

TAV AIRPORTS HOLDING

Financial Results for 9M 2008

Swinging to a net profit for the first time since 2005



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Announcement of results for the first nine months of 2008

Swinging to a net profit for the first time since 2005

TAV Airports Holding Inc. (ISE: TAVHL, "TAV") announced €10.3 million net profit ¹ for the first nine months period ended September 30, 2008. The company has turned a net profit for the first time since the year 2005. Similarly, cash flow from operating activities reached €135 million during the period, the highest level since 2006.

(in million €, unless stated otherwise)*	9M2007	9M2008	Δ y-o-y
Revenues	357.9	457.1	28%
EBITDA	51.1	91.0	78%
EBITDA margin	14.3%	19.9%	-
EBITDAR	156.4	207.6	33%
EBITDAR margin	43.7%	45.4%	-
Net Income (Loss)	(19.1)	10.3	n.m.
Cash flow from operations	(19.5)	135.1	n.m.
Capex	42.4	155.7	267%
Free Cash Flow	(72.7)	(34.1)	n.m.
Shareholders' Equity	339.8	350.3	3%
Net Debt	620.8	758.2	22%
Average number of employees	9,473	11,224	18%
Number of passengers (million)	26.7	27.6	3%
- International	16.6	17.4	5%
- Domestic	10.1	10.2	1%
Duty free spend per pax (€)	14.4	15.0	4%

* Construction revenue and construction expenditure are excluded while computing the operational performance in the table.

Source: TAV Airports Holding, DHMI, TAV Tunisie, Georgian Authority

Dr. Sani Şener, CEO of TAV Airports Holding Inc., comments about financial results:

"We are pleased to announce €10.3 million net profit in our first nine month 2008 results. TAV Airports Holding has turned a net profit for the first time since the year 2005. We increased our consolidated revenue by 28% to €457 million compared to a year ago, recorded €208 million EBITDAR and increased our EBITDA by 78% to €91 million. Similarly, cash flow from operating activities reached the record level of €135 million. TAV Airports Holding achieved these excellent results, in these turbulent times and a period of capex (€156 million) for Tunisia-Enfidha Airport.

Our domestic and international operations continue profitable growth and we are happy with Tunisia and Georgia's contribution to our bottom line. In the first nine months of 2008, the number of passengers using the airports operated by TAV increased by 3% and reached 27.6 million, while Istanbul Ataturk International Airport international terminal realized 9% growth (including transit passengers). Similarly, average duty free spending per passenger improved to €15 from €14.4 a year ago, mainly thanks to €16.2 spending per passenger at our flagship Istanbul Ataturk Airport.

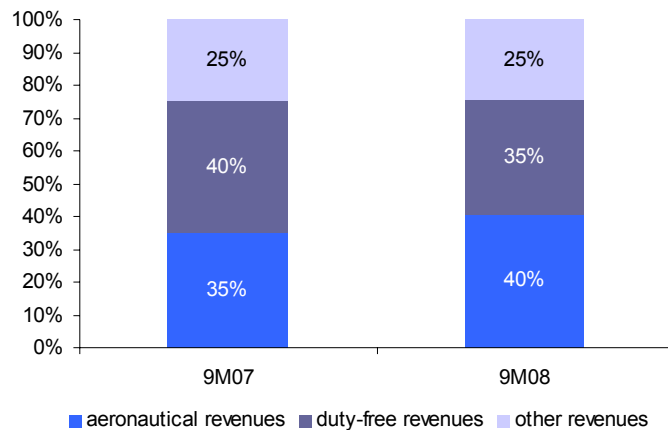
So far, we have not experienced a dramatic impact from the changing economic climate on our ongoing operations and we still enjoy increasing number of passengers and higher spending. Against the gloomy outlook, we are confident in the cash generation capacity of our business. I would like to thank all TAV Group employees and the passengers for their contributions."

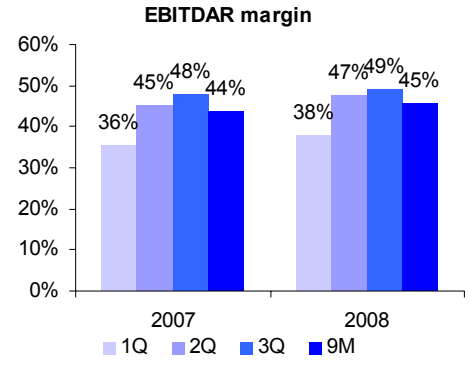
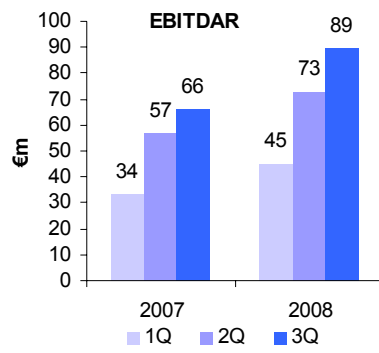
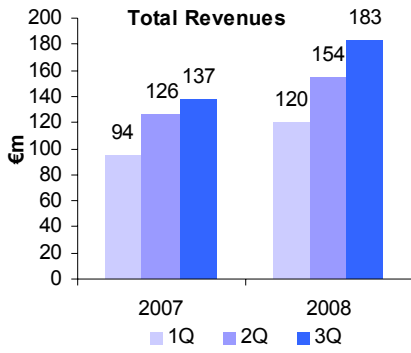
¹ The financial results in this announcement are unaudited, prepared in accordance with International Financial Reporting Standards ("IFRS") and expressed in Euro.

