720.122	342.178
Increase in non-controlling interest		5.787.639	-
Increase in non-controlling interest due to consolidation of subsidiary		91.497	812
Additional contribution to shareholders' equity related to merger		(545.407)	-
Cash flow provided before changes in assets and liabilities		**116.585.921**	**84.783.447**
Trade receivables		(5.302.565)	(5.233.699)
Due from related parties		8.601.810	5.313.613
Inventories		(743.413)	682.456
Income taxes paid	24	(14.345.443)	(12.842.491)
Other receivables		(914.382)	1.711.758
Other long-term receivables		(7.031.454)	(3.918.264)
Other current assets		1.423.731	8.582.198
Other non-current assets		(6.619.080)	700.255
Trade payables		1.539.110	3.281.100
Due to related parties		1.832.939	(5.802.692)
Other payables		306	8.398.196
Other current liabilities		(3.615.226)	7.549.484
Other non-current liabilities		(346.611)	(837.963)
Doubtful receivable collections	8	7.189	588.007
Employment termination benefits paid	15	(2.423.842)	(4.781.726)
Vacation benefits paid	14	(134.394)	(312.289)
DHMI agreement share paid	14	-	(11.677.369)
DHMI Expense accrual paid	14	(15.749.824)	-
Borrowing commission expenses paid	14	(596.732)	-
Sales commissions provisions paid	14	(1.645.900)	-
Investment consultancy expenses paid	14	(3.678.382)	-
Litigation provisions paid	14	(36.039)	(52.949)
Other compensations paid	14	(1.103.144)	(478.205)
Net cash generated from operating activities		**65.704.575**	**75.652.867**
Investing activities:			
Purchases of property, plant and equipment	11	(56.618.284)	(24.472.643)
Purchases of intangible assets	12	(10.823.197)	(38.458.365)
Interest received		3.236.006	5.510.888
Purchases of marketable securities		(26.286)	-
Increase due to the addition of subsidiary in the consolidation		-	805.255
Proceeds from sale of property, plant and equipment		883.433	205.842
Net cash used in investing activities		**(63.348.328)**	**(56.409.023)**
Cash flow provided from financing activities:			
Change in borrowings		19.311.358	68.151.937
Change in short-term finance lease obligations		22.394	11.893
Change in long-term finance lease obligations		(80.292)	(80.540)
Dividends paid	17	(31.394.092)	(38.198.108)
Interest paid		(9.929.485)	(6.725.689)
Net cash (used in)/generated from financing activities		**(22.070.117)**	**23.159.493**
Increase in restricted cash and cash equivalents	5	(83.155)	(7.486.030)
Foreign currency translation adjustment		(606.947)	(1.451.495)
Net increase in cash and cash equivalents		**(20.403.972)**	**33.465.812**
Cash and cash equivalents at the beginning of the year	5	**87.092.961**	**53.627.149**
Cash and cash equivalents at the end of the year	5	**66.688.989**	**87.092.961**

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

Çelebi Hava Servisi A.Ş.

Notes to the Consolidated Financial Statements for the Years Ended 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Çelebi Hava Servisi A.Ş. (collectively referred to as the "Company" or "Çelebi Hava") established in 1958 was the first private ground handling service company in the Turkish aviation sector. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc) and fuel supplies to domestic and foreign airlines and private cargo companies. The Company operates in İstanbul Atatürk, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaraş, Balıkesir Edremit, Isparta and Erzincan airports, which are under the control of the State Airports Administration ("DHMI") and İstanbul Sabiha Gökçen airport which is under the control of the Airport Administration and Aviation Industries A.Ş. ("HEAŞ"). The Company is registered with the Capital Markets Board ("CMB") and its shares are quoted on the Istanbul Stock Exchange ("ISE") since 18 November 1996.

The address of the Company is as follows:

Anel İş Merkezi Saray Mahallesi Site Yolu Sokak No: 5 Kat: 9

34768 Ümraniye/İstanbul

The Company has consolidated Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. ("Çelebi IC Yatırım") with 49,99% of shares using the joint-venture consolidation method as of 31 December 2010. Çelebi IC Yatırım was established on 23 March 2004 based on the "Antalya Airport 2nd International Terminal ("Terminal") built, operate and transfer agreement" between the Company and the DHMI on 24 February 2004. Based on this agreement and an additional contract prepared on 10 November 2004, the construction of the building was finished and operations started as of 4 April 2005. Operating of Terminal has ended according to application agreement mentioned above as of 23 September 2009 (Note 12). The other main shareholder of Çelebi IC Yatırım is İçtaş İnşaat Sanayi ve Ticaret A.Ş. with 49,99% of shares. Capital of Çelebi IC Yatırım has decreased from TL 44.004.280 to TL 50.000 based on the resolution of general assembly at 22 July 2010.

The Company has also consolidated Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. ("Çelebi Güvenlik") in which it holds 94,8% of shares. Çelebi Güvenlik maintains security at the Terminal and provides security services to the airline companies.

The Company has also participated in a tender offer as of 7 August 2006 called by the Budapest Airport Budapest Ferihegy Nemzetközi Repülöter Üzemeltetö Zartkörüen Müködö Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleössegü Tarsasag ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a 100% share. The Company was informed of winning the tender offer on 14 August 2006 and participates in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft.") company that was founded on 22 September 2006 as founding shareholder for the realisation of the abovementioned share transfer. Celebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH"). Celebi Kft has share capital of 2.700.000.000 Hungary Forint ("HUF") in which the Company has a share of HUF 1.890.000.000 (70%). The other shares belong to Çelebi Holding A.Ş. which is also the shareholder of the Company. Celebi Kft has been taken over by CGHH with all assets and liabilities and merger transactions have been completed at 31 October 2007 after the completion of the registration, related changes in Articles of Association and General Assembly decisions carried out within the legal framework effective in Hungary Since Celebi Kft owned 100% of CGHH shares before the merger, the Company's share has remained 70% in CGHH share capital which is determined as HUF 900.000.000.

The capital of CGHH has been increased to HUF 910.000.000 after the merger. The Capital of CGHH has been increased to HUF 1.000.000.000 from HUF 910.000.000 in 31 December 2009 and the Company has share capital of HUF 700.000.000 (70%) as of 31 December 2010. Remaining part amounted HUF 300.000.000 (30%) is owned by Çelebi Havacılık Holding A.Ş.

Within the framework of the tender relating to provide ground handling services for 10 years period in Mumbai Chhatrapati Shivaji International Airport in India which resulted in favor of the consortium in which the Company takes part, a joint venture company has been established on 12 December 2008 with a capital of 100.000.000 Indian Rupee (Indian Rupee: "INR") and the title of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai India to provide ground handling services. The Company, as co-founder, has a 51% stake in Celebi Nas and the capital of the company has been increased to INR 400.000.000. Furthermore, INR 100.000.000 capital advances have been paid by shareholders of Celebi Nas.

The Company participated as a co-founders in the company with capital of INR 100.000 under the title Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") to carry out activities relating to the development, modernization, financing and 25-year operation of the existing cargo terminal in the airport ("Brownfield") in New Delhi in India on 6 May 2009, and its capital share in Celebi Delhi Cargo is 74%. The capital of the Celebi Delhi Cargo has been increased to INR 720.000.000.

The equity needed to meet financial requirement of the investments planned and the fulfillment of the requirements arising from the Concession Agreement signed by Celebi Ground Handling Delhi Private Limited ("Çelebi GH Delhi"), established in 18 November 2009, with a paid-in capital amounting to INR100.000 and in which the Company participated at 74%, with the tender authority upon winning the tender opened for the conduct of airport ground handling services in Delhi International Airport for 10 years, was met through a premium capital increase according to the legal legislation in India by paying INR 635.882.000 (approximately USD 12.8 million). The Company has a 74% stake in Celebi GH Delhi.

As of 25 March 2010, the Company participated with 100% ownership in the company which was established in Madrid, Spain under the title "Celebi Ground Handling Europe" ('Celebi Europe') with the capital of EUR 10.000, as a founding partner for the purpose of investing business in foreign countries, especially those in the European Union.

The Company acquired shares of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo"), owning TL 150.000 paid capital, having a nominal value of TL 144.000 from Çelebi Holding A.Ş., with cash amounted to TL 146.880 (1-TL nominal value: 1,02-TL) as of 20 August 2010. Çelebi Kargo was established on 20 November 2008 to provide transporting, freight, cargo storage, and distribution activities. Çelebi Kargo provides cargo storage and handling services in storage and warehouse facilities on rented area with 28.300 m2 closed land in Frankfurt Cargo City Süd by Celebi Cargo Gmbh which is subsidiary of Çelebi Kargo with 100% shares, established in November 2009 located in Frankfurt, Germany. In 2010; the capital of Çelebi Kargo has been increased to TL 9.000.000 with TL 8.500.000 paid capital.

The Company participated 16,67% in the company Delhi Aviation Services Private Limited ("DASL") with capital of INR 1.000.000 under the title Celebi GH Delhi to carry out activities relating to the development, modernization and standardization to the international standards of air-conditioning, power generators and water system on passenger bridges on the airport.

As of 31 December 2010, the consolidated financial statements of the Company include the Company, Çelebi IC Yatırım, CGHH, Çelebi Güvenlik, Celebi Nas, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo and Celebi Cargo GmbH (collectively, referred to as the "Group").

These consolidated financial statements for the period 1 January - 31 December 2010 have been approved for issue by the Board of Directors on 1 April 2011 and signed by Talha Göksel (General Manager) and Ayfer Atlı (Finance Director) on behalf of Board of Directors. The shareholders of the Company have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Çelebi Hava Servisi A.Ş.

Notes to the Consolidated Financial Statements
for the Years Ended 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Subsidiaries:

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

Subsidiary	Country of incorporation	Geographical segment	Nature of business
Çelebi Güvenlik	Turkey	Turkey	Aviation and other security services
CGHH	Hungary	Hungary	Ground handling services
Celebi Delhi Cargo	India	India	Warehouse and cargo services
Celebi GH Delhi	India	India	Ground handling services
Celebi Europe	Spain	Spain	Ground handling services
Çelebi Kargo	Turkey	Turkey	Warehouse and cargo services
Celebi Cargo GmbH	Germany	Germany	Warehouse and cargo services

Joint Ventures:

The Company has the following joint ventures (the "Joint Ventures"). The nature of the business of the Joint Ventures and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

Joint Ventures	Country of incorporation	Geographical segment	Nature of business
Çelebi IC Yatırım	Turkey	Turkey	Airport terminal construction and operating
Celebi Nas	India	India	Ground handling services

Associates:

The Company has the following associates (the "Associates"). The nature of the business of the Associates and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

Associate	Country of incorporation	Geographical segment	Nature of business
DASL	India	India	Ground handling services

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of the Presentation

2.1.1 Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards".

CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué").

This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB those announced at 14 April 2008, 9 January 2009 and 25 October 2010. As per CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 28).

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

The consolidated financial statements have been prepared in Turkish lira ("TL") which is functional currency of the Group based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

Adjustments of the Financial Statements during High Inflation Periods

With a resolution passed on 17 March 2005, CMB has announced that inflation accounting will not apply for those companies operating in Turkey and that have drawn up the financial statements in accordance with CMB Accounting Standards as of 1 January 2005. Therefore, effective as of 1 January 2005, the standard number 29 "Financial Reporting in the Economies with High Inflation" (IAS 29) published by IASB have not been implemented.

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TL, which are the functional currency of the Company and the presentation currency of the Group.

Going Concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

Translation of Financial Statements of Foreign Subsidiaries and Joint Ventures Operating in Foreign Countries

Financial statements of Subsidiaries and Joint Ventures operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Foreign Subsidiaries' and Joint Ventures' assets and liabilities are translated into TL from the foreign exchange rate at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the foreign currency translation differences under the equity.

2.1.2 Amendments in International Financial Reporting Standards ("IFRS")

The Group has applied standards, amendments and interpretations to existing standards published by IASB and IFRIC that are effective as at 1 January 2010 and are relevant to the Group's operations. There are no relevant amendments or interpretations for the Group which have been enforced as of 1 January 2010 and in interim periods subsequent to 1 January 2010.

(a) Standards, amendments and interpretations effective for financial period beginning on 1 January 2010, but not relevant currently for the Group

The standards and amendments listed below introduced to the prior standards have been enforced as of 1 January 2010 and in periods subsequent to 1 January 2010. However, the Group have not early adopted these standards and amendments.

• IFRS 3 (revised), "Business combinations", and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

• IFRIC 17, "Distribution of non-cash assets to owners" (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

• IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

• IFRIC 9, "Reassessment of embedded derivatives and IAS 39, Financial instruments: recognition and measurement", effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "fair value through profit or loss" category. This assessment is to be made based on circumstances that existed on the later date between the date on which the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

• IFRIC 16, "Hedges of a net investment in a foreign operation" effective 1 July 2009. This amendment states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the company should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

• IAS 38 (amendment), "Intangible assets", effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

• IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

• IAS 36 (amendment), "Impairment of assets", effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics).

• IFRS 2 (amendment), "Group cash-settled share-based payment transactions". In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 - Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

• IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

(b) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2010 and have not been early adopted:

• IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

• IAS 24 (Revised),"Related party disclosures", issued in November 2009. It supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed. The revised standard has simplified and clarified the related party description. Furthermore, the revised standard has eliminated the obligation of declaring the relationship between the government business enterprises and other government business enterprises and the government. No impact on the Group's financial statements has been expected.

• "Classification of rights issues" (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

• IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

• "Prepayments of a minimum funding requirement" (amendment to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendment is effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendment should be applied retrospectively to the earliest comparative period presented.

(c) Improvements to IFRS:

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various beginning on 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by EU.

The following improvements to IFRS are not expected to have an impact on the financial statements of the Group:

IFRS 3: Contingent consideration that arose from business combinations with acquisition dates precede the adoption of revised IFRS 3.

IFRS 3: Measurement of non controlling interests.

IFRS 3: Replacement of the acquiree's share-based payment transactions (whether obliged of voluntarily).

IAS 1: Clarification to the statement of changes in equity.