Highlights of the first nine months of 2008

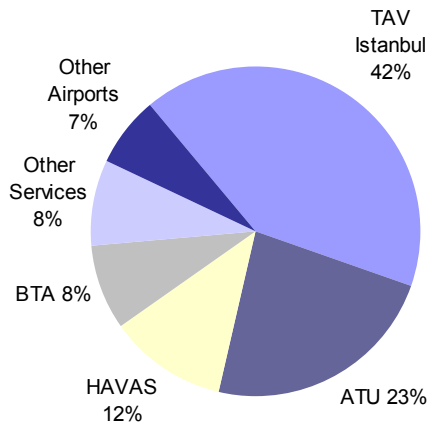
Operational performance

- Construction revenue and construction expenditure are excluded while computing the operational performance in the explanations below.
- 9M08 results are not directly comparable with the previous year as a result of full consolidation of Havaş in 2008 and commencement of operations in Monastir Airport, Tunisia.
- The number of passengers using airports operated by TAV increased by 3% to 27.6 million in the first nine months of 2008. ATM grew by 4% to 275k during the same period. **The number of passengers in international terminal of Istanbul Ataturk Airport increased by 6% to 10.9 million in the first nine months of 2008.** Including transit passengers, the number of international passengers in Istanbul grew by 9% to 12 million in 9M08.
- **Total revenues increased by 28%** from €357.9 million in 9M07 to €457.1 million in 9M08. This increase primarily reflected increases in ground handling income and aviation income. The growth mainly stemmed from organic growth (with organic revenue growth of 8%); i.e. higher passenger numbers at existing airports in Turkey and inorganic growth; i.e. income from Monastir Airport in Tunisia and full consolidation of Havaş in 9M08. Havaş is fully consolidated starting from 4Q07 since the acquisition of remaining 40% of Havaş shares, whereas it was proportionally consolidated by 60% till 30 September 2007.
- Aeronautical revenues increased in 9M08 due to the full consolidation of Havaş, therefore, the weight of aeronautical revenues in total operating income has increased to 40% in 9M08 from 35% in 9M07. Second revenue contribution comes from duty-free services with 35%, followed by other revenues (25%).
- **EBITDA** grew by 78% to €91.0 million in 9M08, which was €51.1 million in 9M07, and implying 20% EBITDA margin (9M07: 14%).
- **EBITDAR increased by 33%** from €156.4 million in 9M07 to €207.6 million in 9M08. **EBITDAR margin increased to 45.4% in 9M08** from 43.7% in 9M07, mainly because of kick-in operational leverage despite the increase in personnel expenses as the result of commencing of operations in Monastir Airport and the effect of full consolidation of Havaş.
- **Net profit for 9M08 was €10.3 million** compared to a net loss of €19.1 million in 9M07. The net profit figure attributable to the equity holders of TAV Airports was €9.9 million in 9M08, mainly thanks to operational leverage, compared to €20.0 million net loss attributable to the equity holders in 9M07.
- Net debt increased slightly to €758 million at the end of September 2008 from €742 million at the end of June 2008.
- For the first nine month period ended September 30, 2008 **free cash flow** (net cash provided from operating activities – capex) amounted to minus €34.1 million which was minus €72.7 million during the nine month period ended September 30, 2008. Against higher net cash provided from operating activities, €156 million capex for Enfidha Airport in Tunisia, where construction started on July 24, 2007, resulted in negative free cash flow.

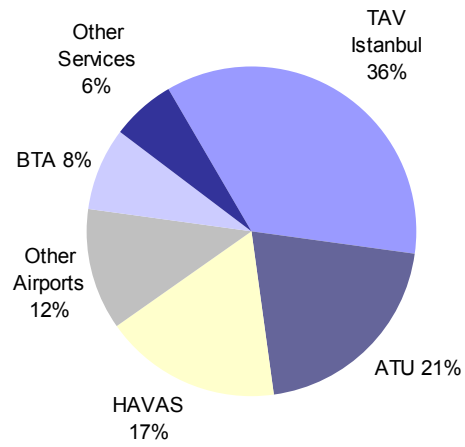




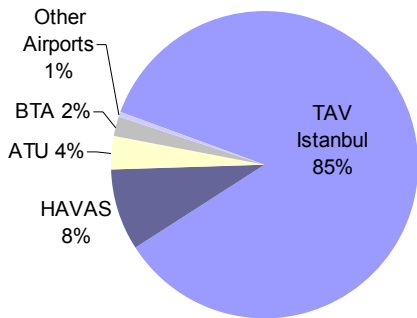
Share of Revenues (9M07) *



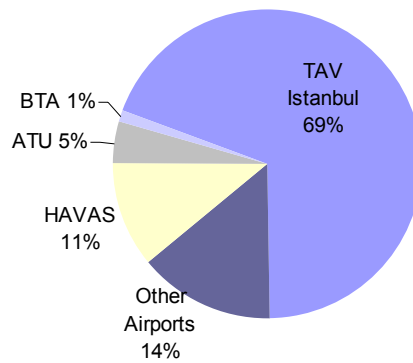
Share of Revenues (9M08) *



Share of EBITDAR (9M07) *



Share of EBITDAR (9M08) *



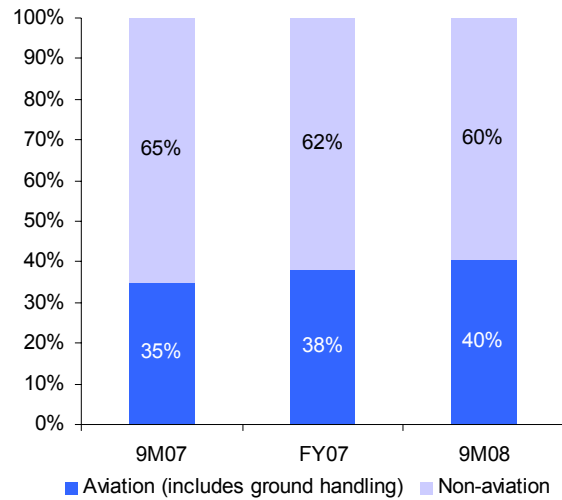
(*) Share of Revenues and EBITDAR represent the shares before eliminations.

Overview of the period

(€ million)	9M07	9M08	Change
Total revenues	357.9	457.1	28%
Aviation income	80.6	99.6	24%
Sales of duty free goods	99.4	112.2	13%
Ground handling income	44.4	85.1	92%
Commission from sales of duty free goods	44.9	48.9	9%
Catering service income	23.0	27.6	20%
Other operating income	65.7	83.7	27%

- **Total revenues** increased by 28% from €357.9 million in 9M07 to €457.1 million in 9M08. This increase primarily reflected increases in ground handling income and aviation income.

Our income stream is hard currency, based primarily in Euro and U.S. dollars, with aviation operations (which includes ground handling), accounting for 40% of total operating income and non-aviation operations accounting for 60% of total operating income in 9M08. Aviation income constituted 38% of total revenues in FY07. Ground handling income increased in 9M08 due to the full consolidation of Havaş. In IFRIC 12 application, total guaranteed passenger fee revenues from Ankara Esenboğa Airport (€10.9 million) and Izmir Adnan Menderes Airport (€10.5 million) at the reporting period are excluded from the P&L.



- **Aviation income (excluding ground handling income)** increased by 24% from €80.6 million in 9M07 to €99.6 million in 9M08. This increase primarily reflects the inclusion of aviation income related to the Monastir Airport in Tunisia. Against 6% growth in Ataturk Airport's international passenger numbers in 9M08, aviation income decreased by 1% in Euro terms, mainly because of the US\$ denominated passenger service charges and the appreciation of the Euro against the US\$ in this period. In US\$ terms, the growth in Ataturk Airport's aviation income is 13%, which is higher than passenger growth.

Average duty-free spending per pax (€)	9M07	9M08	Change
TAV Airports	14.4	15.0	4%
Istanbul Atatürk Airport	15.5	16.2	5%
Ankara Esenboğa Airport	11.1	13.2	19%
Izmir Adnan Menderes Airport	11.3	11.5	2%

- **Sales of duty free goods** increased by 13% from €99.4 million in 9M07 to €112.2 million in 9M08. Average per passenger spending increased from €14.4 in 9M07 to €15.0 in 9M08. Per passenger spend averaged €11.5 at Izmir Adnan Menderes (9M07: €11.3) and €13.2 at Ankara Esenboğa Airports (9M07: €11.1). Despite the dilutive impact of 37% increase in the number of transit passengers, average per passenger spending improved to €16.2 in 9M08 from €15.5 in 9M07 at Istanbul Ataturk Airport (duty free revenues divided by the sum of international and transit passengers), mainly because of new layout of duty free area at Istanbul Ataturk Airport in the last quarter of 2007.
- **Ground handling income** increased by 92% from €44.4 million in 9M07 to €85.1 million in 9M08 as the result of increase in ATMs and the effect of full consolidation of Havaş starting from the last quarter of 2007. Note that Havaş was proportionally consolidated still 30 September 2007.
- **Commission from sales of duty free goods** increased by 9% from €44.9 million in 9M07 to €48.9 million in 9M08. The commission paid by ATU to TAV Istanbul is approximately 43% of the sales of duty free goods in Istanbul Ataturk Airport. The commission paid by ATU to TAV Esenboğa and TAV Izmir is approximately 40% of sales of duty free goods in such airports.
- **Catering service income** increased by 20% from €23.0 million in 9M07 to €27.6 million in 9M08. The increase mainly reflects increase in per pax spend and improvement in Cakes&Bakes operations.
- **Other operating income** increased by 27% from €65.7 million in 9M07 to €83.7 million in 9M08. The increase principally reflects an increase in income from CIP lounge services (mainly due to the increase in passenger numbers using lounges and operations in newly opened lounges), income from car parking operations and bus services income (because of full consolidation of Havaş).

(€ million)	9M07	9M08	Change
Total operating expenses	329.6	391.8	19%
Concession rent expenses	105.3	116.6	11%
Cost of duty free inventory sold	41.8	45.7	10%
Cost of catering inventory sold	7.8	9.7	25%
Personnel expense	76.0	110.8	46%
Cost of services rendered	14.4	27.9	94%
Depreciation and amortisation expense	22.8	25.7	13%
Other operating expenses	61.6	55.3	10%

- **Operating expenses** increased by 18.9% from €329.6 million in 9M07 to €391.8 million in 9M08. This was primarily the result of increases in personnel expenses and cost of service rendered as a result of especially full consolidation of Havaş in 9M08. Still, excluding the concession rent and depreciation & amortisation expense, other expenses increased by 24% compared to a year ago.
 - **Concession rent expenses** increased by 11% to €116.6 million in 9M08, because of the concession expense for Monastir Airport for the first time in 2008, representing 26% of total operating income, compared to 29% in 9M07, reflecting operational leverage. Concession rent expenses principally consists of payments to DHMI under the terms of the Istanbul Ataturk Airport lease agreement and renovation of the domestic terminal (€105.7 million) and payments to Tunisian Airports and Civil Aviation Authority (OACA) based on the percentage of revenues derived from Monastir Airport which is operational since January 1, 2008 (€10.9 million).

- **Cost of duty free inventory sold** was €41.8 million in 9M07, representing 42% of sales of duty free goods, and increased by 10% to €45.7 million in 9M08 (lower than the increase in duty free sales) representing 40.7% of sales of duty free goods.
- **Cost of catering inventory sold** was €7.8 million in 9M07 and increased by 25% to €9.7 million in 9M08.
- **Personnel expense** increased by 46% from €76.0 million in 9M07 to €110.8 million in 9M08. This increase is the result of commencing of operations in Monastir Airport, new hires in the other existing companies and effect of full consolidation of Havaş. Average number of employees increased by 19% in 9M08 compared to 9M07.
- **Cost of services rendered** increased from €14.4 million in 9M07 to €27.9 million in 9M08, mainly because of full consolidation of Havaş in 9M08. Cost of services rendered principally consists of the consolidated portion of ATU, BTA, TAV O&M and Havaş' operating expenses.
- **Depreciation and amortisation expense** increased by 13% from €22.8 million in 9M07 to €25.7 million in 9M08.
- **Other operating expenses** decreased by 10% from €61.6 million in 9M07 to €55.3 million in 9M08, thanks to the decrease in consultancy expenses despite the provision for tax penalty in 1Q08. The decrease was principally driven by decline in one-off expenses incurred during the period. In 1H07, the main one-off expense was IPO expenses accrued in 1Q07.

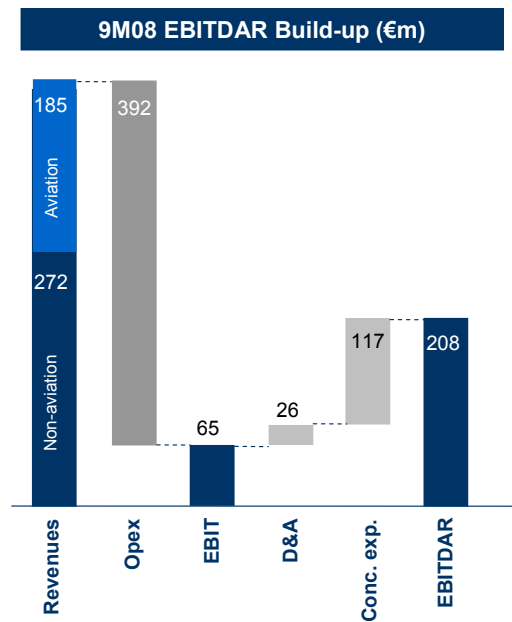
(€ million)	9M07	9M08	Change
Operating profit *	28.3	65.3	130%
EBITDA**	51.1	91.0	78%
EBITDA margin	14.3%	19.9%	-
EBITDAR***	156.4	207.6	33%
EBITDAR margin	43.7%	45.4%	-

* ignoring net effect of construction revenue and construction expenditure

** profit (loss) adjusted for income taxes, finance income and expenses and depreciation & amortisation expense

*** EBITDA before concession rent payment

- **Operating profit** (ignoring net effect of construction revenue and construction expenditure) increased from €28.3 million in 9M07 to €65.3 million in 9M08.
- **EBITDA**, which we define as profit (loss) adjusted for income taxes, finance income and expenses and depreciation & amortisation expense, reached €91.0 million in 9M08, which was €51.1 million in 9M07.
- **EBITDAR**, which we define as EBITDA before concession rent payment, increased by 33% from €156.4 million in 9M07 to €207.6 million in 9M08. EBITDAR margin increased from 43.7% in 9M07 to 45.4% in 9M08, mainly because of kick-in operational leverage despite the increase in personnel expenses. TAV Istanbul contributed to 69% of total EBITDAR and the EBITDAR margin of TAV Istanbul stayed at 74% in 9M08.