IAS 27: Clarification of the consequential amendments from IAS 27 "Consolidated and separate financial statements" made to IAS 21, IAS 28 and IAS 31.

IFRIC 13 Customer loyalty programmes: The fair value of award credit.

IAS 34 Interim Financial Reporting: Guidance to illustrate how to apply disclosure principles and additional disclosure requirements.

The impact of the improvement to IFRS below on the financial statements is being assessed by the Group:

IFRS 7 "Financial Instruments: Disclosures", effective for annual periods beginning on or after 1 January 2011. This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosure and the nature and the extent of risks associated with financial instruments.

The following amendments to IFRS are not expected to have an impact on the financial statements of the Group:

IFRS7 "Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities" (Amended), is effective for annual period beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additions disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRS.

IAS 12 "Deferred Tax: Recovery of underlying assets" (Amendment), is mandatory for annual period beginning on or after 01 January 2012. IAS 12 has been updated to include

i) a rebutable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the bases that its carrying amount will be recovered through sale and

ii) a requirement that deferred tax on non depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

2.1.3 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Çelebi Hava, its Subsidiaries and its Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b), to (g) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries and Joint Ventures are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies over which the Company has capability to control the financial and operating policies for the benefit of the Company, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself having the power to exercise control over the financial and operating policies.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The table below sets out all Subsidiaries and demonstrates their shareholding structures:

	Direct and indirect shareholding by Çelebi Hava and its Subsidiaries (%)	
Subsidiary	31 December 2010	31 December 2009
Çelebi Güvenlik	94,8	94,8
CGHH	70,0	70,0
Celebi Delhi Cargo	74,0	74,0
Celebi GH Delhi (*)	74,0	-
Celebi Europe (**)	100,0	-
Çelebi Kargo (***)	99,9	-
Celebi Cargo GmbH (****)	100,0	-

(*) Although voting right in Celebi GH Delhi is directly and indirectly 74%, Celebi GH Delhi was accounted as available for sale investment in the consolidated financial statements for the interim period 1 January - 31 March 2010. Taking into consideration, the completion of the organization of Celebi GH Delhi and increase in total assets, Celebi GH Delhi has been consolidated for the first time in the consolidated financial statements as of 30 June 2010.

(**) As of 31 December 2010 Celebi Europe has directly and indirectly 100% voting right. However Celebi Europe has not been consolidated in consolidated financial statements by reason of being immaterial for the consolidated financial statements and the company operations has not started as of 31 December 2010. Thus Celebi Europe has been accounted in held for sale by using cost method (Note 6).

(***) As of 31 December 2010 Çelebi Kargo has directly and indirectly 99,9% voting right. However between 1 January 2010 and 30 September 2010 Çelebi Kargo has not been consolidated in consolidated financial statements but has been accounted in held for sale by using cost method since the company operations has not started as of 30 September 2010. By reason of taking into consideration increasing of total assets for the first time Çelebi Kargo has been consolidated in consolidated financial statements as of 31 December 2010.

(****) As of 31 December 2010 Celebi Cargo GmbH has directly and indirectly 100,0% voting right. However between 1 January 2010 and 30 September 2010 Celebi Cargo GmbH has not been consolidated in consolidated financial statements but has been accounted in held for sale by using cost method since the company operations has not started as of 30 September 2010. By reason of taking into consideration increasing of total assets for the first time Celebi Cargo GmbH has been consolidated in consolidated financial statements as of 31 December 2010.

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company and its Subsidiaries in the Subsidiaries are eliminated from equity and income for the period, respectively. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases where necessary, accounting policies of Subsidiaries have been changed to ensure the consistency with the policies adopted by the Group.

a) Foreign Subsidiaries' assets and liabilities are translated into TL from the foreign exchange rate at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "foreign currency translation differences" under the equity.

b) The non-controlling interest shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and statements of income as "non-controlling interest".

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

c) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Çelebi Hava and one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements.

	Direct and indirect shareholding by Çelebi Hava (%)	
Joint Ventures	31 December 2010	31 December 2009
Çelebi IC Yatırım	49,99%	49,99%
Celebi Nas	51,00%	51,00%

d) For available for sale financial assets under 20% of voting rights or over 20% of voting rights and that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

e) In preparing the consolidated financial statements, all balances and unrealised revenues resulting from intercompany transactions have been eliminated. Unrealized revenue transactions with the joint ventures have been eliminated by the rate of the controlling power of the Group over the Associate. Dividends from the shares the Company owns have also been eliminated from the related equity and income statement accounts.

2.1.4 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards issued by the CMB as described in Note 2.1.1 to these consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, these consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

2.2. Changes in the Accounting Policies

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. There are no important changes in the accounting policies for the period of 1 January - 31 December 2010.

2.3. Changes and Errors in the Accounting Estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

2.4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized below. These accounting policies are applied on a consistent basis for the comparative balances and results, unless otherwise indicated.

2.4.1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value.

2.4.2 Revenue

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognized on an accrual basis at the time the Group sells a product to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold and services given less sales returns, discount and commissions. Rent income is recorded on an accrual basis, while interest income is recorded on an effective interest yield method basis. Dividend income is recorded as income as of the collection right transfer date.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Passenger service income was recognized on an accrual basis, invoiced over amounts determined per traveller with reference to the service contracts to the airport firms or their representatives for the services rendered to the passengers going abroad from the terminal. In accordance with the "Antalya Airport 2nd International Terminal construction, management and transfer agreement" signed between Çelebi IC Yatırım and DHMI and also with the conditions of the contract, the DHMI committed to the foreign lines service revenue from 1.987.734 passengers and agreed USD 15 per person as the foreign line passenger service price. After reaching the guaranteed passenger number in one operating year, the remainder of the passenger income will be transferred to the DHMI.

According to the concession agreement signed by Celebi Delhi Cargo and Delhi International Airport Private Limited ("DIAL") on 24 August 2009, 36% of the income is generated from the operation of the cargo terminal in the airport in New Delhi for 25 years, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Delhi Cargo (Note 18).

According to the concession agreement signed by Celebi Nas and Mumbai International Airport Private Limited ("MIAL") on 14 November 2008, 15% of the income is generated from the airport ground services provided in the airport in Mumbai for 10 years, belongs to MIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Nas (Note 18).

According to concession agreement signed by Celebi GH Delhi and Delhi International Airport Private Limited ("DIAL") on 2 June 2010, comparatively higher amount among 15% of the income which is generated from the airport ground services provided in the airport in New Delhi for 10 years or 12,85% of income based on price ceiling determined by DIAL, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Nas (Note 18).

2.4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, restated to the equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less depreciation for the items purchased after 1 January 2005. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	Useful Lives (Years)
Machinery and equipment	5-20
Motor vehicles	5
Furniture and fixtures	5
Leasehold improvements	15

Depreciation is provided for assets when they are ready for use. Depreciation continues to be provided on assets when they become idle.

Gains or losses on disposals of property, plant and equipment are determined by comparing the carrying amount at financial statements and collected amount and included in the related income or expense accounts, as appropriate.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repair and maintenance costs are charged to the statements of income during the financial year in which they are incurred.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2.4.4 Intangible Assets

Intangible assets are comprised of trademark licenses, patents, Build-Operate-Transfer investments, customer relations and computer software (Note 12).

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included classified in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life (7 Years) and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

c) Computer software (Rights)

Rights arising on computer software are recognized at its acquisition cost. Computer software is amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

d) Build-Operate-Transfer Investments

The amortization of the leasehold improvements related with the construction of the terminal has been conducted using the straight-line method based on the operation period of the terminal.

Çelebi IC Yatırım	54 months
Celebi Nas	10 years
Celebi Delhi Cargo	25 years
Celebi GH Delhi	10 years

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

Celebi Delhi Cargo

An Agreement regarding improvement, modernization, financing and 25 years finite operating rights of the airport located in Delhi city of India has been signed on 24 August 2009. INR 1.200.000.000 deposit had been paid.

Celebi Nas

Operating rights agreement regarding ground services of airport in Mumbai, India for 11 years had been signed on 14 November 2008. INR 200.000.000 had been paid as deposit. On 31 December 2010 INR 12.500.000 of the deposit amount had been paid back.

Celebi GH Delhi

Ground services agreement for 10 years regarding airport in Delhi city of India has been signed on 2 June 2010. INR 400.000.000 deposit has been paid.

According to these concession agreements, the Group has capitalized the differences between the paid deposit and its today's value as build-operate-transfer investment and amortized them during the periods of concession agreements (Note 12).

2.4.5 Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 10).

2.4.6 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

An impairment loss recognized in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

2.4.7 Financial Liabilities and Borrowing Costs

Borrowings are recognized initially at the proceeds received, net off transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings.

International Accounting Standard 23 ("Borrowing Costs") was revised on 29 March 2007 by the IASB. The revised IAS 23 is effective at 1 January 2009. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of those assets. Qualifying assets are assets which require a long period of time to be prepared for its intended use or sale.

2.4.8 Financial Instruments

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a customer are carried at amortized cost (Note 8).

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Financial assets

Financial assets are initially recognized in the consolidated financial statements at their acquisition costs including the operational costs. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale in accordance with the requirements of IAS 39, "Financial Instruments". These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value- is removed from "Financial Assets Fair Value Reserve" in equity and the remained amount recognized as loss in the comprehensive income statement of the period.

The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognized in "Financial Assets Fair Value Reserve" in equity. Gains and losses previously recognized in "Financial Assets Fair Value Reserve" are transferred to the statement of income when such available-for-sale financial assets are derecognized.

Available-for-sale financial assets that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, the fair value of these assets are determined by using valuation techniques. These valuation techniques include taking as a basis the current transactions compatible with market conditions and other similar investment tools and the discount cash flow analyses considering the conditions specific for the company invested in.

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

2.4.9 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.4.10 Deferred Financial Income/Expense

Deferred financial income/expense represents financial income and expenses on credit sales and purchases. These income and expenses are recognised using the effective interest method during the due date of the credit sales and purchases and disclosed under financial income and expenses.

2.4.11 Business Combinations and Goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with IFRS 3.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has been recognized as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. In business combinations, the acquirer recognises identifiable assets (such as deferred tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. The goodwill previously recognized in the financial statements of the acquiree is not considered as an identifiable asset.

Goodwill recognized as a result of business combinations is not amortized and its carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Provisions for goodwill impairment loss are not cancelled at subsequent periods. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted as "effect of transactions under common control" under "Additional contribution to shareholders' equity related to merger".

Transactions with non-controlling interest shareholders

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded from equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

2.4.12 Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of income.

2.4.13 Earnings per Share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

2.4.14 Subsequent events

The Group adjusts the amounts recognized in the consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influences on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2.4.15 Provisions, contingent liabilities and contingent assets

The conditions which are required to be met in order to recognise a provision in the consolidated financial statements are those that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Liabilities or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity should not be recognized as liabilities or assets, however they should be disclosed as contingent liabilities or assets.

2.4.16 Leases

Financial leases

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged as expense to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.4.17 Related Parties

Shareholders who have control or common control on the Group, the companies or associates controlled by or associated to the shareholders, key management personnel and members of the board of directors, their families, the companies or associates controlled by or associated to them are deemed related parties in accordance with the aim of these consolidated financial statements (Note 26).

2.4.18 Segment Reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorized to make decisions regarding the activities of the Group. The organs and persons authorized to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on activity basis such as; ground handling services, airport security services, airport terminal operating and cargo and warehouse services (Note 4).

2.4.19 Discontinued Operations

According to International Financial Reporting Standard 5 ("IFRS 5") "Non-current Assets Held for Sale and Discontinued Operations", the discontinued operation is the part of an entity which either is classified as held-for-sale or has been disposed of and whose activities and cash flows can be treated as separable from the entity's activities and cash flows. Discontinued operations represent separate business or geographical segments, which are part of a plan to sell or dispose, or is a subsidiary acquired for selling.

Net assets of discontinued operations are measured at fair value less cost to sell. An analysis of the revenue, expenses and pre-tax profit or loss of discontinued operations, income tax expense of discontinued operations and the gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed in the notes to the consolidated financial statements. Besides, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are separately disclosed either in the notes or on the face of consolidated cash flows.

2.4.20 Government Incentives and Grants

Government incentives, including non-monetary grants at fair value, are included in the financial statements only if there is reasonable assurance that the Group will fulfill all required conditions and acquire the incentive.

2.4.21 Investment Properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives that until 50 years.

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the recognized of this investment property or fair value less cost to sell.

2.4.22 Taxes on Income

Current and deferred income tax

Taxes on income for the period comprise of current tax and the change in the deferred income taxes. Current taxes on income comprise tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted at the balance sheet date and any adjustment in taxes payable for previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 24).

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly (Note 24).

2.4.23 Employee Benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the joint ventures operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using estimated liability method. All actuarial profits and losses are recognized in consolidated statements of income (Note 15).

2.4.24 Statement of Cash Flows

Cash flows during the period are classified and reported by main, investing and financing activities in the cash flow statements.

Cash flows from main activities represent the cash flows of the Group generated from airport ground handling services, airport construction and operating activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to definite amounts of cash with maturities equal or less than 3 months and which are subject to an insignificant risk of changes in value (Note 5).

2.4.25 Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

2.4.26 Paid-in Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.27 Derivative financial instruments and hedging activities

Derivative financial instruments are subsequently measured at their fair values. The derivative instruments of the Group mainly consist of interest rate exchange and foreign exchange forward contracts.

The Group presents its income and losses regarding with hedging as "hedge fund" under equity. If a hedged undertaking or a tentative activity transposes to an asset or a liability, the related income and losses are added to the cost or carrying value of aforementioned asset or liability. If the added income or losses affect net profit or loss, they are represented in the consolidated statements of income.

The Group should document the Group's risk management objectives, hedging strategies and the relationship between hedging instrument and hedged item. In addition, the Group should regularly document the valuation of effective balance in changes in hedging instruments' fair value and in changes in cash flows.

Since the Group has not performed aforementioned documentation and activity analysis, financial derivative instruments are accounted as "financial derivative instruments held for trading" and reasonable changes in values are presented in the consolidated statements of income.

Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative in consolidated balance sheets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is utilizing observable market data at the valuation process (Note 27).

2.4.28 Comparatives and restatement of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Group at 31 December 2010 has been provided with the comparative financial information of 31 December 2009 and the statement of income, the statement of changes in equity and the statement of cash flows for the year ended 1 January-31 December 2010 have been provided with the comparative financial information, for the year ended 1 January-31 December 2009.

- Advances given: The "Advances given" amounting to TL 5.323.537 indicated under "Other short-term receivables" in the balance sheet, dated 31 December 2009, is shown under "Other current assets" in the financial information presented in comparison with the balance sheet, dated 31 December 2010 (Note 16).

- Capital advances received: The "Capital advances received" amounting to TL 5.781.749 indicated under "Other short-term payables" in the balance sheet, dated 31 December 2009, is shown under "Other current liabilities" in the financial information presented in comparison with the balance sheet, dated 31 December 2010 (Note 16).

- Deposits and guarantees given: The "Deposits and guarantees given" amounting to TL 3.920.651 indicated under "Other non-current assets" in the balance sheet, dated 31 December 2009, is shown under "Other long-term receivables" in the financial information presented in comparison with the balance sheet, dated 31 December 2010 (Note 9).

2.4.29 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net provided that the nature of the transaction or the event will qualify for offsetting.

2.4.30 Share premium

Share premium represents differences resulting from the sale of the Group's Subsidiaries' and Joint Ventures shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

2.5. Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that may have a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

(a) Goodwill impairment tests

As explained in Note 2.4.11, the Group performs impairment tests on goodwill annually at 31 December or more frequently if events or changes in circumstances indicate that it might be impaired. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. These calculations include certained estimations and assumptions. As a result of the impairment tests performed with the use of the above assumptions, no impairment was detected in the goodwill amount as of 31 December 2010 (Note 13).

(b) Impairment of intangible assets

According to the accounting policy stated in Note 2.4.4., the intangible non-current assets are shown with their net value after the deduction of the accumulated depreciation, if any, and the value subtracted from the acquisition costs. As a result of the valuation studies performed at the purchase of 100% of CGHH shares, "Customer Relations" has been considered as an identifiable asset by the Group and shown under the intangible non-current assets. While the terms of the agreements signed by CGHH with its clients are either unlimited or for two to three years, it is seen that the clients continue the agreements for more than two to three years considering the average terms in the sector. The redemption and amortization are determined as seven years according to these estimates; all the important clients of CGHH have continued to work with CGHH since the year it started operations in Budapest and no important level of decrease is expected in the existing market share of CGHH. Thanks to the positive developments in the operations of CGHH, no indicator has been noted relating to whether or not there is a decrease in the registered net book value of the intangible non-current assets which are defined as "Customer Relations" and whose useful life is determined as 7 years (Note 12).

(c) Provisions

As explained in Note 2.4.l5, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the law suits and court cases opened against it at 31 December 2010 and for the ones where the Group estimates more than 50% probability of losing them necessary provisions are accounted for in the consolidated financial statements (Note 14 and Note 30).

(d) Taxes on income

As explained in Note 2.4.22, a provision is recognized for the current year tax liability based on the period results of the Group at the balance sheet date. Tax legislations in the Group's subsidiaries' and joint ventures' operating countries are subject to different manners of interpretation and subject to be altered frequently. Accordingly, the interpretation of tax implications regarding the operations of subsidiaries and joint ventures in foreign countries by the tax authorities may differ from the interpretation of the management. Consequently, the Group may encounter additional taxes, penalties and interests.

As of 31 December 2010, the Group has evaluated the possibility of any tax exposure that may arise in foreign subsidiaries and joint ventures and has not identified any necessity to recognize a provision.

(e) Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognized at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative instruments of the Group mainly consist of interest rate exchange and foreign exchange forward contracts. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is utilizing observable market data at the valuation process.

(f) Deferred tax assets calculated over carry-forward tax losses

Deferred tax asset is booked where there is a probability that a tax advantage can be gained in future periods. Despite of currency forward contract which has been made to deal with risks related to changes in market value of future forecasted cash flows of CGHH, foreign exchange losses caused by decrease in the value of Hungarian Forint against Euro due to ongoing financial crisis in Hungary and international markets has lead to the probability of inability to utilize carry-forward tax losses of CGHH amounted as of 31 December 2010 to TL 13.266.043 (31 December 2009: TL 18.891.845) or completely in an identifiable period of time. Although there has been no expiry date for the utilization of carry-forward tax losses in the Hungarian Tax System, the Company has not accounted for deferred tax asset amounted as of 31 December 2010 to TL 1.923.576 (31 December 2009: TL 3.778.369)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

In addition to, the Celebi Nas has not booked deferred tax amounted to TL 1.389.931 to its financial statements as of 31 December 2010 which is arisen from the carry forward losses amounted to TL 4.089.236 due to the probability of inability to utilize carry-forward tax losses.

Same as above, the Celebi Nas has not booked deferred tax amounted to TL 1.272.735 to its financial statements as of 31 December 2010 which is arisen from the carry forward losses amounted to TL 3.831.521 due to the probability of inability to utilize carry-forward tax losses.

NOTE 3 - JOINT VENTURES

Shares in Joint Ventures

Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. and Celebi Nas as described in Note 2 are the joint venture included in the consolidation by the way of proportionate consolidation. Financial information summary of the joint venture relating to balances included in the consolidated financial statements before the consolidation eliminations is as follows:

	2010	2009
Current assets	16.855.283	91.009.633
Non-current assets	29.360.015	29.310.641
Total assets	**46.215.298**	**120.320.274**
Current liabilities	16.779.550	23.350.333
Non-current liabilities	17.144.282	21.792
Shareholders' equity	12.291.466	96.948.149
Total liabilities and shareholders' equity	**46.215.298**	**120.320.274**

	2010	2009
Sales-net	18.957.876	106.703.303
Gross profit	2.967.259	49.467.921
Operating profit	(772.678)	43.326.975
Net profit for the year	(1.862.364)	38.761.856

NOTE 4 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed by the board of directors, and found effective in strategically decision taking.

Reporting based on total assets has not been presented since it is not in the scope of reports analyzed by top management and found effective in strategically decision taking.

Management assesses the Group's performance on an operating segment basis; Ground Handling Services, Security Services, Terminal Construction and Management. Reportable operating segment revenues are Ground Handling Services, Security Services, Terminal Construction and Management and Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA.

Çelebi Hava Servisi A.Ş.
Notes to the Consolidated Financial Statements for the Years Ended 31 December 2010 and 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The segment information provided to the board of directors as of 31 December 2010 is as follows:

1 January - 31 December 2010

	Reportable Segments					
	Ground Handling Services	Airport Security Services (*)	Airport Terminal Construction and Management	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
Revenue - net	258.250.197	5.464.498	-	84.442.664	(1.151.880)	347.005.479
Cost of sales	(177.948.489)	(3.801.458)	-	(43.643.679)	3.242.130	(222.151.496)
Gross profit	**80.301.708**	**1.663.040**	**-**	**40.798.985**	**2.090.250**	**124.853.983**
General administrative expenses	(51.270.440)	(2.585.361)	(65.548)	(8.425.561)	501.443	(61.845.467)
Addition: depreciation and amortization	21.767.496	39.180	-	2.777.852	-	24.584.528
EBITDA	50.798.764	(883.141)	(65.548)	35.151.276	2.591.693	87.593.044

(*) Note 32

The segment information provided to the board of directors as of 31 December 2009 is as follows:

1 January - 31 December 2009

	Reportable Segments					
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
Revenue - net	228.077.179	11.604.431	51.688.143	25.298.383	(5.577.568)	311.090.568
Cost of sales	(159.349.747)	(8.782.474)	(26.402.922)	(13.410.846)	5.661.824	(202.284.165)
Gross profit	**68.727.432**	**2.821.957**	**25.285.221**	**11.887.537**	**84.256**	**108.806.403**
General administrative expenses	(40.976.213)	(1.051.138)	(2.608.060)	(2.255.138)	129.130	(46.761.419)
Addition: depreciation and amortization	20.134.207	36.520	15.495.744	550.526	-	36.216.997
EBITDA	47.885.426	1.807.339	38.172.905	10.182.925	213.386	98.261.981

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Reconciliation of EBITDA to profit before tax is as follows:

	2010	2009
EBITDA of reportable segments	87.593.044	98.261.981
Depreciation and amortization	(24.584.528)	(36.216.997)
Other operating income	2.064.027	3.044.146
Other operating expense (-)	(11.401.641)	(24.603.601)
Operating Profit	**53.670.902**	**40.485.529**
Financial income	17.955.727	29.030.073
Financial expense (-)	(25.277.419)	(30.502.280)
Profit before tax	**46.349.210**	**39.013.322**

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

Total Assets	2010	2009
Turkey	199.309.641	197.899.612
India	138.246.023	73.291.722
Hungary	60.008.094	70.364.119
Germany	10.181.614	-
Segment Assets (*)	**407.745.372**	**341.555.453**
Unallocated assets	31.765.460	60.060.282
Less: Inter-segment elimination	(80.228.997)	(74.046.218)
Total assets as per consolidated financial statements	**359.281.835**	**327.569.517**

(*) Total combined assets are generally formed of assets that are related with operations and do not include deferred income tax assets, time deposits.

Total Liabilities	2010	2009
Turkey	39.563.519	34.405.986
India	18.840.157	42.741.567
Hungary	11.118.693	12.143.844
Germany	2.324.425	-
Segment liabilities (*)	**71.846.794**	**89.291.397**
Unallocated liabilities	162.042.289	142.100.171
Less: Inter-segment elimination	(3.116.416)	(23.918.590)
Total liabilities as per consolidated financial statements	**230.772.667**	**207.472.978**

(*) Total combined liabilities are generally formed of liabilities that are related with operations and do not include tax provision, deferred income tax liabilities.

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Notes to the Consolidated Financial Statements for the Years Ended 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Geographical Segments

Geographical Analysis for the period 1 January - 31 December 2010

	Turkey	Hungary	India	Germany	Total combined	Intersegment elimination	Total
Revenue	226.360.070	48.356.132	72.290.416	-	347.006.618	(1.139)	347.005.479
Cost of sales	(150.141.858)	(32.078.808)	(39.930.830)	-	(222.151.496)	-	(222.151.496)
Gross profit	76.218.212	16.277.324	32.359.586	-	124.855.122	(1.139)	124.853.983
General administrative expenses	(40.116.559)	(10.899.118)	(11.032.862)	(1.963.421)	(64.011.960)	2.166.493	(61.845.467)
Other operating income/ expenses - net	(6.987.435)	(119.630)	(107.542)	42.347	(7.172.260)	(2.165.354)	(9.337.614)
Operating profit	**29.114.218**	**5.258.576**	**21.219.182**	**(1.921.074)**	**53.670.902**	**-**	**53.670.902**

Geographical Segments

Geographical Analysis for the period 1 January - 31 December 2009

	Turkey	Hungary	India	Germany	Total combined	Intersegment elimination	Total
Revenue	255.920.894	49.311.797	5.860.581	-	311.093.272	(2.704)	311.090.568
Cost of sales	(164.163.317)	(35.255.317)	(2.868.035)	-	(202.286.669)	2.504	(202.284.165)
Gross profit	91.757.577	14.056.480	2.992.546	-	108.806.603	(200)	108.806.403
General administrative expenses	(33.675.690)	(9.596.151)	(3.493.847)	-	(46.765.688)	4.269	(46.761.419)
Other operating income/ expenses - net	(21.357.222)	(225.499)	27.335	-	(21.555.386)	(4.069)	(21.559.455)
Operating profit	**36.724.665**	**4.234.830**	**(473.966)**	**-**	**40.485.529**	**-**	**40.485.529**

NOTE 5 - CASH AND CASH EQUIVALENTS

	2010	2009
Cash	78.073	74.217
Banks		
- time deposit	31.765.460	59.879.331
- demand deposit	42.456.161	34.647.632
	74.299.694	**94.601.180**

Effective interest rates on TL, Euro, USD and INR denominated time deposits at 31 December 2010 are 6.84%, 1,19%,1.83% and 6,5% (31 December 2009: TL 7,84%, Euro 1,46%, USD 1,54%, INR 1,5%) respectively. The maturity days on TL, Euro and USD denominated time deposits as of 31 December 2010 are 1-17 days for TL and INR, 1-23 days for Euro and USD (31 December 2009: TL, Euro and USD 1-23 days, INR 1-7 days).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at 31 December 2010 and 2009 is as follows:

	2010	2009	2008
Cash and banks	74.299.694	94.601.180	53.638.275
Less: Interest accruals	(41.520)	(22.189)	(11.126)
Less: Restricted cash (*)	(7.569.185)	(7.486.030)	-
	66.688.989	**87.092.961**	**53.627.149**

(*) TL 4.898.791 of the amount represents the collections from the clients kept in mandatory restricted accounts according to the concession agreements signed for the operation of the Cargo terminal in New Delhi Airport in India (31 December 2009: TL 4.241.636). The remaining restricted cash of TL 2.670.394 is kept in the bank as the provision against the bank guarantee given by Çelebi IC Yatırım to DHMI (31 December 2009: TL 3.244.394). The restriction on bank deposits of Çelebi IC Yatırım was cancelled as of 21 January 2011.