Airports

- **Net finance expenses** increased from €51.8 million in 9M07 to €56.5 million in 9M08. Similarly, finance expense increased from €64.4 million in 9M07 to €68.2 million in 9M08. Against a higher level of debt and the €6.7 million one-off break-up cost of derivatives (of which €11.8 million stems from TAV Istanbul's cross currency and interest rate swap), the average cost of debt declined compared to a year ago.
- **Income tax benefit (expense)** consists of deferred tax and corporate taxes. €5.0 million income tax benefit in 9M07 turned to income tax expense of €6.6 million in 9M08. Deferred tax benefit decreased to €1.3 million in 9M08 from €9.1 million in 9M07. The decrease in the deferred tax benefit mainly stemmed from TAV Istanbul refinancing.

Income tax expense (€ million)	9M07	9M08	Change
Current tax expense	(4.2)	(7.9)	88%
Deferred tax benefit	9.1	1.3	-86%
Total income tax (expense) / benefit	5.0	(6.6)	-

- **Minority interest** reflects the allocation of profit/losses held by the minority interest. Minority interest mainly consists of 33.33% of BTA and TAV Security and amounted to €0.5 million in 9M08.
- **Net profit** for 9M08 was €10.3 million as compared to a net loss of €19.1 million in 9M07. The net profit figure attributable to the equity holders of TAV Airports was €9.9 million in 9M08, compared to €20.0 million net loss attributable to the equity holders in 9M07, as the result of higher operational profit.

(€ million)	9M07	9M08	Change
Finance income	12.6	11.7	-7%
Finance expenses	(64.4)	(68.2)	6%
Net finance expense	(51.8)	(56.5)	9%
Profit / (loss) before income tax	(24.1)	16.9	-
Income tax (expense) / benefit	5.0	(6.6)	-
Net Profit / (loss)	(19.1)	10.3	-
Attributable to:			
<i>Equity holders</i>	<i>(20.0)</i>	<i>9.9</i>	-
<i>Minority interest</i>	<i>0.9</i>	<i>0.5</i>	<i>-47%</i>

Summary Cash Flow Statement

Net Cash provided from operating activities

During the nine month period ended September 30, 2008, we generated €135.1 million cash from operations compared to €19.5 million cash used in operating activities for the nine month period ended September 30, 2007. Cash generated from operations before changes in working capital items was €138.8 million for the nine month period ended September 30, 2008 compared to €148.3 million for the nine month period ended September 30, 2007. We generated cash of €20.7 million from working capital during the nine-month period ended September 30, 2008 compared to €135 million cash used to fund working capital during the nine month period ended September 30, 2007.

(€ million)	9M 2007	9M 2008
Net Profit / (loss)	(19,114,841)	10,333,089
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities:		
Amortisation and Depreciation	128,064,074	142,343,906
Provisions	(1,020,735)	3,305,605
Non-recoverable VAT related to concession payments	7,927,980	-
Discount on receivables and payables	400,096	136,401
Gain on sale of property and equipment	(273,063)	(384,924)
Unused vacation accrual	437,431	412,238
Reversal of provision for slow moving inventory	(202,654)	-
Unrealized foreign exchange differences on balance sheet items	(15,015,510)	(56,843,896)
Accrued interest income / (expense)	(1,333,050)	624,051
Interest expense on financial liabilities	45,079,206	49,691,352
Income tax expense / (benefit)	(4,958,063)	6,552,447
Marked to market valuation of derivative instruments	8,267,299	(16,117,150)
Cash flows from operating activities	148,258,170	138,805,017
Change in Working Capital	(135,013,672)	20,653,479
Cash generated from operations	13,244,498	159,458,496
Income taxes paid	(2,719,181)	(2,497,506)
Interest paid	(29,545,712)	(21,061,502)
Retirement benefits paid	(495,419)	(798,336)
Net cash provided from / (used in) operating activities	(19,515,814)	135,101,152

Net Cash flow used in investing activities

For the first nine month period ended September 30, 2008 we used €165.6 million in investing activities, which principally includes €155.7 million of capex for Tunisia Enfidha Airport. During the nine month period ended September 30, 2007 we used €52.7 million in investing activities, which principally included €20.9 million investment for Enfidha Airport and €21.2 million investment for Tbilisi & Batumi Airport and renovation of the domestic terminal at Izmir Airport.

(€ million)	9M 2007	9M 2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Capex for property and equipment	(9,801,077)	(11,007,190)
Capex for investment in airport operation right	(42,410,701)	(155,745,118)
Capex for intangible assets	(923,211)	(2,430,588)
Proceeds from sale of PPE & net change in investments held for trading	454,202	3,568,844
Net cash used in investing activities	(52,680,787)	(165,614,052)

Net Cash flow provided from financing activities

Our cash flow from financing activities is mainly related to bank loans and project finance loans and the associated repayments. In the first quarter of this year, TAV Istanbul signed a €440 million loan agreement and refinanced the existing loan. For the first nine month period ended September 30, 2007 we generated €118.7 million of cash from financing activities, which principally included €53.7 million of share premium and capital, stemming from the IPO of TAV Airports Holding.

(€ million)	9M 2007	9M 2008
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings raised	253,672,836	758,553,258
Repayment of borrowings	(251,409,280)	(698,907,986)
Change in restricted bank balances	81,700,050	(60,115,716)
Change in revaluation surplus and translation reserves	-	3,196,170
Minority change	(369,959)	(62,043)
Purchase of shares under common control	(19,202,214)	-
Addition in finance lease liabilities	635,493	-
Increase in share premium	48,300,648	-
Increase of share capital	5,366,739	-
Net cash provided from financing activities	118,694,313	2,663,683
NET (DECREASE) / INCREASE FROM CASH AND CASH EQUIVALENTS	46,497,712	(27,849,217)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	6,254,146	62,681,735
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	52,751,858	34,832,518

Free Cash Flow

For the first nine month period ended September 30, 2008 free cash flow (net cash provided from operating activities – capex) amounted to minus €34.1 million which was minus €72.7 million during the nine month period ended September 30, 2007. Against higher net cash provided from operating activities, capex for Enfidha Airport in Tunisia, where construction started on July 24, 2007, resulted in negative free cash flow.

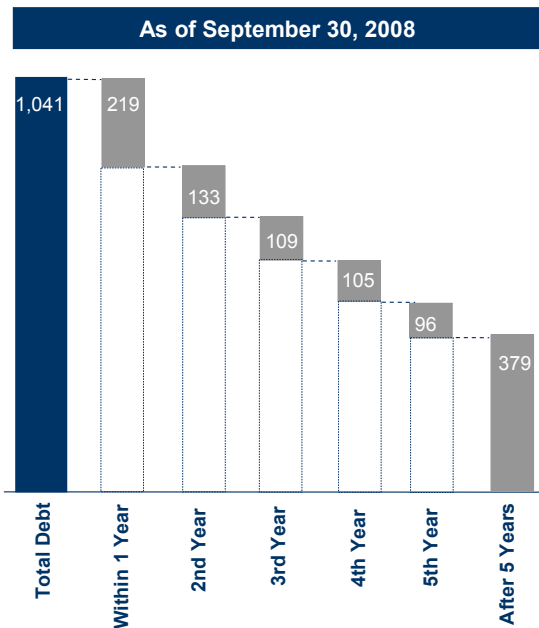
€ m	9M07	FY07	9M08
Cash flow from Operating Activities	(20)	17	135
- Capex for property and equipment	(10)	(19)	(11)
- Capex for investment in airport operation right	(42)	(100)	(156)
- Capex for intangible assets	(1)	(1)	(2)
= Free Cash Flow (FCF)	(73)	(104)	(34)

Net Debt

As a result of the abovementioned reasons, **net debt** increased slightly to €758 million as of September 30, 2008, from €742 million as of June 30, 2008.

Maturity Profile of Financial Debt

(€ million)	September 30, 2007	September 30, 2008
On demand or within one year	234.6	219.2
In the second year	135.9	132.9
In the third year	110.0	109.1
In the fourth year	100.8	105.2
In the fifth year	97.9	95.6
After five years	318.6	379.1
TOTAL	997.8	1,041.2



Number of Employees

The total number of employees of TAV Airports Holding grew by 706 to 11,498 employees at the end of September 2008 compared to the same period of the previous year. The workforce in TAV Tunisie increased from 34 to 500 due to the start of operations at Monastir Airport.

Number of Employees	As of Sep 30, 2007	As of Sep 30, 2008	Change
TAV Istanbul	1,743	2,012	269
TAV Esenboga	822	801	-21
TAV Izmir	492	470	-22
TAV Georgia	707	657	-50
TAV Tunisie	34	500	466
ATU	1,038	1,049	11
HAVAŞ	4,117	4,361	244
BTA	1,148	1,131	-17
TAV O&M	333	179	-154
TAV IT	117	114	-3
TAV Security	102	115	13
Holding	139	109	-30
TOTAL	10,792	11,498	706



Airports

TAV AIRPORTS HOLDING and SUBSIDIARIES– 9M08 FINANCIAL SUMMARY

(€ million)	Revenues	EBITDA (*)	EBITDA(*) Margin	Net Debt
Airports	263,9	175,0	66%	559
Istanbul	197,0	145,1	74%	263
Ankara	15,4	0,8	6%	116
Izmir	11,2	0,5	5%	68
Tbilisi (60%)	7,5	3,3	44%	20
Batumi	0,2	0,0	0%	0
Tunisia	32,7	25,3	77%	90
Gazipasa	0,0	0,0	-	2
Services	290,1	30,3	10%	210
ATU (50%)	114,2	9,0	8%	17
BTA	43,4	2,4	5%	-1
HAVAŞ	96,6	23,7	24%	-12
Others	35,9	-4,7	-13%	194
Total	554,1	205,3	37%	758
Eliminations	-97,0	2,3		
Consolidated	457,1	207,6	45%	758

* EBITDAR for TAV Istanbul and TAV Tunisie

TAV Airports Revenues					
(€ million)	2006	2007	9M07	9M08	Change
Airports	247	314	211	264	25%
Istanbul	227	244	181	197	9%
Others	19	70	30	67	125%
Services	244	313	226	290	28%
ATU (50%)	109	138	102	114	12%
BTA	35	50	37	43	19%
HAVAŞ (*)	61	74	51	97	88%
Others	39	50	37	36	-2%
Total	490	627	437	554	27%
Eliminations	-89	-119	-76	-97	
Consolidated	402	508	358	457	28%

* Fully consolidated starting from 4Q07, while 60% proportionally consolidated for previous periods

TAV Airports EBITDAR					
(€ million)	2006	2007	9M07	9M08	Change
Airports	151	200	136	175	29%
Istanbul	150	180	135	145	7%
Others	1	20	1	30	n.m.
Services	19	14	21	30	43%
ATU (50%)	4	9	6	9	48%
BTA	3	0	3	2	-14%
HAVAŞ (*)	5	12	13	24	78%
Others	7	-7	-1	-5	n.m.
Total	170	214	157	205	31%
Eliminations	0	4	-1	2	
Consolidated	170	218	156	208	33%

* Fully consolidated starting from 4Q07, while 60% proportionally consolidated for previous periods

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İstanbul Atatürk Havalimanı Dış Hatlar Terminali / İstanbul Atatürk Airport International Terminal

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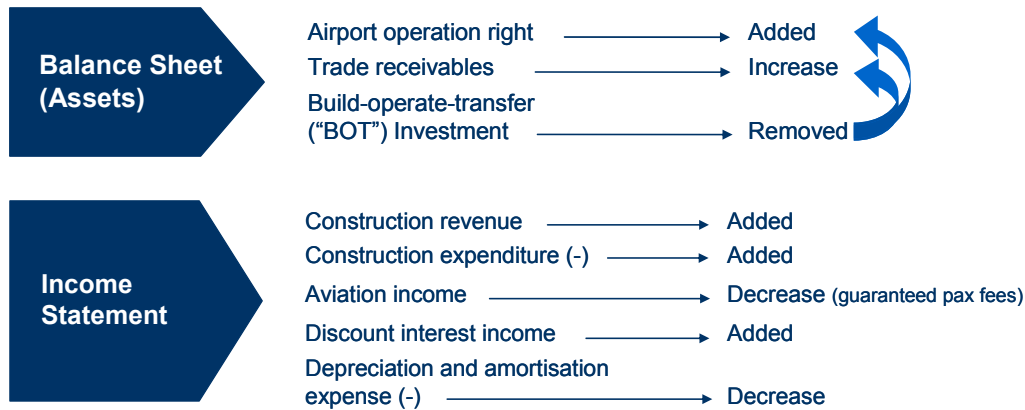
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NOTES

1 – IFRIC 12 & Hedge Accounting

- IFRIC 12 is a new application regarding to interpretation of most of existing standards in the IFRS for example, IAS 11-Construction Contracts, IAS 16-Property Plant and equipment, IAS 17-Leases, IAS 36-Impairment of Assets and IAS 38-Intangible Assets.
- IFRIC 12 Service Concession Arrangements was developed by the International Financial Reporting Interpretations Committee. Effective date of the application is 1 January 2008.
- TAV Airports adopted IFRIC 12 in the consolidated financial statements for the first time as of 31 March 2008 retrospectively.
- IFRIC 12 affects P&L in terms of the decrease in aviation income (for the guaranteed passenger fees) and depreciation expenses while the increase in financial income in accordance with such interpretation. "BOT assets" are classified as "airport operation right" and "trade receivable" in the consolidated financial statements.
- It means the operator (TAV Airports) should account these investments as cost and book construction revenue (if a mark-up on costs) on its financials instead of investments according to the completion of infrastructure throughout the construction periods. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Tbilisi and TAV Tunisia, which are in the application of IFRIC 12 are assessed by the management as 0%, 0%, 15% and 5% during the application periods, respectively.
- The remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport and İzmir Adnan Menderes Airport is represented as guaranteed passenger fee receivable in the balance sheet as a result of IFRIC 12 application.