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale financial assets:

	31 December 2010		31 December 2009	
	%	TL	%	TL
DASL	16,7%	5.761	-	-
Celebi Europe	100,0%	20.525	-	-
		26.286		**-**

As of 31 December 2010, Celebi Europe and DASL have not been consolidated in consolidated financial statements by reason of being immaterial for the consolidated financial statements and as these subsidiaries have not started their operations their financials are accounted as available for sale financial assets.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - FINANCIAL BORROWINGS

Short-term financial borrowings:

	31 December 2010		
Short term bank loans	Effective interest rate (%)	Original amount	TL
Euro loans	6,25%	1.000.000	2.049.100
			2.049.100
Short-term portion of long-term loans:			
Interest expense accrual - USD		125.232	193.609
Interest expense accrual - Euro		327.286	670.641
Interest expense accrual - INR		25.382.326	877.467
USD loans	4,49%	2.000.000	3.092.000
INR loans	13,35%	102.026.555	3.527.058
Euro loans	4,17%	8.852.342	18.139.335
			26.500.110
Short-term finance lease obligations - USD		75.594	116.869
Short-term financial borrowings			**28.666.079**
Long-term financial borrowings:			
USD loans	4,49%	4.000.000	6.184.000
INR loans	12,41%	1.545.511.600	53.428.336
Euro loans	3,75%	34.046.172	69.764.011
			129.376.347
Long-term finance lease obligations - USD		31.829	49.208
Long-term financial borrowings			**129.425.555**
Total financial borrowings			**158.091.634**

	31 December 2010		31 December 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term bank loans	129.425.555	122.046.301	102.446.246	102.080.636

The fair value of current loans equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6,88% (31 December 2009: 10,00%). The fair values of short-term bank loans are considered to approximate their carrying values.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Short-term financial borrowings:

	31 December 2009		
	Effective interest rate (%)	Original amount	TL
Short-term bank loans:			
Euro loans	1,58%	2.000.000	4.320.600
			4.320.600
Short-term portion of long-term loans:			
Interest expense accrual - Euro	-	102.407	221.229
Interest expense accrual - USD	-	68.258	102.776
Interest expense accrual - INR	-	8.600.590	277.419
USD loans	8,56%	5.500.000	8.281.350
Euro loans	7,56%	10.441.982	22.557.813
			31.440.587
Short-term finance lease obligations - USD		62.745	94.475
Short-term financial borrowings			**35.855.662**
Long-term financial borrowings:			
USD loans	10,00%	6.000.000	9.034.200
INR loans	11,50%	771.500.000	24.885.337
Euro loans	6,46%	31.660.977	68.397.209
			102.316.746
Long-term finance lease obligations - USD		86.007	129.500
Long-term financial borrowings			**102.446.246**
Total financial borrowings			**138.301.908**

The redemption schedule of borrowings according to their contractual repricing dates is as follows:

	2010	2009
Less than 3 months	1.224.875	4.344.219
Between 3-12 months	27.441.204	31.511.443
Between 1-5 years	129.425.555	102.446.246
	158.091.634	**138.301.908**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The redemption schedule of the long-term bank loans as of 31 December 2010 and 2009 is as follows:

	2010	2009
2010	-	30.250.893
2011	31.816.533	16.480.646
2012	41.564.436	17.429.357
2013	24.932.172	20.811.861
2014 and over	31.063.206	17.343.989
	129.376.347	**102.316.746**

The redemption schedule of the financial lease obligations as of 31 December 2010 and 2009 is as follows:

	31 December 2010			31 December 2009		
	Minimum lease payments	Interest	Total obligation	Minimum lease payments	Interest	Total obligation
Less than 1 year	127.526	(10.657)	116.869	113.485	(19.010)	94.475
1 to 2 years	35.261	(7.760)	27.501	112.747	(8.307)	104.440
2 to 3 years	14.916	(1.658)	13.258	22.887	(762)	22.125
4 years and over	2.033	6.416	8.449	3.073	(138)	2.935
	179.736	**(13.659)**	**166.077**	**252.192**	**(28.217)**	**223.975**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	2010	2009
Short-term trade receivables		
Trade receivables	29.887.826	24.599.556
Less: Provision for doubtful receivables	(3.207.136)	(2.377.172)
	26.680.690	**22.222.384**

The maturities of trade receivables are generally less than one month as of 31 December 2010 (31 December 2009: less than one month). The fair value of current trade receivables as of 31 December 2010 and 2009 equals their carrying amount as the impact of discounting is not significant.

The Group's previous experience in the collection of receivables has been considered in the provisions booked. Therefore, the Group does not foresee any additional receivable risk for the possible collection losses.

Movement of provision for doubtful receivables is as follows:

	2010	2009
Opening balance	2.377.172	2.873.453
Current year charge	844.259	94.363
Foreign currency translation differences	(7.106)	(2.637)
Collections and reversal of provisions	(7.189)	(262.894)
Write-off of uncollectible trade receivables	-	(325.113)
Closing balance	**3.207.136**	**2.377.172**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Credit risks exposed by the Group for each financial instrument type as of 31 December 2010 and 2009 as below:

	Trade Receivables		Other Receivables		
31 December 2010	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	107.917	26.680.690	1.813.150	3.343.009	74.221.621
- Credit risk covered by guarantees	-	*1.974.248*	-	-	-
Net carrying value of financial assets either are not due or not impaired	105.499	17.253.064	1.813.150	3.343.009	74.221.621
Net carrying value of financial assets which are overdue but not impaired	2.418	9.427.626	-	-	-
- Amount of risk covered by guarantees	-	1.897.550	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	3.207.136	-	-	-
- Impairment amount (-)	-	(3.207.136)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

	Trade Receivables		Other Receivables		
31 December 2009	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	177.637	22.222.384	10.345.240	2.428.627	94.526.963
- Credit risk covered by guarantees	-	*635.772*	-	-	-
Net carrying value of financial assets either are not due or not impaired	23.208	17.796.224	10.345.240	2.428.627	94.526.963
Net carrying value of financial assets which are overdue but not impaired	154.429	4.426.160	-	-	-
- Amount of risk covered by guarantees	-	596.357	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	2.377.172	-	-	-
- Impairment amount (-)	-	(2.377.172)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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Aging which is prepared considering the overdue days of overdue receivables that are not impaired including receivables from related parties is as follows:

	2010	2009
Up to 1 month	6.426.305	3.077.774
1 to 3 months	1.607.351	556.408
3 to 12 months	1.086.431	864.984
1 to 5 years	309.957	81.423
	9.430.044	**4.580.589**

Aging of overdue receivables that are not impaired including receivables from related parties is as follows:

	Trade receivables	
31 December 2010	**Related party**	**Other**
Overdue 1-30 days	2.418	6.423.887
Overdue 1-3 months	-	1.607.351
Overdue 3-12 months	-	1.086.431
Overdue 1-5 years	-	309.957
Amount of risk covered by guarantees	**-**	**1.897.550**

	Trade receivables	
31 December 2009	**Related party**	**Other**
Overdue 1-30 days	-	3.077.774
Overdue 1-3 months	-	556.408
Overdue 3-12 months	152.030	712.954
Overdue 1-5 years	2.399	79.024
Amount of risk covered by guarantees	**-**	**596.357**

Short-term trade payables

	2010	2009
Trade Payables	**15.960.633**	**14.421.523**

The fair value of short-term trade payables as of 31 December 2010 and 2009 equals their carrying amount as the impact of discounting is not significant.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	2010	2009
Other short-term receivables		
Receivables from Tax Office	2.415.452	306.071
Deposits and guarantees given (*)	875.098	2.033.250
Other short-term receivables	52.459	89.306
	3.343.009	**2.428.627**

(*) As of 31 December 2010, TL 805.921 of TL 875.098 deposits and guarantees given consist of guarantees given for purchase of equipment for Celebi Nas. As of 31 December 2009 TL 1.466.979 of TL 2.033.250 deposits and guarantees given is consists of cash payment to MIAL for guarantees and other purposes (INR 25.500.000).

	2010	2009
Other long-term receivables		
Deposits and guarantees given (*)	10.943.021	3.920.651
Other long-term receivables	9.084	-
	10.952.105	**3.920.651**

(*) As of 31 December 2010, TL 5.957.156, TL 3.028.176, and TL 1.957.689 are paid respectively for Celebi GH Delhi, Celebi Delhi Cargo and Celebi Nas to local authorities, local firms, banks in terms of deposits and guarantees. As of 31 December 2009, TL 3.918.266 of the related amount; TL 2.287.537 and TL 1.630.729 are paid for Celebi Delhi Cargo and Celebi Nas respectively in terms of deposits and guarantees to local authorities, local firms, and banks.

	2010	2009
Other short-term payables		
Other short-term payables (*)	7.350.277	8.137.545
Deposits received	142.864	-
	7.493.141	**8.137.545**

(*) As of 31 December 2010, TL 1.705.181 of the related amount is resulted from payables from Çelebi IC to IC İçtaş and TL 5.634.001 of the related amount is resulted from payables from Celebi Delhi Cargo to DIAL in accordance with concession agreement between firms. As of 31 December 2009, TL 4.372.692 of the related amount is resulted from borrowing of Celebi Nas from Sovika and Nas Aviation. TL 3.764.853 amount is resulted from payable of Celebi Delhi Cargo to DIAL.

	2010	2009
Other long-term payables		
Deposits and guarantees received	**977.029**	**332.319**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - INVENTORIES

	2010	2009
Trade goods	516.496	384.317
Other inventories	3.985.313	3.374.079
	4.501.809	**3.758.396**

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

The cost of inventories recognized as expense and included in "cost of sales" is amounted to TL 483.151 at 31 December 2010 (31 December 2009: TL 224.845).

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the year ended 31 December 2010 are as follows:

	Opening 1 January 2010	Additions due to merger of subsidiary	Additions	Disposals	Transfers	Foreign currency translation adjustments	Closing 31 December 2010
Cost							
Plant, machinery and equipment	136.689.154	-	27.725.121	(606.536)	403.484	1.622.035	165.833.258
Vehicles	21.253.687	-	5.377.531	(310.855)	-	(932.570)	25.387.793
Furniture and fixtures	13.652.338	-	1.616.063	(30.669)	-	(47.717)	15.190.015
Leasehold improvements (*)	74.441.639	-	6.904.561	(102.363)	1.863.845	24.536	83.132.218
Construction in progress	127.947	5.470.078	7.100.500	-	(349.899)	(160.102)	12.188.524
Advances given	1.927.803	-	7.894.508	-	(1.917.430)	431.464	8.336.345
	248.092.568	**5.470.078**	**56.618.284**	**(1.050.423)**	**-**	**937.646**	**310.068.153**
Accumulated depreciation							
Plant, machinery and equipment	(90.588.850)	-	(8.462.884)	416.513	-	(108.058)	(98.743.279)
Vehicles	(10.877.028)	-	(2.886.909)	126.491	-	485.883	(13.151.563)
Furniture and fixtures	(11.631.432)	-	(914.649)	30.516	-	47.206	(12.468.359)
Leasehold improvements (*)	(32.663.847)	-	(5.216.468)	1.135	-	(1.068)	(37.880.248)
	(145.761.157)	**-**	**(17.480.910)**	**574.655**	**-**	**423.963**	**(162.243.449)**
Net book value	**102.331.411**						**147.824.704**

(*) The land plots where the stations were constructed by the Group in the airports within which it operates were rented from the DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 December 2010 the net book value of these stations was TL 44.747.973. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

(**) Note 31

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

For the year ended as at 31 December 2010, TL 4.490.081 of depreciation expense is included in operating expenses TL 12.990.829 of the depreciation is included in cost of sales. Plant, machinery and equipment include financial leasing assets which have TL 564.197 net book value as of 31 December 2010.

Movements in property, plant and equipment for the year ended 31 December 2009 are as follows:

	Opening 1 January 2009	Additions	Disposals	Transfers	Foreign currency translation adjustments	Closing 31 December 2009
Cost						
Plant, machinery and equipment	124.111.791	14.303.053	(82.574)	(1.876.547)	233.431	136.689.154
Vehicles	20.773.498	1.143.667	(350.941)	-	(312.537)	21.253.687
Furniture and fixtures	13.178.621	626.408	(30.973)	(108.958)	(12.760)	13.652.338
Leasehold improvements (*)	66.333.945	4.788.278	(166.609)	3.483.022	3.003	74.441.639
Construction in progress	-	124.632	-	-	3.315	127.947
Advances given	15.423	3.486.605	-	(1.574.225)	-	1.927.803
	224.413.278	**24.472.643**	**(631.097)**	**(76.708)** (**)	**(85.548)**	**248.092.568**
Accumulated depreciation						
Plant, machinery and equipment	(85.479.461)	(7.119.734)	67.359	1.953.127	(10.141)	(90.588.850)
Vehicles	(8.481.838)	(2.741.936)	314.591	-	32.155	(10.877.028)
Furniture and fixtures	(10.884.815)	(888.222)	30.580	107.924	3.101	(11.631.432)
Leasehold improvements (*)	(25.973.140)	(4.642.372)	12.725	(2.061.051)	(9)	(32.663.847)
	(130.819.254)	**(15.392.264)**	**425.255**	**-**	**25.106**	**(145.761.157)**
Net book value	**93.594.024**					**102.331.411**

(*) The land where the stations were constructed by the Group in the airports within which it operates was rented from the DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 December 2009 the net book value of these stations was TL 38.511.896. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

(**) Comprised of transfers to intangible assets.

For the year ended as at 31 December 2009, TL 2.797.360 of depreciation expense is included in operating expenses TL 12.594.904 of the depreciation is included in cost of sales. Plant, machinery and equipment includes financial leasing assets which have TL 640.220 net book value as of 31 December 2009.