- Subsidiaries, TAV İstanbul, TAV Esenboğa and TAV İzmir enter into swap transactions in order to diminish exposure to foreign currency mismatch relating to DHMI instalments and interest rate risk to manage exposure to the floating interest rates relating to loans used.
- 100%, 100%, 80% and 100% of floating bank loans for TAV İstanbul, TAV Tunisia, TAV İzmir and TAV Esenboğa, respectively are fixed with financial derivatives.
- Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

2 – Sensitivity Analysis

- A 10% strengthening of the Euro against other currencies (assuming that other currencies are constant) at 30 September 2008 would have positive effect amounting to approximately €3.2 million on profit or loss statement when ignoring the effect of derivative financial instruments.
- Based on the Group's current borrowing profile, a 50 basis points increase in Euribor or Libor would have resulted in additional annual interest expense of approximately €4.3 million on the Group's variable rate debt when ignoring effect of derivative financial instruments. €2.5 million of the exposure is hedged through IRS contracts. Therefore, the net exposure on income statement would be €1.8 million.

3 – Basis of Consolidation

- The attached consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").
- Although the currency of the country in which the Group is domiciled is TRY, most of the Group entities' functional currency and reporting currency is EUR.
- Each entity is consolidated based on the following methods:
 - TAV İstanbul, TAV İzmir, TAV Esenboğa, HAVAŞ, TAV Gazipaşa, TAV Batumi and TAV Tunisia and TAV Macedonia are fully consolidated without minority's ownership. After acquisition of the remaining 40% shares of HAVAŞ in November 2007 from independent third party, HAVAŞ has been consolidating fully since 3Q07 whereas it was consolidated proportionally till 3Q07.
 - BTA, TAV Bilişim (TAV IT), Batumi Airport LLC and TAV Güvenlik (TAV Security) are fully consolidated with the minority's ownership reflected as a minority interest. The share capital of Batumi Airport LLC is fully allocated as minority interest due to the transfer of right on shares to JSC at the end of share management agreement period.
 - ATÜ and TAV Tbilisi are proportionally consolidated.
 - TAV Gözen and Cyprus Airport Services Ltd. are proportionally consolidated under HAVAŞ.

TAV Airports Holding Selected Financials

(Amounts expressed in mn Euro)

	1 January - 30 September 2008	1 January - 30 September 2007
Construction revenue	170.6	21.2
Total operating income	437.1	342.1
Sales of duty free goods	112.2	99.4
Aviation income	99.6	80.6
Ground handling income	85.1	44.4
Commission from sales of duty free goods	48.9	44.9
Catering services income	27.6	23.0
Other operating income	83.7	65.7
Construction expenditure	(162.4)	(21.8)
Operating expenses	(391.8)	(329.6)
Cost of catering inventory sold	(9.7)	(7.8)
Cost of duty free inventory sold	(45.7)	(41.8)
Cost of services rendered	(27.9)	(14.4)
Personnel expenses	(110.8)	(76.0)
Concession rent expenses	(116.6)	(105.3)
Depreciation and amortization expense	(25.7)	(22.8)
Other operating expenses	(55.3)	(61.6)
Operating profit	73.4	27.4
Finance income	11.7	12.6
Finance expenses	(68.2)	(64.4)
Profit/(loss) before income tax	16.9	(24.1)
Income tax benefit /(expense)	(6.6)	5.0
Profit/(loss) for the period from continuing operations	10.3	(19.1)
Attributable to:		
Equity holders of the parent	9.9	(20.0)
Minority interest	0.5	0.9
	10.3	(19.1)
Other Financial Data:		
EBITDA *	91.0	51.1
EBITDAR *	207.6	156.4
Summary Cash Flow Data:		
Net cash provided by (used in):		
Operating activities	136.3	(19.5)
Investing activities	(165.6)	(52.7)
Financing activities	1.4	118.7
Summary Balance Sheet Data:	30 September 2008	31 December 2007
Cash and cash equivalents	36.2	64.7
Restricted bank balances	248.7	257.5
Total assets	1,598.5	1,474.9
Bank loans	1,043.1	1,000.6
Total liabilities	1,233.3	1,137.4
Total equity	365.2	337.5
Net debt	758.2	678.4

* ignoring net effect of construction revenue and construction expenditure

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Balance Sheet

ASSETS

	Restated (*)	
	30 September 2008	31 December 2007
Property and equipment	68,422,701	66,145,596
Intangible assets	30,684,773	30,395,636
Airport operation right	444,513,602	295,835,595
Other investments	24,238	1,235,348
Goodwill	131,564,539	131,564,539
Prepaid concession expenses, non-current portion	151,239,126	154,155,439
Non-current trade receivables	162,087,945	179,431,221
Other non-current assets	5,827,998	24,788,452
Deferred tax assets	20,201,132	21,157,808
Total non-current assets	1,014,566,054	904,709,634
Inventories	12,224,925	9,309,476
Prepaid concession expenses, current portion	133,215,353	140,797,438
Trade receivables	76,162,609	49,883,346
Due from related parties	20,058,578	4,194,406
Derivative financial instruments	14,115,612	-
Other receivables and current assets	43,287,581	43,579,331
Cash and cash equivalents	36,150,212	64,652,433
Restricted bank balances	248,746,207	257,520,816
Investments held for trading	-	248,683
Total current assets	583,961,077	570,185,929
TOTAL ASSETS	1,598,527,131	1,474,895,563
EQUITY		
Share capital	104,910,267	104,910,267
Share premium	220,182,481	220,182,481
Legal reserves	15,062,069	10,559,039
Revaluation surplus	2,751,334	3,007,539
Purchase of shares of entities under common control	40,063,860	40,063,860
Cash flow hedge reserve	14,498,343	-
Translation reserves	3,795,414	343,039
Accumulated losses	(50,994,192)	(56,584,597)
Total equity attributable to equity holders of the Company	350,269,576	322,481,628
Minority interest	14,924,637	14,986,680
Total Equity	365,194,213	337,468,308