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

Movements in intangible assets for the year ended 31 December 2010 are as follows:

	Opening 1 January 2010	Additions due to purchase of subsidiary (**)	Additions	Disposals	Transfers	Foreign currency translation adjustments	Closing 31 December 2010
Cost							
Rights	558.605	-	238.858	-	-	7.034	804.497
Customer relations	31.621.494	-	-	-	-	(2.193.168)	29.428.326
Software	3.946.531	59.136	1.936.232	-	-	(24.359)	5.917.540
Build-operate-transfer Investments (*)	38.492.635	-	8.648.107	-	-	3.234.119	50.374.861
	74.619.265	59.136	10.823.197	-	-	1.023.626	86.525.224
Accumulated amortization							
Rights	(536.080)	-	(12.571)	-	-	859	(547.792)
Customer relations	(14.384.938)	-	(4.124.197)	-	-	917.846	(17.591.289)
Software	(2.827.524)	(5.676)	(506.675)	-	-	15.846	(3.324.029)
Build-operate-transfer investments	(328.568)	-	(2.460.175)	-	-	(157.971)	(2.946.714)
	(18.077.110)	(5.676)	(7.103.618)	-	-	776.580	(24.409.824)
Net book value	56.542.155						62.115.400

(*) TL 37.389.567 which is difference between discounted present value of deposits paid with interest rate,11.46%, and the deposit amounting to INR 1.200.000.000, paid in accordance with the concession agreement on the development, modernisation, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. The deposit amounted to INR 200.000.000 which has paid within the framework of concession agreement signed for handling services at airport in Mumbai for 10 years, and the difference between discounted present value of deposit paid with interest rate 13,41% which is amounted to TL 1.754.085 has been capitalized as Build-Operate-Transfer investment and it will be amortized in 10 year until operations end in mentioned airport. In addition, TL 8.284.494 which is difference between discounted present value of deposits paid with interest rate,10.82%, and the deposit amounting to INR400.000.000 paid in accordance with the concession agreement on the development modernisation, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

(**) Note 31

Amortization expense for the year ended 31 December 2010 in the amount of TL 1.824.609 and TL 5.279.009 are included in operating expenses and cost of sales.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Movements in intangible assets for the period ended 31 December 2009 are as follows:

	Opening 1 January 2009	Additions	Disposals	Transfers	Foreign currency translation adjustments	Closing 31 December 2009
Cost						
Rights	555.958	2.647	-	-	-	558.605
Customer relations	32.240.377	-	-	-	(618.883)	31.621.494
Software	3.376.610	575.225	-	-	(5.304)	3.946.531
Build-operate-transfer investments (*)	87.856.923	37.880.493	(88.318.762) (**)	76.708	997.273	38.492.635
	124.029.868	**38.458.365**	**(88.318.762)**	**76.708**	**373.086**	**74.619.265**
Accumulated amortization						
Rights	(531.230)	(4.850)	-	-	-	(536.080)
Customer relations	(10.060.713)	(4.388.974)	-	-	64.749	(14.384.938)
Software	(2.379.656)	(447.783)	-	-	(85)	(2.827.524)
Build-operate-transfer investments	(72.655.691)	(15.983.126)	88.318.762	-	(8.513)	(328.568)
	(85.627.290)	**(20.824.733)**	**88.318.762**	-	**56.151**	**(18.077.110)**
Net book value	**38.402.578**					**56.542.155**

(*) As of 31 December 2009, due to the agreement signed related to the construction of Antalya Airport 2. International Terminal with respect to the terminal building operation and transfer processes between Çelebi IC Yatırım and the DHMI, the Group depreciated the leasehold improvements related to the terminal building and net book value has become zero since the building process has ended as of 23 September 2009.

(**) TL 35.546.813 which is difference between discounted present value of deposits paid with interest rate, 11,46%, and the deposit amounting to INR 1.200.000.000, paid in accordance with the concession agreement on the development, modernisation, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India on 6 May 2009, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport.

Amortization expense for the year ended 31 December 2009 in the amount of TL 3.784.646 and TL17.040.087 are included in operating expenses and cost of sales.

NOTE 13 - GOODWILL

Positive goodwill at 31 December 2010 and 2009 is as follows:

	2010	2009
Goodwill due to acquisition of CGHH	17.242.957	18.528.001

The Company participated in the tender offer on 7 August 2006 opened by the Budapest Airport Budapest Ferihegy Nemzetközi Repülöter Üzemeltetö Zartkörüen Müködö Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleössegü Tarsasag ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a 100% share. The company was informed of winning the tender offer on 14 August 2006 and is participating in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft.") company founded on 22 September 2006 as a founding shareholder for the realization of the abovementioned share transfer. The trade name of the company BAGH was changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH") after the acquisition dated 26 October 2006.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

After the studies of the independent valuation company named American Appraisal Hungary Ltd., fair value of the net assets of CGHH was determined to be TL 31.287.893 as of 26 October 2006 and acquired by Celebi Kft at a price of TL 49.448.419 which is the TL equivalent of 6.691.261 thousand Hungarian Forint (EUR25.593.870). The acquisition has been accounted for according to the clauses of IFRS 3 "Business Combinations" and the goodwill amounting to TL 18.160.526 projected after the acquisition has been reflected in the financial statements at 31 December 2006. At 31 December 2006 after finalizing the completion statements the final purchase price of the Company has been determined to be less than the amount paid by TL 827.657.

The goodwill resulting from the acquisition of CGHH arises from the difference between the fair values and purchasing values at the purchase date of the identifiable assets, liabilities and contingent liabilities belonging to CGHH. It is assumed that there is no impairment as of 31 December 2007 related to the goodwill amount arising from this purchase since the transaction was realised at a time close to the balance sheet date, and the purchase price was determined through a sealed tender. Goodwill details relating to the acquisition of CGHH are below:

Acquisition amount	49.448.419
Less: Fair values of assets, liabilities and contingent liabilities	(31.287.893)
Final purchase price adjustment	(827.657)
Currency translation adjustment	(89.912)
Goodwill	**17.242.957**

Impairment tests for goodwill

The whole amount of goodwill is related to the acquisition of BAGH company by Celebi Kft at 26 October 2006. Due to this acquisition, all assets and liabilities of Celebi Kft have been taken over by CGHH. The Group management considers the synergy to be created by the important market position of CGHH at Hungary with Çelebi Hava as the main reason for the goodwill. Accordingly, the Group management allocated the said goodwill amount to CGHH, which is the only one cash generating unit.

The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group's ten-year business plans. Those projections are calculated the growth rate expected to be realized after ten years is assumed to be 1%. The fair value of Euro amount is calculated in terms of Hungarian Forint which valuated with the exchange rates at the balance sheet date. Thus, the fair value model is affected from the fluctuations at currency markets. If all other variables had remained constant as of 31 December 2010, the change of Euro against Hungarian Fronti 10% causes a change of TL 48.289 thousand in the fair value calculations. (31 December 2009: 4.399 thousand TL).

Other assumptions used in fair value calculation model are as follows:

	2010	2009
Gross profit margin	**34%**	**28%**
Discount rate	**12,2%**	**11,8%**

The group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The weighted average growth rates used are in line with the estimations stated at industry reports. The discount rate used is the before-tax discount rate and includes the company-specific risks.

As a result of the impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 December 2010.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

	2010	2009
Short-term provisions		
Provision for investment consultancy (*)	2.937.400	3.440.525
Accrued sales commissions	1.795.263	1.290.979
Provision for unused vacation	1.302.657	1.266.815
Provision for cargo subcontractor commissions	1.068.845	238.951
Provision for litigation	866.736	444.475
Provision for borrowing commission expenses	-	596.732
Other (**)	3.615.838	778.077
	11.586.739	**8.056.554**

(*) The aforementioned provisions arise from the fees for the services received in the scope of the investments made via tenders participated in abroad by Çelebi Hava in 2009 and 2010.

(**) Other provisions are comprised of electricity, security, maintenance, customs and cargo services rendered by the Group.

Movements of short term provisions as of 31 December 2010 are as follows:

	Provision for investment consultancy	Provision for unused vacation	Accrued sales commissions	Provision for borrowing commission expense	Provision for litigation	Provision for cargo subcontractor commissions	Other provisions	Total
1 January 2010	**3.440.525**	**1.266.815**	**1.290.979**	**596.732**	**444.475**	**238.951**	**778.077**	**8.056.554**
Increase during the year	3.134.290	2.064.694	2.150.184	-	458.300	16.579.718	3.934.027	28.321.213
Payments during the year	(3.678.382)	(134.394)	(1.645.900)	(596.732)	(36.039)	(15.749.824)	(1.103.144)	(22.944.415)
Usage during the year	-	(1.894.458)	-	-	-	-	-	(1.894.458)
Exchange difference	40.967	-	-	-	-	-	6.878	47.845
31 December 2010	**2.937.400**	**1.302.657**	**1.795.263**	**-**	**866.736**	**1.068.845**	**3.615.838**	**11.586.739**

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Contingent assets and liabilities of the Group

	2010	2009
Guarantees received:		
Guarantee letters	7.037.993	2.246.206
Guarantee notes	2.496.489	1.737.198
Guarantee cheque	1.264.304	1.271.469
	10.798.786	**5.254.873**
Guarantees given:		
Collateral	169.350.842	99.923.175
Guarantee letters	30.798.866	30.238.538
Share pledge (Note 26)	25.761.721	5.551.000
	225.911.429	**135.712.713**

The Company has contingent assets amounting to TL 1.547.948 due to the legal cases in favour of the Company and contingent liabilities amounting to TL 45.145.614 due to the legal cases and enforcement proceedings against the Company as of 31 December 2010. TL 41.062.644 portion of contingent liabilities are comprised of legal cases and enforcement proceedings related with the fire in warehouse (Note 30) in which Company is a sole defendant and co-defendant with the DHMI, other warehouse management companies and insurance companies.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The details of collaterals, pledges and mortgages ("CPM") of the Group at 31 December 2010 and 2009 are as follows:

		31 December 2010		31 December 2009	
Collaterals, pledges and mortgages given by the Group	Original Currency	Amount	TL Equivalent	Amount	TL Equivalent
A. CPM given on behalf of the Company's legal personality			20.474.406		14.080.462
	TL	4.920.494	4.920.494	5.678.394	5.678.394
	Euro	1.949.070	3.993.840	630.623	1.362.335
	USD	1.932.307	2.987.347	2.221.382	3.344.733
	Indian Rupee	148.500.000	5.133.645	-	-
	Hungarian Forint	466.000.000	3.439.080	466.000.000	3.695.000
B. CPM given on behalf of fully consolidated subsidiaries			184.294.523		99.989.751
	TL	-	-	-	-
	Euro	20.028.960	41.041.342	17.572.071	37.960.946
	USD	6.678.176	10.324.460	10.731.271	16.158.075
	Indian Rupee	3.695.768.600	127.762.721	1.250.000.000	40.319.730
	Hungarian Forint	700.000.000	5.166.000	700.000.000	5.551.000
C. CPM given for continuation of its economic activities on behalf of third parties			-		-
D. Total amount of other CPM			21.142.500		21.642.500
i. Total amount of CPM given on behalf of the majority shareholder	TL	21.142.500	21.142.500	21.642.500	21.642.500
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-	-	-
			225.911.429		135.712.713

The ratio of other collaterals, pledges and mortgages given by the Group to equity of the Group 16,5% as of 31 December 2010 (31 December 2009: 18%).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - EMPLOYEE BENEFITS

	2010	2009
Short term provisions:		
Provision for employee termination benefits (*)	900.492	-

(*) Due to withdrawal of some security services operations of Çelebi Güvenlik, provision for employee termination benefits includes the amount for year 2011.

Long term provisions:		
Provision for employee termination benefits	6.610.155	6.080.473

Provision for employee termination benefits is booked according to the explanations below. There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service, who achieves the retirement age (58 for women and 60 for men), who has charged 25 years of services (20 years for women) and whose employment is terminated without due cause, is called up for military service or who dies.

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable at 31 December 2010 consists of one month's salary limited to a maximum of TL 2.517,01 (31 December 2009: TL 2.365,16) for each year of service.

The liability is not funded, as there is no funding requirement.

According to regulations in India, the Company is required to pay termination benefits to each employee in its subsidiaries and joint ventures who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at 31 December 2010 and the liability is limited to INR 350.000 per employee. Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees. IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2010	2009
Discount rate (%)	4,66	5,92
Turnover rate to estimate the probability of retirement (%)	93,29	94,03

The principal assumption is that the liability ceiling for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 2.623,23 which is effective from 1 January 2010 (1 January 2010: TL 2.427,04) has been taken into consideration in the calculations. Movement of provision for employee termination benefits is as follows:

	2010	2009
1 January	**6.080.473**	**4.801.860**
Paid during the year	(2.423.842)	(4.781.726)
Increase during the year	3.853.218	6.060.051
Cumulative translated in differences	798	288
31 December	**7.510.647**	**6.080.473**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - OTHER ASSETS AND LIABILITIES

	2010	2009
Other current assets		
Prepaid expenses	5.527.093	3.945.133
Deferred VAT	1.849.145	34.157
Value-added tax ("VAT") to be refunded	1.703.460	1.728.927
Prepaid taxes and funds	38.786	316.981
Advances given to personnel	179.920	206.850
Advances given (*)	16.222	5.340.424
Other	1.039.657	205.542
	10.354.283	**11.778.014**

(*) As of 31 December 2009, TL 5.323.537 of TL 5.340.424 of the advances paid consists of advance payment and interest accrued related to these payments. The advances paid from the Group's joint venture Çelebi IC Yatırım to its 49,99% shareholder IC İçtaş İnşaat San. Ve Tic. A.Ş.

	2010	2009
Other non-current assets		
Prepaid expenses	19.831	754.870
	19.831	**754.870**

	2010	2009
Other current liabilities		
Wages and salaries payable	5.076.423	5.542.254
Social security payables	2.348.397	1.850.967
Order advances received	2.272.007	1.388.437
Taxes and funds payable	1.576.157	1.364.104
Accrued bonus payable	1.277.490	852.323
Short term deferred revenues	237.380	307.054
Capital advances received (*)	-	5.781.749
Value added tax payable	-	207.175
Other miscellaneous payables and liabilities	1.504.990	614.007
	14.292.844	**17.908.070**

(*) As of 31 December 2009, related amount consists of capital advance given from Delhi International Airport Pvt. Ltd to Celebi Delhi Cargo.

	2010	2009
Other non-current liabilities		
Deferred insurance claim recovery (*)	2.319.000	2.258.550
Deferred other revenues	30.136	277.416
	2.349.136	**2.535.966**

(*) The deferred insurance claim recovery amount is comprised of the insurance policy related to the goods of third parties amounting to USD1.500.000 which has been fully collected as of 31 December 2010 and is planned to be utilized by the Company under the circumstances that the Company is found to be liable for the losses incurred during the fire that broke out in Atatürk Airport ("AHL") Terminal C (Note 30).

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NOTE 17 - EQUITY

Share Capital

As of 31 December 2010, the authorized share capital of the Group is TL 24.300.000 comprising of 2.430.000.000 registered shares with a face value each of 1 Kr (31 December 2009: 2.430.000.000 shares).