LIABILITIES

Loans and borrowings	822,332,311	763,812,573
Reserve for employee severance indemnity	6,344,653	4,884,107
Deferred income	18,544,318	19,068,150
Other long term liabilities	763,611	-
Deferred tax liabilities	4,696,010	4,581,203
Total non-current liabilities	852,680,903	792,346,033
Bank overdraft	1,317,694	1,970,698
Loans and borrowings	219,429,286	234,768,093
Trade payables	27,302,346	22,007,749
Due to related parties	81,403,681	28,790,208
Derivative financial instruments	-	17,144,780
Current tax liabilities	5,116,055	1,487,698
Other payables	34,698,705	18,014,081
Provisions	4,193,433	11,533,560
Deferred income	7,190,815	9,364,355
Total current liabilities	380,652,015	345,081,222
Total Liabilities	1,233,332,918	1,137,427,255
TOTAL EQUITY AND LIABILITIES	1,598,527,131	1,474,895,563

Income Statement

	1 January- 30 September 2008	1 July- 30 September 2008	Restated (*) 1 January- 30 September 2007	Restated (*) 1 July- 30 September 2007
Construction revenue	170,561,286	61,775,170	21,214,800	5,112,122
Operating revenue	437,117,816	175,260,318	342,098,592	130,202,569
Other operating income	19,936,183	7,261,962	15,849,318	7,177,673
Construction expenditure	(162,439,320)	(58,833,495)	(21,820,001)	(5,331,512)
Cost of catering inventory sold	(9,717,329)	(3,691,923)	(7,774,327)	(2,898,691)
Cost of duty free inventory sold	(45,708,068)	(16,803,611)	(41,759,427)	(15,234,607)
Cost of services rendered	(27,902,282)	(12,258,986)	(14,396,631)	(7,222,438)
Personnel expenses	(110,783,078)	(39,173,986)	(75,995,546)	(27,319,121)
Concession rent expenses	(116,600,677)	(41,236,512)	(105,302,461)	(35,486,543)
Depreciation and amortisation expense	(25,743,229)	(8,844,318)	(22,761,613)	(7,701,577)
Other operating expenses	(55,336,091)	(21,313,186)	(61,613,967)	(18,853,119)
Operating profit	73,385,211	42,141,433	27,738,737	22,444,756
Finance income	11,726,153	4,118,891	12,565,400	4,373,208
Finance expenses	(68,225,828)	(17,970,247)	(64,377,041)	(35,675,197)
Net finance expense	(56,499,675)	(13,851,356)	(51,811,641)	(31,301,989)
Profit / (loss) before income tax	16,885,536	28,350,077	(24,072,904)	(8,857,233)
Income tax (expense) / benefit	(6,552,447)	(1,103,495)	4,958,063	2,340,221
Profit / (loss) for the period	10,333,089	27,246,582	(19,114,841)	(6,517,012)
Attributable to:				
Equity holders of the Group	9,855,259	27,030,262	(20,008,836)	(7,616,254)
Minority interest	477,830	216,320	893,995	1,099,242
Profit / (loss) for the period	10,333,089	27,246,582	(19,114,841)	(6,517,012)
Weighted average number of shares outstanding	240,717,076	240,717,076	238,958,333	238,958,333
Income / (loss) per share – basic	0.04	0.11	(0.08)	(0.03)

Cash Flow Statement

	1 January - 30 September 2008	Restated (*) 1 January - 30 September 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) for the period	10,333,089	(19,114,841)
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities:		
Amortisation of airport operation right	14,202,350	14,098,946
Depreciation of property and equipment	8,776,160	6,775,910
Amortisation of intangible assets	2,764,719	1,886,757
Amortisation of concession asset	116,600,677	105,302,461
Non-recoverable VAT related to concession payments	-	7,927,980
Provision / (reversal of provision) for employment termination benefits	2,467,123	(815,634)
Provision / (reversal of provision) for doubtful receivables	229,794	(205,101)
Provisions set	608,688	-
Discount on receivables and payables	136,401	400,096
Gain on sale of property and equipment	(384,924)	(273,063)
Unused vacation accrual	412,238	437,431
Reversal of provision for slow moving inventory	-	(202,654)
Unrealized foreign exchange differences on balance sheet items	(56,843,896)	(15,015,510)
Accrued interest income / (expense)	(624,051)	(1,333,050)
Interest expense on financial liabilities	49,691,352	45,079,206
Income tax expense / (benefit)	6,552,447	(4,958,063)
Marked to market valuation of derivative instruments	(16,117,150)	8,267,299
Cash flows from operating activities	138,805,017	148,258,170
Change in trade receivables	(26,571,768)	(9,608,288)
Change in non-current trade receivables	17,343,274	12,907,301
Change in inventories	(2,915,449)	1,827,788
Change in due from related parties	(15,864,173)	1,890,594
Change in restricted bank balances	68,890,325	38,283,018
Change in other receivables and current assets	22,233,539	(3,117,604)
Change in trade payables	(5,685,254)	(30,237,031)
Change in due to related parties	52,613,473	(36,317,033)
Change in other payables and provisions	6,951,801	4,514,972
Change in other long term assets	37,459,376	-
Additions to prepaid concession expenses	(95,196,116)	(107,355,756)
Change in VAT portion of prepaid rent	(38,605,549)	(7,801,633)
Cash generated from operations	159,458,496	13,244,498
Income taxes paid	(2,497,506)	(2,719,181)
Interest paid	(21,061,502)	(29,545,712)
Retirement benefits paid	(798,336)	(495,419)
Net cash provided from / (used in) operating activities	135,101,152	(19,515,814)

	1 January - 30 September 2008	Restated (*) 1 January - 30 September 2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments held for trading	248,683	(643,152)
Proceeds from sale of property and equipment	3,320,161	1,097,354
Acquisition of property and equipment	(11,007,190)	(9,801,077)
Additions to airport operation right	(155,745,118)	(42,410,701)
Acquisition of intangible assets	(2,430,588)	(923,211)
Net cash used in investing activities	(165,614,052)	(52,680,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings raised	758,553,258	253,672,836
Repayment of borrowings	(698,907,986)	(251,409,280)
Change in restricted bank balances	(60,115,716)	81,700,050
Change in revaluation surplus and translation reserves	3,196,170	-
Minority change	(62,043)	(369,959)
Purchase of shares under common control	-	(19,202,214)
Addition in finance lease liabilities	-	635,493
Increase in share premium	-	48,300,648
Increase of share capital	-	5,366,739
Net cash provided from financing activities	2,663,683	118,694,313
NET (DECREASE) / INCREASE FROM CASH AND CASH EQUIVALENTS	(27,849,217)	46,497,712
CASH AND CASH EQUIVALENTS AT 1 JANUARY	62,681,735	6,254,146
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	34,832,518	52,751,858