At 31 December 2010 and 2009, the shareholding structure of the Group is stated below:

	31 December 2010		31 December 2009	
Shareholders	Amount	Share %	Amount	Share %
Çelebi Havacılık Holding A.Ş.	13.299.633	54,73	12.885.383	53,03
Engin Çelebioğlu	2.432.430	10,01	2.432.430	10,01
Can Çelebioğlu	1.822.770	7,50	1.822.770	7,50
Canan Çelebioğlu Tokgöz	1.242.720	5,11	1.820.970	7,49
Other	5.502.447	22,65	5.338.447	21,97
	24.300.000	100,00	24.300.000	100,00

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

In accordance with the Communiqué Serial: XI, No: 29 according to the CMB's announcements clarifying the said Communiqué, "Share Capital", "Restricted Reserves Allocated from Profit" and "Share Premiums" need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- If the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend requirements regulated by CMB applicable to listed companies are as follows:

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the year 2009 (31 December 2009: 20%). According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from operations are required to distribute the initial amount in cash.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 22.962.009 as of 31 December 2010 (31 December 2009: TL 19.322.144).

The equity schedules of the Group at 31 December 2010 and 2009 are as follows:

	2010	2009
Capital	24.300.000	24.300.000
Restricted reserves		
- Legal reserves	22.962.009	19.322.144
Foreign currency translation differences	4.041.133	915.353
Additional contribution to equity related to merger	(545.407)	-
Retained earnings	34.650.353	47.471.772
Net income/loss for the year	26.619.503	27.782.633
Attributable to the equity holders	**112.027.591**	**119.791.902**

Profit distribution of the company for year 2010, according to CMB regulations and Statutory Record (Tax Procedural Law) are as follows;

	CMB	Statutory
Profit for the year	26.619.503	41.885.965
Grants during the year	5.819.219	-
Grants included net distributable income for calculation of first dividend payment	**32.438.722**	**41.885.965**

Processes with non-controlling interests

According to legal procedures in India, the foreign capital ratio is limited to 74% of total capital. In spite of TL 20.871.058 capital increase of Celebi GH Delhi, shares of the company remained 74%. TL 5.426.475 and TL 255.699 (currency translation difference) payment which are 26% of these payments is recognized under retained earnings.

As Celebi GH Delhi and Çelebi Kargo began operations during year 2010, they are included in consolidation process on 30 June 2010 and 31 December 2010 respectively. TL 91.497 non-controlling interest increase is resulted from the consolidated of these financial entities.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - REVENUE AND COST OF SALES

	2010	2009
Ground handling services	265.472.406	233.699.766
Cargo and warehouse service income	85.424.883	25.298.383
Airport security services	4.314.140	6.031.049
Aviation fuel sold and commission income	7.285	1.005.374
Rent income not related to aviation (*)	-	21.268.490
Passenger service income (**)	-	22.926.822
Contribution income to general expenses (****)	-	4.115.472
Rent income related to aviation (***)	-	2.567.274
Less: Returns and discounts	(8.213.235)	(5.822.062)
Sales revenue - net	**347.005.479**	**311.090.568**
Cost of sales	**(222.151.496)**	**(202.284.165)**
Gross profit	**124.853.983**	**108.806.403**

(*) The rent income, which does not relate to aviation, consists of the rent of certain commercial places and offices.

(**) In accordance with the "Antalya Airport 2nd International Terminal construction, management and transfer agreement" signed between Çelebi IC Yatırım and DHMI and also with the conditions of the contract, the DHMI committed to the foreign lines service revenue from 1.987.734 passengers and agreed USD15 per person as the foreign line passenger service price until the termination date of agreement, 23 September 2009. After reaching the guaranteed passenger number in one operating year, the remainder of the passenger income will be transferred to the DHMI.

(***) Rent income related to aviation comprises income from services such as bridges, desks, water, PCA and 400Hz that Çelebi IC Yatırım obtained in the Second International Terminal Building.

(****) Contribution income comprises rent income from offices and locations leased to Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş. in accordance with the agreement and management plans and contributions to commonly used electricity, heating and other expenses.

NOTE 19 - EXPENSES BY NATURE

	2010	2009
Personnel expenses	(122.564.065)	(111.421.317)
Payments to authorities and terminal managements	(46.931.176)	(36.189.007)
Depreciation and amortization expenses	(24.584.528)	(36.216.997)
Equipment repair, maintenance, fuel and security expenses	(23.912.704)	(12.796.513)
Consultancy expenses	(22.079.394)	(13.933.448)
Travel and transportation expenses	(8.058.400)	(8.566.709)
Insurance premiums	(2.973.555)	(2.434.073)
Taxes and other fees	(609.036)	(1.558.053)
Cost of goods sold (de-icing, spare parts, etc.)	(476.043)	(942.503)
Other expenses	(31.808.062)	(24.986.964)
	(283.996.963)	**(249.045.584)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES

	2010	2009
Personnel expenses	(21.753.483)	(16.572.671)
Consultancy expenses	(21.313.859)	(13.110.527)
Depreciation and amortization	(6.314.690)	(6.582.006)
Payments to authorities and terminal managements	(2.009.935)	(1.103.255)
Travel and transportation expenses	(1.758.423)	(1.631.313)
Equipment repair, maintenance, fuel and security expenses	(1.273.791)	(1.243.514)
Insurance premiums	(397.964)	(652.034)
Taxes and other fees	(282.929)	(968.467)
Other expenses	(6.740.393)	(4.897.632)
	(61.845.467)	**(46.761.419)**

NOTE 21 - OTHER OPERATING INCOME/EXPENSES

	2010	2009
Other operating income:		
Rent income	544.139	814.463
Gain on sale of plant, property and equipment	365.559	388.000
Income from providing of equipments	321.912	-
Income from insurance claims	110.929	261.352
Income from provision withdrawals	-	262.894
Other income	721.488	1.317.437
	2.064.027	**3.044.146**

	2010	2009
Other operating expenses:		
Donation and aid expenses (*)	(5.847.669)	(10.270.960)
Investment consultancy expenses (**)	(3.182.164)	(13.055.761)
Provision for doubtful receivables	(844.259)	(94.363)
Loss on sale of plant property and equipment	(92.655)	(206.259)
Insurance expenses	(31.813)	(72.816)
Other expenses	(1.403.081)	(903.442)
	(11.401.641)	**(24.603.601)**

(*) TL 5.847.669, the amount of donations and aid provided to the foundations established for various purposes, and other persons and institutions were recorded as expenses till 31 December 2010 by the Group. TL 5.306.228 of the mentioned amount consists of the expenditures made by the Company for the construction of the civil aviation school at Erzincan University (31 December 2009: TL 9.698.892).

(**) Related amounts consist of investment consultancy expenses during investing in foreign countries in 2009 and 2010.

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NOTE 22 - FINANCIAL INCOME

	2010	2009
Foreign exchange gains	9.903.207	19.706.703
SWAP contracts valuation income (Note 27)	4.467.150	2.799.243
Interest income	3.268.416	5.518.861
Unincurred financial income	316.954	1.003.099
Other financial income	-	2.167
	17.955.727	29.030.073

NOTE 23 - FINANCIAL EXPENSE

	2010	2009
Foreign exchange losses	(10.735.380)	(19.870.424)
Interest expenses	(10.465.751)	(7.035.839)
SWAP contracts valuation losses (Note 27)	(2.471.842)	(814.215)
Unincurred financial expenses	(514.689)	(427.344)
Other financial expenses	(1.089.757)	(2.354.458)
	(25.277.419)	(30.502.280)

NOTE 24 - TAX ASSETS AND LIABILITIES

	2010	2009
Corporate and income taxes payable	15.697.412	11.007.573
Less: Prepaid current year corporate tax	(14.190.004)	(10.852.134)
Tax provision, net	1.507.408	155.439

	2010	2009
Deferred tax assets	-	180.951
Deferred tax liabilities	(3.950.655)	(3.798.263)
Deferred tax liability - net	(3.950.655)	(3.617.312)

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, the corporation tax rate for the fiscal year 2010 is 20% (31 December 2009: 20%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc) and income tax deductions (like research and development expenses). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends are not subject to withholding tax. Dividends paid to other organizations or individuals are subject to withholding tax at the rate of 15%.Transfer of profit to capital is not accepted as a dividend distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (31 December 2009: 20%). Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

There are numerous exemptions in the Corporation Tax Law concerning the corporations. Those related to the Company are as follows:

Domestic participation exemption:

Dividend income earned from investments in another company's shares is excluded in the calculation of the corporate tax (dividend income gained related to the participation in investment funds and investment trust shares is excluded).

Share premiums exemption:

New share issue premiums, which represent the difference between the nominal and sale values of shares issued by joint-stock companies, are exempt from corporation tax.

Foreign company participation exemption:

The participation income of corporations participating for at least one continuous year of 10% that does not have their legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) up until the date the income is generated and transferred to Turkey and until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike in their country of legal or business centre at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Real estate, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

75% portion of corporations' profits from the sale of participation shares, founding shares, pre-emptive rights and property, which have been in their assets for at least for two years, is exempt from corporate tax provided that these profits are added to share capital and are not withdrawn within five years. Income from the sale is generated until the end of the second calendar year following the year in which sale was realized.

In Hungary, the corporate tax rate is changed from 16% to 20% beginning on 1 September 2006. This additional tax increase is applicable to earnings before tax beginning from the last quarter of the fiscal year 2006 and the increased tax rate was applicable till 2010 since the corporate tax rate is changed to 19% thereafter.

In India, the corporate tax rate in New Delhi and Mumbai are 33,99% and 33,22% in 2010 and 2009 respectively. Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc) and income tax deductions (like research and development expenses).

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Tax expense for the years ended 31 December 2010 and 2009 is presented below:

	2010	2009
- Current year corporate tax	(15.697.412)	(11.007.573)
- Deferred tax income/(expense)	(312.173)	119.062
	(16.009.585)	**(10.888.511)**

The taxes on income for the years ended 31 December 2010 and 2009 are summarized as follows:

	2010	2009
Profit before tax	**46.349.210**	**39.013.322**
Expected tax expense according to parent company (20%)	(9.269.842)	(7.802.664)
Differences in tax rates of subsidiaries	(4.454.205)	337.825
Expected tax expense of the Group	**(13.724.047)**	**(7.464.839)**
Reversal of the unrealisable deferred tax receivables (*)	(1.050.381)	-
Tax effect of non deductible expenses	(1.209.239)	(2.309.142)
Discount stems from donations and aids	1.163.844	2.043.518
Tax effect of exemptions (**)	-	(2.361.408)
Other (***)	(1.189.762)	(796.640)
Current period tax expense of the Group	**(16.009.585)**	**(10.888.511)**

(*) The relevant amount consists of the tax receivables accrued by Celebi Nas in previous years due to the possibility that Celebi Nas cannot benefit within an estimated period and which were not reflected to the records in 2010.

(**) The difference between the expensed amount according to IFRS financial statements and expenses that will not be realised on statutory financial statements

(***) According to Hungary's tax system the amount comprises of tax amount and is paid even if the companies declared loss before tax on statutory financial statements. The amount for CGHH is TL 1.137.467 as of 31 December 2010 (2009: TL 763.401).

Deferred Taxes

The Turkish tax regulation does not allow companies to declare tax declarations if the company consolidates its subsidiaries. For this reason, tax provisions presented in these financial statements are calculated separately for subsidiaries which are fully consolidate.

The Group considers the differences arising from different valuation of the financial statements prepared in accordance with CMB regulations in the calculation of deferred tax assets and liabilities. The differences mainly arise due to the different accounting of income and expenses in line with Tax Laws and CMB Accounting Standards in different periods. In accordance with the method of liabilities based on subsequent differences, the rates for deferred revenue asset and liabilities are 20%, 19%, 33,99%, 33,22% for Turkey, Hungary, India New Delhi and Mumbai respectively.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The taxes on income for the years ended 31 December 2010 and 2009 are summarized as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Non-deductible financial losses (*)	(21.186.799)	(20.238.911)	-	457.868
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	-	814.701	-	(276.917)
Net deferred tax asset			**-**	**180.951**
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	34.625.536	31.601.057	(7.115.320)	(6.320.213)
Provision for employment termination benefits	(6.423.506)	(6.069.359)	1.284.701	1.213.872
Provision for investment consultancy expenses	(2.937.400)	(752.850)	587.480	150.570
Deferred insurance claim recovery	(2.319.000)	(2.258.550)	463.800	451.710
Provision for unused vacation	(1.226.524)	(1.266.815)	245.305	253.363
Accrued sales commissions	(1.629.291)	(1.118.815)	325.858	223.763
Provision for legal claims	(531.271)	(444.475)	106.254	88.895
Personnel bonus accrual	(756.335)	(606.665)	151.267	121.333
Provision for doubtful receivables	-	(49.781)	-	9.956
Other	-	(42.438)	-	8.488
Net deferred tax liability			**(3.950.655)**	**(3.798.263)**

A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. Despite of currency forward contract which has been made to deal with risks related to changes in market value of future forecasted cash flows of CGHH (Note 27), foreign exchange losses caused by decrease in the value of Hungarian Forint against Euro due to ongoing financial crisis in Hungary and international markets has lead to the probability of inability to utilize carry-forward tax losses of CGHH amounted TL 13.266.043 partly or completely in an identifiable period of time. Although there has been no expiry date for the utilization of carry-forward tax losses in the Hungarian Tax System, the Company has not accounted for deferred tax asset amounted to TL 1.923.576 as of 31 December 2010. In addition to, Celebi Nas has not booked deferred tax amounted to TL 1.389.931 to its financial statements as of 31 December 2010 which is arisen from the carry forward losses amounted to TL 1.272.735 due to the probability of inability to utilize carry-forward tax losses.

Deferred tax movement table is as below:

	2010	2009
1 January	**(3.617.312)**	**(3.741.062)**
Foreign currency translation difference	(21.170)	4.688
Current period deferred tax income/(expense)	(312.173)	119.062
31 December	**(3.950.655)**	**(3.617.312)**

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NOTE 25 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Basic earnings per share are determined by dividing net income attributable to shareholders by the weighted average number of issued ordinary shares as below:

	2010	2009
Net income attributable to the equity holders of the parent	26.619.503	27.782.633
Weighted average number of shares with 1 Kr face value each	2.430.000.000	2.430.000.000
Earning per share (Kr)	**0,011**	**0,011**

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties during the periods and a summary of major transactions with related parties during the period are as follows:

i) Balances with related parties

	2010	2009
Due from related parties		
Çelebi Bandırma Uluslararası Limanı İşletmeciliği A.Ş. ("Çelebi Bandırma")	80.677	-
Çelebi Havacılık Holding A.Ş. ("ÇHH") (*)	-	4.793.255
Other	24.432	82.042
	105.109	**4.875.297**

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Due from Joint-ventures

	2010	2009
Çelebi IC Yatırım (**)	1.813.150	-
Celebi Nas (***)	2.808	5.647.580
	1.815.958	**5.647.580**
Due from related parties	**1.921.067**	**10.522.877**

(*) TL 4.766.250 of related amount consists of advances given by joint venture Çelebi IC Yatırım to Çelebi Havacılık Holding A.Ş. and accrued interest relating to these advances as of end of the period (Note 8). The relevant amount has been collected as of 31 December 2010.

(**) As of 31December 2010, related amount consists of receivables due to the decrease in capital of Çelebi IC Yatırım to Çelebi Havacılık Holding A.Ş.

(***) As of 31 December 2010, related amount consists of advances given to Celebi Nas, the Joint-Venture of the Company. The relevant amount consists of the expenses made by Çelebi Hava on behalf of Celebi Nas and capital advances given to Celebi Nas, established in Maharashtra, Mumbai, India.

Due to related parties

	2010	2009
ÇHH	2.158.502	-
Çe-Tur Çelebi Turizm Ticaret A.Ş. ("Çe-Tur")	338.507	597.135
Other	-	66.935
	2.497.009	**664.070**

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ii) Transactions with related parties

	2010	2009
Miscellaneous sales to related parties		
Çelebi Bandırma	605.778	-
Ortadoğu Antalya (*)	516.736	550.777
ÇHH	349.955	416.159
Çelebi Marina ve Yat İşletmeciliği A.Ş.	243.910	240.112
Çelebi IC İşletme	-	336.661
Other	286.578	230.234
	2.002.957	**1.773.943**
Miscellaneous sales to Joint-ventures		
Çelebi IC Yatırım (**)	-	3.295.993
Çelebi Nas	144.236	48.417
	144.236	**3.344.410**
Rent income from related parties		
Çelebi IC İşletme	-	**18.673.779**
Employee and transportation expenses payable to related parties		
Çe-Tur	2.832.396	4.976.867
Çelebi IC İşletme	-	3.098.504
	2.832.396	**8.075.371**
Contribution to holding expenses (***)		
ÇHH	**15.155.729**	**8.680.595**
General expenses contribution income from related companies (****)		
Çelebi IC İşletme	-	**3.734.756**

(*) Due to the transfer of shares hold by Çelebi Holding of Ortadoğu Antalya, the sales and purchase transactions with Ortadoğu Antalya is not classified as related party transactions.

(**) Due to the agreement signed between Çelebi IC Yatırım and DHMI on 24 February 2004 the operation of the Terminal was ended on 23 September 2009. Consequently the operations of Çelebi IC were ended on 23 September 2009.

(***) Contribution paid to Çelebi Havacılık Holding A.Ş. for services (legal counseling, financial consultancy and human resource consultancy) provided to Çelebi Hava Servisi A.Ş. and Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. by Çelebi Havacılık Holding A.Ş. These expenses have been consistently incurred between periods and participations in Çelebi Havacılık Holding A.Ş., in the consideration of criteria such as staff number, company turnover and asset size. (Note 21).

(****) Contribution income comprises of rental income from offices and locations leased to Çelebi IC İşletme in accordance with the agreement and management plans and contributions of the terminal constructed by Çelebi IC Yatırım under the scope of Build-Operate-Transfer of the terminal.

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	2010	2009
Interest received from related parties		
Celebi Nas	37.143	122.760
ÇHH	135.981	927.535
	173.124	**1.050.295**
Other purchases from related parties (*)		
Çe-Tur	2.703.683	2.757.118
ÇHH	1.981.535	1.273.242
Other	154.246	67.967
	4.839.464	**4.098.327**
Other purchases from Joint-ventures		
Çelebi IC Yatırım	-	**401.128**

(*) Other purchases include vehicle rent, organizational cost and other expenses. Purchases ÇHH that are classified under other purchases from related parties are comprised of expenses directly related to the Company that are business development projects and tenders executed and followed up ÇHH.

Dividend paid	2010	2009
ÇHH	16.376.135	19.964.092
Engin Çelebioğlu	3.131.330	3.817.394
Can Çelebioğlu	2.346.499	2.860.609
Canan Çelebioğlu Tokgöz	2.344.181	2.857.784
Other	7.083.870	8.635.921
	31.282.015	**38.135.800**

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Collaterals given in favor of related parties for borrowings as of 31 December 2010 and 2009 are as below:

31 December 2010	Euro	USD	Indian Rupee	Hungarian Forint	TL
ÇHH	-	-	-	-	21.142.500
CGHH (**)	16.028.960	-	-	700.000.000	-
Celebi Nas (*)	-	-	61.200.000	-	-
Celebi Delhi Cargo (***)	-	-	2.382.800.000	-	-
Celebi Delhi GH (****)	-	-	1.251.768.600	-	-
Celebi Cargo GmbH (*****)	4.000.000	-	-	-	-

31 December 2009	Euro	USD	Indian Rupee	Hungarian Forint	TL
Çelebi Havacılık Holding A.Ş.	-	-	-	-	21.142.500
Çelebi Denizcilik A.Ş.	-	-	-	-	500.000
CGHH (**)	17.572.071	-	-	700.000.000	-
Celebi Delhi Cargo (***)	-	-	1.250.000.000	-	-

(*) 15.3% shares of the Company in Celebi Nas, Joint-Venture of the Company, have been pledged in favor of the relevant bank for the financial obligations stipulated by the agreements, signed by the Celebi Nas and a bank, resident in India, comprise INR640.000.000 as cash credit and INR 130.000.000 as non-cash credit for the long-term project finance and INR100.000.000 as cash working capital credit.

(**) CCGH signed an agreement for a project financing borrowing amounting to EUR 28.600.000 and the Group gave a guarantee for 70% of these borrowings and 70% of shares of the Company has putted in pledge in favor of related banks. The unpaid amount of aforementioned borrowing as of 31 December 2010 is EUR 22.898.514 (31 December 2009: EUR 25.102.959).

(***) Celebi Delhi Cargo signed an agreement for bridge loan amounting to INR1.250.000.000 and the Company gave a guarantee for full amount of borrowings to related banks. Also since the bridge loan which signed between Celebi Delhi Cargo, a subsidiary of the Company and a bank resident in India, amounting to INR 1.250.000.000, was transformed into a long-term cash project loan amounting to INR1.850.000.000 has not been used yet, The Company gave corporate guarantee for full amount of the loan to fulfill the financial obligations stipulated in the agreements with relevant banks and all of the 74% shares of the Company (INR 532.000.000) in Celebi Delhi Cargo have been pledged in favor of these banks.

(****) The company has given guarantees for liabilities arised from the borrowing agreement signed for financing of long term projects with resident banks in India, which is amounted to INR750.000.000 as cash, and amounted to INR 500.000.000 as non-cash, the company will pledge the shares which is corresponding to 23,9% of the total shares of company in Celebi GH Delhi with 74% in favor of related banks.

(*****) For borrowing agreements which are EUR 1.000.000 amounted, between Celebi Cargo GmbH and some banks in Germany, Celebi Cargo GmbH has given guarantees and deposits as same amount as the borrowing amount.

Key management compensation:

The Group has determined key management personnel as members of board of directors, general manager and vice general managers. Compensation amounts have been classified as below:

	2010	2009
Short-term benefits	7.145.236	6.632.439
Post-employment benefits	695.239	128.487
	7.840.475	**6.760.926**

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NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS

Long-term derivative financial instruments

	2010	2009
Interest rate swap	3.260.698	3.796.744
Forward currency exchange contracts	1.295.094	3.284.104
	4.555.792	**7.080.848**

The movement of derivative financial instruments as of 31 December 2010 is as follows:

	1 January 2010	Gain (*)	Loss	Foreign currency translation difference	31 December 2010
Interest rate swap	(3.796.744)	267.536	-	268.510	(3.260.698)
Forward currency exchange contracts	(3.284.104)	1.727.772	-	261.238	(1.295.094)
	(7.080.848)	**1.995.308**	**-**	**529.748**	**(4.555.792)**

(*) Net financial gain recorded in the year according to these agreements amounts to TL 1.995.308 (31 December 2009: TL 1.985.028 gain) (Note 22-23).

a) Interest rate swap

Within the framework of the project finance agreement entered into with the banks, CGHH has entered into a interest rate swap (Knock In Radial Swap) corresponding to the amount used for the project amounting to EUR 28.600.000 in order to hedge interest rate risk. Interest rate swap has been made under the conditions mentioned below and the related amount will decrease in line with the payments of project borrowing. As of 31 December 2010, the paid amount of aforementioned borrowing is EUR 5.701.486 (Unpaid amount: EUR 22.898.514).

The actual interest rate for CGHH is 4% as long as Euribor per six months realized below 5,40%. In situations where Euribor realized equals to or greater than 5,40%, a formula will be effective for each remaining maturity dates and a distinct ratio will be calculated for each remaining period.

b) Forward currency exchange contracts

Within the framework of the project finance agreement entered into with the related bank, CGHH has entered into a risk reversal option transaction corresponding to the amount used for the project amounting to EUR 28.600.000 in order to hedge foreign exchange risk. Taking into consideration the cash flow projection presented to the Bank, the Company has made a commitment to sell Euros and to buy Hungarian Forint each month until 31 December 2011. The paid amount of aforementioned borrowing is amounted to EUR 5.701.486. The unpaid amount of borrowing is amounted to EUR 22.898.514.

Details of the terms and conditions of related contract are as follows for the years 2010 and 2011:

Year	Sales price (Hungarian Forint/Euro)	Purchase price (Hungarian Forint/Euro)	Amount Euro
1 year	236	281	16.101.000
			16.101.000

According to agreement signed by the subsidiary of the Company, CCGH, for the project financing borrowing amounting to EUR28.600.000 and 70% of shares of the Company has putted in pledge in favor of related banks.

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NOTE 28 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Group focused to manage miscellaneous financial risks including foreign currency exchange rates and interest rates because of activities of the Group. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects.

Risk management is carried out under policies approved by the Boards of Directors.

Interest rate risk

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

Interest rate positions of the Group at 31 December 2010 and 2009 are as follows:

	2010	2009
Fixed interest rate financial instruments		
Financial Assets		
- *Cash and cash equivalents*	31.765.460	59.879.331
Financial Liabilities	27.849.927	41.658.331
Floating interest rate financial instruments		
Financial liabilities	130.075.630	96.419.602
Derivative financial instruments	4.555.792	7.080.848

If interest rates had been 2% higher or lower and all other variables were held constant, interest income generated from these deposits would increase/decrease by TL 26.487 (31 December 2009: TL 18.852).

Expected repricing and maturity dates have not been presented with an additional statement due to agreement maturity dates of financial assets and liabilities excluding borrowings received are in line with the expected repricing and maturity dates. Maturity analysis of the bank borrowing based on repricing dates as of 31 December 2010 and 2009 are presented at Note 7.

Credit risk

Credit risk consists of cash and cash equivalents, bank deposits and receivables from customers exposed to credit risk. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty (except related parties).

There is no overdue or impaired amount in Group's trade receivables, due from related parties and other receivables as of 31 December 2010 (31 December 2009: None).

Liquidity risk

Cash flow formed by repayment period and amount is managed by considering the amount of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand sufficient and reliable sources of high quality loans are accessible. The Group has long-term financial liabilities amounted to TL 129.425.555 as of 31 December 2010 (31 December 2009: TL 102.446.246) (Note 7).

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The table below demonstrates the Group's liquidity risk arising from financial liabilities:

31 December 2010	Carrying value	Total contractual cash outflow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non derivative financial liabilities						
Financial liabilities	**158.091.634**	**172.196.128**	**1.453.512**	**31.250.579**	**117.435.368**	**22.056.669**
Trade payables						
- Related party	2.497.009	2.497.009	2.497.009	-	-	-
- Other	15.960.633	15.960.633	15.960.633	-	-	-
Other liabilities	8.470.170	8.470.170	142.864	7.350.277	977.029	-

31 December 2009	Carrying value	Total contractual cash outflow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non derivative financial liabilities						
Financial liabilities	**138.301.908**	**152.394.542**	**4.798.465**	**36.029.837**	**85.335.751**	**26.230.489**
Trade payables						
- Related party	664.070	664.070	664.070	-	-	-
- Other	14.421.523	14.421.523	14.421.523	-	-	-
Other liabilities	8.469.864	8.469.864	-	8.137.545	332.319	-

Currency risk

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against Turkish Lira to shareholders' equity is aimed to be controlled under certain limits. Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilizing forward foreign currency transactions. The Group is exposed to foreign exchange rate risk mainly for Euro, USD and INR.

As of 31 December 2010, all other variables held constant, if the TL had been appreciated/depreciated by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 397.537 (31 December 2009: TL 810.796).

As of 31 December 2010, all other variables held constant, if the TL had been appreciated/depreciated by 10% against the Euro, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 6.576.918 (31 December 2009: TL 1.306.437).

As of 31 December 2010, all other variables held constant, if the TL had been appreciated/depreciated by 10% against the INR, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 2.024.835 (31 December 2009: TL 1.327.366).