Passengers ⁽¹⁾	Jan-Sep					Jan-Dec		
	9M06	9M07	Change %	9M08	Change %	2006	2007	Change %
Ataturk Airport	16.128.027	17.628.583	9%	18.019.975	2%	21.265.974	23.196.229	9%
International	9.119.416	10.236.665	12%	10.877.992	6%	12.174.281	13.600.306	12%
Domestic	7.008.611	7.391.918	5%	7.141.983	-3%	9.091.693	9.595.923	6%
Esenboga Airport ⁽²⁾	3.437.879	3.789.116	10%	4.052.032	7%	4.547.578	4.958.128	9%
International	983.943	1.057.078	7%	961.758	-9%	1.259.993	1.349.006	7%
Domestic	2.453.936	2.732.038	11%	3.090.274	13%	3.287.585	3.609.122	10%
Izmir Airport ⁽³⁾	1.192.888	1.321.622	11%	1.400.009	6%	1.451.061	1.600.890	10%
TURKEY TOTAL	46.391.134	52.576.004	13%	55.387.164	5%	58.778.131	66.463.286	13%
International	26.004.387	29.990.137	15%	32.103.183	7%	32.133.681	37.152.953	16%
Domestic	20.386.747	22.585.867	11%	23.283.981	3%	26.644.450	29.310.333	10%
Monastir Airport ⁽⁴⁾	3.483.040	3.523.774	1%	3.541.491	1%	4.200.287	4.235.334	1%
Tbilisi Airport ⁽⁵⁾	450.150	460.110	2%	560.296	22%	567.402	615.872	9%
International	446.557	456.575	2%	556.197	22%	563.034	610.649	8%
Domestic	3.593	3.535	-2%	4.099	16%	4.368	5.223	20%
Batumi Airport ⁽⁶⁾	-	23.317	nm	55.395	138%	-	39.637	nm
International	-	22.690	nm	51.624	128%	-	38.613	nm
Domestic	-	627	nm	3.771	501%	-	1.024	nm
Hopa Terminal ⁽⁷⁾	-	-	nm	9.298	nm	-	125	nm
TAV TOTAL	24.691.984	26.746.522	8%	27.638.496	3%	32.032.302	34.646.215	8%
International	15.225.844	16.618.404	9%	17.389.071	5%	19.648.656	21.434.798	9%
Domestic	9.466.140	10.128.118	7%	10.249.425	1%	12.383.646	13.211.417	7%

Air Traffic Movements ⁽⁸⁾	Jan-Sep					Jan-Dec		
	9M06	9M07	Change %	9M08	Change %	2006	2007	Change %
Ataturk Airport	169.811	182.837	8%	191.499	5%	225.549	243.363	8%
International	97.520	105.831	9%	115.371	9%	130.539	142.488	9%
Domestic	72.291	77.006	7%	76.128	-1%	95.010	100.875	6%
Esenboga Airport ⁽²⁾	35.809	38.332	7%	38.288	0%	47.434	50.104	6%
International	9.480	10.637	12%	9.523	-10%	12.502	13.677	9%
Domestic	26.329	27.695	5%	28.765	4%	34.932	36.427	4%
Izmir Airport ⁽³⁾	9.253	10.480	13%	10.703	2%	11.475	13.060	14%
TURKEY TOTAL	402.932	444.638	10%	469.828	6%	522.785	573.835	10%
International	206.263	229.530	11%	250.993	9%	262.228	292.362	11%
Domestic	196.669	215.108	9%	218.835	2%	260.557	281.473	8%
Monastir Airport ⁽⁴⁾	28.798	28.373	-1%	27.800	-2%	35.154	34.578	-2%
Tbilisi Airport ⁽⁵⁾	4.176	4.649	11%	5.640	21%	5.417	6.428	19%
International	3.761	4.096	9%	5.229	28%	4.846	5.679	17%
Domestic	415	553	33%	411	-26%	571	749	31%
Batumi Airport ⁽⁶⁾	-	303	nm	741	145%	-	522	nm
International	-	216	nm	544	152%	-	418	nm
Domestic	-	87	nm	197	126%	-	104	nm
TAV TOTAL	247.847	264.974	7%	274.671	4%	325.029	348.055	7%
International	148.812	159.633	7%	169.170	6%	194.516	209.900	8%
Domestic	99.035	105.341	6%	105.501	0%	130.513	138.155	6%

Source: Turkish State Airports Authority (DHMI) and Georgian Authority for Tbilisi Airport and Batumi Airport, TAV Tunisie for Monastir Airport
Note: DHMI figures for June-September 2008 are tentative.

- (1) Both departing and arriving passengers, excluding transit
(2) Operation commencement date: October 16, 2006
(3) International Terminal only and operation commencement date: September 13, 2006
(4) Operation commencement date: January 1, 2008. Transit passengers are not included in pax numbers.
(5) Operation commencement date for new terminal: February 7, 2007
(6) Operation commencement date: May 26, 2007 (2007 figures reflect 26th May-Dec periods)
(7) Operation commencement date: December 18, 2007 (2007 figures reflect the period after 18th Dec)
(8) Commercial flights only

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ABOUT TAV AIRPORTS HOLDING INC.

TAV Airports Holding is the leader airport operator in Turkey with a market share of 45% as per the DHMI 2007 passenger statistics. TAV Airports Holding operates Istanbul Atatürk Airport (one of the busiest in Europe), Ankara Esenboğa Domestic and International Terminals and Izmir Adnan Menderes Airport International Terminal in Turkey, and the Tbilisi and Batumi Airports in Georgia as well as the Monastir Habib Bourguiba International Airport in Tunisia. Furthermore, the Holding has been awarded the rights to operate the Gazipasa Airport in Antalya, the Enfidha Zine Abidine Ben Ali Airport in Tunisia, the Alexander the Great Airport in capital Skopje and the St Paul the Apostle International Airport in Ohrid, in Macedonia. TAV Airports is also entitled optionally to operate the new cargo airport in Shtip, Macedonia, the construction of which it has undertaken.

TAV Airports operates in other branches of airport operations as well, such as duty free sales, food and beverage services, ground handling services, information technologies, security and operation services. TAV Airports serve 315,000 flights for approximately 300 airline companies and 35 million passengers on average per year.

As per 2007 figures, 67% of TAV Airport's consolidated revenues consisted of non-aviational revenues. Biggest contribution in revenues is from ATU which has a 50% partnership in TAV Airports and which operates duty free stores. TAV Airports Holding generated 508 million Euro consolidated revenues (turnover) as per the 2007 financial tables prepared in compliance with the IFRS. The company shares are listed in the Istanbul Stock Exchange since February 23, 2007, under the name of "TAVHL".

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