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for the Years Ended 31 December 2010 and 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Foreign currency denominated assets and liabilities of the Group as of 31 December 2010 and 2009 are as follows:

	2010	2009
Assets denominated in foreign currency	114.490.907	124.826.049
Liabilities denominated in foreign currency (-)	(196.431.617)	(161.656.053)
Net balance sheet position	**(81.940.710)**	**(36.830.004)**
Net foreign currency position of derivative financial instruments (*)	-	-
Net foreign currency position	**(81.940.710)**	**(36.830.004)**

(*) Currency forward contract described in Note 27 has been made to deal with risks related to changes in market value of future forecasted cash flows of the Group in accordance with IAS 39.

The table below summarizes TL equivalent of the Group's foreign currency denominated assets and liabilities as of 31 December 2010 and 2009:

31 December 2010	USD	Euro	Indian Rupee	Other currencies	Total TL
Assets:					
Cash and cash equivalents	9.849.046	22.704.932	30.256.932	9.788.503	72.599.413
Trade receivables	630.123	12.271.448	9.827.238	838.365	23.567.174
Due from related parties	-	-	2.808	-	2.808
Other	36.784	748.143	15.447.573	2.089.012	18.321.512
	10.515.953	**35.724.523**	**55.534.551**	**12.715.880**	**114.490.907**
Liabilities:					
Short term financial liabilities	(3.402.478)	(20.859.076)	(4.404.525)	-	(28.666.079)
Long-term financial liabilities	(6.233.208)	(69.764.011)	(53.428.336)	-	(129.425.555)
Derivative financial instruments	-	(4.555.792)	-	-	(4.555.792)
Trade payables	(1.712.522)	(4.166.080)	(1.029.535)	(1.832.770)	(8.740.907)
Due to related parties	(16.081)	(184.761)	-	-	(200.842)
Short-term provisions	(3.127.030)	(1.124.571)	(4.352.548)	(335.465)	(8.939.614)
Other	-	(839.410)	(12.567.952)	(2.495.466)	(15.902.828)
	(14.491.319)	**(101.493.701)**	**(75.782.896)**	**(4.663.701)**	**(196.431.617)**
Net balance sheet position	**(3.975.366)**	**(65.769.178)**	**(20.248.345)**	**8.052.179**	**(81.940.710)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

31 December 2009	USD	Euro	Indian Rupee	Other currencies	Total TL
Assets:					
Cash and cash equivalents	37.664.148	25.902.774	16.453.654	10.622.110	90.642.686
Trade receivables	1.824.130	9.929.977	2.943.051	5.464.246	20.161.404
Due from related parties	1.393.496	4.254.593	-	-	5.648.089
Other	1.434.507	373	4.754.886	2.184.104	8.373.870
	42.316.281	**40.087.717**	**24.151.591**	**18.270.460**	**124.826.049**
Liabilities:					
Short term financial liabilities	(8.478.601)	(27.099.642)	(277.419)	-	(35.855.662)
Long-term financial liabilities	(9.163.700)	(68.397.209)	(24.885.337)	-	(102.446.246)
Derivative financial instruments	-	(7.080.848)	-	-	(7.080.848)
Trade payables	(858.097)	(1.386.452)	(1.673.315)	(2.894.171)	(6.812.035)
Due to related parties	(16.367)	(19.177)	-	-	(35.544)
Short-term provisions	-	-	(1.415.348)	-	(1.415.348)
Other	(84.066)	(929.351)	(4.868.738)	(2.128.215)	(8.010.370)
	(18.600.831)	**(104.912.679)**	**(33.120.157)**	**(5.022.386)**	**(161.656.053)**
Net balance sheet position	**23.715.450**	**(64.824.962)**	**(8.968.566)**	**13.248.074**	**(36.830.004)**

The table below summarizes TL equivalent of export and import amounts for the years ended 31 December 2010 and 2009:

	2010	2009
Total export amount	2.740.727	2.301.893
Total import amount	25.724.864	10.040.649

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholders' of the Company, in order to maintain or modify capital structure, can change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to decrease financing needs consistent with the regulations of the CMB.

Consistent with others in the industry, the Group monitors capital on the basis of the debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents and deferred tax liability. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Çelebi Hava Servisi A.Ş.

Notes to the Consolidated Financial Statements for the Years Ended 31 December 2010 and 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The ratio of net debt/(equity +net debt) at 31 December 2010 and 2009 is as follows:

	2010	2009
Total financial liabilities	158.091.634	138.301.908
Cash and cash equivalents	(74.299.694)	(94.601.180)
Deferred tax liabilities	(3.950.655)	(3.798.263)
Net debt	79.841.285	39.902.465
Equity	128.509.168	120.096.539
Equity +net debt	208.350.453	159.999.004
Net debt/(equity +net debt) ratio	38%	25%

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value estimation

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

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, not observable inputs) (level 3).

Financial assets including cash and cash equivalents have been carried at cost and the Group foresees the historical cost of short term financial assets equal to its fair value. The carrying value of trade receivables less provision for doubtful receivables is equal to fair value of trade receivables. The Group foresees the historical cost of short term trade payables and other payables is equal to their fair value.

In the balance sheet, derivative financial instrument is the only item that is recognised at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2. Apart from that, for disclosure purposes, the borrowings carried at the amortized cost at the balance sheet are presented with their values in Note 7. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate (Libor) that is available to the Group for similar financial instruments that can be classified as level 2. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The Group's assets and liabilities quantified as fair values at 31 December 2010 and 2009 are as below:

31 December 2010	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets	26.286	-	-	26.286
Derivative financial instruments	-	-	4.555.792	4.555.792
- Interest rate swap	-		3.260.698	3.260.698
- Forward currency exchange contracts	-		1.295.094	1.295.094
Total assets	**26.286**	**-**	**4.555.792**	**4.582.078**

31 December 2009	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets	-	-	-	-
Derivative financial instruments	-	-	7.080.848	7.080.848
- Interest rate swap	-		3.796.744	3.796.744
- Forward currency exchange contracts	-		3.284.104	3.284.104
Total assets	**-**	**-**	**7.080.848**	**7.080.848**

NOTE 30 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

The cargo building of the Company located at Atatürk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire that broke out on 24 May 2006.

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage to facility, machinery and equipment of the Company. As of 31 December 2010 some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses and some of them claimed compensation by filing lawsuits against the Company or initiating enforcement proceedings.

Due to the aforementioned fire, a judicial inquiry has been held with the inquiry file 2006/37927 E at the Bakırköy Office of the Directorate of Public Prosecutions, and in accordance with the results of the judicial inquiry criminal prosecution proceedings have been initiated against four DHMI security guards and an Atatürk Airport security guard for responsibility concerning the fire at Bakırköy Third Magistrate Criminal Court Criminal numbered 2006/817 E. The Company has been described as the aggrieved party in the indictment prepared by the Bakırköy Office of the Public Prosecutor. The Company, with all rights related to private law reserved, has submitted a petition to be a participant in the court proceedings for the penalizing of the perpetrators, since it has been described as aggrieved party. Since the reasons and responsibles of fire could not be identified, the court has decided acquittal of the DHMI personnel.

There are legal cases and enforcement proceedings under way amounting to TL 41.062.644: this comprises legal cases and enforcement proceedings amounting to TL 34.748.398 (Note 14) in which the Company is a co-defendant along with the DHMI, other warehouse management companies and insurance companies and legal cases and enforcement proceedings amounting to TL 6.314.246 in which the Company is the sole defendant.

The Company has an insurance policy related to the said goods amounting to USD 1.500.000 which has been fully collected as of 31 December 2010 that is planned to be utilised by the Company if the Company is held legally liable for the losses incurred during the fire.

For the purpose of compensating legal claims related to the fire that broke out on 24 May 2006, the company management has decided to use the insurance policy amounting to USD 10.000.000 in a special fund created in conjunction with the DHMI and other warehouse management company in accordance with the Sharing Agreement signed with same parties. The Sharing Agreement mentioned was established in order to deal with the consequences of legal cases and enforcement proceedings in which the Company is a co-defendant along with the DHMI and other warehouse management company.

Albeit the Company, DHMI and the other warehouse management company ("Fund Companies") to the agreement believe that they will not be found responsible for the fire and therefore are not considered legally responsible for the losses. The mentioned fund was established by the party reinsurers in order to settle the possible legal cases and enforcement proceedings amicably in the future. As on the date of the Report, 30 lawsuits amounting to TL 13.386.316 (USD 8.658.678) in which the Fund Companies are a party have been concluded via settlement by payment of TL 3.570.297 (USD 2.309.377) and as part of the fund, the negotiations with the claimants are currently in progress.

In this context, the company management deems it likely that all the exposed legal claims of the Fund Companies can be eliminated through settlement in the context of the fund as a result of the ongoing negotiations. On the other hand and leaving aside the ongoing negotiations for settlement, the maximum limit which the Company may be held liable under the existing lawsuits and actions taken is approximately TL 11.879.756 despite being a remote probability bearing in mind the internationally established legal rules regarding the air transportation and so on since the same has a limited liability against the cargo owners based on the limitation of the liability regulated under the international conventions given the legal nature of the contractual liability that may be assumed due to the agreement executed with the carriers.

As reiterated above, the total insurance protection of the Company is TL 16.886.426 (USD 10.922.656) considering the policy in the amount of TL 2.391.000 (USD 1.500.000) that has been fully collected as of 31 December 2010 which is intended to be consummated in case of being held legally liable and the remaining portion in the amount of TL 14.567.426 (USD 9.422.656) after deduction of payments made as part of the fund that has been formed for the purpose of settlement of the legal claims out of the Company's insurance policy with a coverage of USD 10.000.000.

In view of the foregoing, the Company believes that all legal claims faced may be settled as part of the insurance policy collected and the fund formed. Since there are no further development which adversely affects the matters disclosed in past, the Company has not booked any provision in consolidated financial statements as of 31 December 2010.

NOTE 31 - MERGER OF ENTERPRISES SUBJECT TO COMMON CONTROL

The company has decided to acquire shares of Çelebi Kargo, has TL 150.000 paid capital, amounted to nominal value TL 144.000 from the Çelebi Holding A.Ş., with cash amounted to TL 146.880 (1-TL nominal value: 1,02-TL) as of 20 August 2010 according to the minutes of Board of Directors within the framework of CMB's regulations and related articles of TCC.

Çelebi Hava's financial statements as of 31 December 2010 have been prepared through merging the financial statements of Çelebi Kargo and Çelebi Hava which are prepared in accordance with CMB Financial Reporting Standards due to the fact that all of Çelebi Kargo's assets and liabilities are controlled by Çelebi Hava and have been took over by Çelebi Hava as a whole. Due to Çelebi Hava purchasing the shares of Çelebi Kargo on 20 August 2010, the consolidated income statement for the period ended at 31 December 2010 includes the operations of Çelebi Kargo realized for the period after the purchasing transaction.

The difference occurred as a result of merger amounting TL 545.407, has been presented as "Additional contribution to shareholders' equity related to merger" under consolidated equity, as there are no related lines present at the financial statement presentation format which is held mandatory by CMB.

NOTE 32 - SUBSEQUENT EVENTS

a) As the paid capital of Celebi Nas has been decided to be increased to INR 500.000.000, shareholders paid in cash INR 100.000.000 in proportion of their shares. Apart from the aforementioned capital increase, the payment of capital advance amounting to INR 55.000.000 has been decided to be provided by the shareholders in order to compensate the equipment needs of Celebi Nas in the short term period. Amount of INR 28.050.000 (approximately USD 625.000), corresponding to 51% share of the Company on Celebi Nas's capital, is decided to be paid. In addition, Celebi Nas's registered capital has been decided to be increased to INR 800.000.000. The paid capital amount in this transaction and to be paid thereafter which are not included to capital, due to changes in Indian legislation, has been decided to be added to capital in proportion of the shareholders' ownership ratios according to the regulations that Celebi Nas is subject to.

b) Provided that the authorizations and licenses that Çelebi Güvenlik possesses within the related legislation are maintained, it has been decided that the company will withdraw from some of the aviation security and other security services. Also, the services provided to customers related to these operations will be terminated gradually within the framework of the contracts. In addition, Çelebi Güvenlik's branches in Antalya and Bandırma are decided to be terminated.

c) Within the framework of information held on 21 March 2011; the Company's ultimate shareholders, Çelebioğlu family (Can Çelebioğlu, Canan Çelebioğlu Tokgöz and Engin Çelebioğlu) ("Family"), who are the dominating shareholders of Çelebi Havacılık Holding A.Ş., the immediate shareholder of the Company, has declared that within strategic plan on growth in domestic and international aviation industry, a non-binding letter of intent was signed that the family shares in the Holding amounting to 99,99% and family shares in the Company amounting to 22,63% will be transferred to a company in which the equity, voting rights and management control will be equally shared between Family and Abraaj Investment Management Limited which is a resident company in the city of Dubai, United Arab Emirates.

d) Brussels Airport Company ("TBAC"), the operator of Brussels National Airport ("BNA") which is based in Brussels, Belgium has issued tenders including airport baggage handling, passenger aircraft ramp handling, cargo aircraft ramp handling, the transportation of catering supplies in the airport and transport of cargo and mail in the airport for a period of 7 years. The Company participated in each of these tenders and submitted bids to the tender authority on 24 March 2011.

e) 8% of the shares of Celebi Nas, nominal value of INR 32.000.000, which are owned by Sovika Aviation Private Services Limited ("Sovika") which is registered in India has been decided to be purchased by the Company for a consideration of USD 1.822.220. Until the share transfer has been completed, it was decided that the amount will be transferred to an escrow bank account in the name of Sovika.

It was decided to return the advance share payment done from Sovika to Celebi Nas amounting to INR 8.000.000 (corresponding to 8% share of Sovika of INR 100.000.000 advance payment done by all shareholders) upon the completion of the share transfer after the fulfillment of all conditions specified in the share transfer agreement. The same amount will be decided to be paid to Celebi Nas as a capital advance by the Company.

The unpaid portion of capital and capital advances related to Sovika's share which is equivalent of Sovika's 8% share in Celebi Nas's capital have been decided to be made by the Company. The share increase and advance payments were decided to be completed in 2011 before the finalization of the share transfer procedures.

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