

**TAV Havalimanları Holding A.Ş.  
and its Subsidiaries**

**Consolidated Interim Financial Statements  
As at and for the Six-Month Period Ended 30 June 2008**

**29 August 2008**

This report contains the “Independent Auditors’ Report on Review of Interim Financial Statements” comprising 1 page and the “Consolidated Interim Financial Statements and their explanatory notes” comprising 93 pages.

**TAV Havalimanları Holding A.Ş.  
and its Subsidiaries**

**Table of Contents**

Independent Auditors' Report on Review of Interim Financial Statements  
Consolidated Interim Balance Sheet  
Consolidated Interim Statement of Operations  
Consolidated Interim Statement of Changes in Equity  
Consolidated Interim Statement of Cash Flows  
Notes to the Consolidated Interim Financial Statements



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**

Yapı Kredi Plaza C Blok Kat 17  
Büyükdere Caddesi  
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00  
Fax +90 (212) 317 73 00  
Internet www.kpmg.com.tr

## **Independent Auditors' Report on Review of Interim Financial Statements**

To the Board of Directors of  
TAV Havalimanları Holding Anonim Şirketi

### *Introduction*

We have reviewed the accompanying consolidated interim balance sheet of TAV Havalimanları Holding Anonim Şirketi and its subsidiaries ("the Group") as at 30 June 2008, and the related consolidated interim statements of operations, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the consolidated interim financial statements). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review. We did not review the interim financial statements of TAV Tunisia SA ("TAV Tunisia"), a 100 percent owned subsidiary, and TAV Urban Georgia LLC ("TAV Georgia"), a 60 percent owned joint venture. The assets and revenues of TAV Tunisia and TAV Georgia in total constituted 14.23% of total consolidated assets of the Group as at 30 June 2008 and 5.95% of total consolidated revenues of the Group for the six-month period ended 30 June 2008. The interim financial statements of TAV Tunisia and TAV Georgia were reviewed by other auditors whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for TAV Tunisia and TAV Georgia, is based solely on the reports of the other auditors.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

29 August 2008  
Istanbul, Turkey

*KPMG Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.*

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Balance Sheet

As at 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

ASSETS	Notes	30 June	Restated (*)
		2008	31 December 2007
Property and equipment	17	65,113,921	66,145,596
Intangible assets	18	29,244,885	30,395,636
Airport operation right	19	382,449,992	295,835,595
Other investments	20	1,235,348	1,235,348
Goodwill	7	131,564,539	131,564,539
Prepaid concession expenses, non-current portion	21	184,152,413	154,155,439
Non-current trade receivables	25	167,869,038	179,431,221
Other non-current assets	24	6,339,022	24,788,452
Deferred tax assets	22	17,100,714	21,157,808
<b>Total non-current assets</b>		<b>985,069,872</b>	<b>904,709,634</b>
Inventories	23	8,964,465	9,309,476
Prepaid concession expenses, current portion	21	135,790,735	140,797,438
Trade receivables	25	64,812,356	49,883,346
Due from related parties	40	10,057,409	4,194,406
Derivative financial instruments	36	12,551,871	-
Other receivables and current assets	24	36,437,998	43,579,331
Cash and cash equivalents	26	18,492,309	64,652,433
Restricted bank balances	27	182,872,138	257,520,816
Investments held for trading	20	-	248,683
<b>Total current assets</b>		<b>469,979,281</b>	<b>570,185,929</b>
<b>TOTAL ASSETS</b>		<b>1,455,049,153</b>	<b>1,474,895,563</b>

(\*) See "Restatement of Prior Periods' Financial Statements" – Note 43

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Balance Sheet As at 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

	<u>Notes</u>	<u>30 June 2008</u>	<u>Restated (*) 31 December 2007</u>
<b>EQUITY</b>			
Share capital	28	104,910,267	104,910,267
Share premium		220,182,481	220,182,481
Legal reserves		14,711,879	10,559,039
Revaluation surplus		2,836,735	3,007,539
Purchase of shares of entities under common control		40,063,860	40,063,860
Cash flow hedge reserve		12,395,764	-
Translation reserves		1,122,980	343,039
Accumulated losses		(77,714,276)	(56,584,597)
<b>Total equity attributable to equity holders of the Company</b>		<b>318,509,690</b>	<b>322,481,628</b>
<b>Minority interest</b>		<b>14,286,952</b>	<b>14,986,680</b>
<b>Total Equity</b>		<b>332,796,642</b>	<b>337,468,308</b>
<b>LIABILITIES</b>			
Loans and borrowings	30	728,652,780	763,812,573
Reserve for employee severance indemnity	31	5,759,762	4,884,107
Deferred income	33	18,259,109	19,068,150
Other long term liabilities	34	2,287,944	-
Deferred tax liabilities	22	5,101,137	4,581,203
<b>Total non-current liabilities</b>		<b>760,060,732</b>	<b>792,346,033</b>
Bank overdraft	26	3,028,579	1,970,698
Loans and borrowings	30	211,835,894	234,768,093
Trade payables	35	21,174,907	22,007,749
Due to related parties	40	87,898,500	28,790,208
Derivative financial instruments	36	-	17,144,780
Current tax liabilities		3,898,586	1,487,698
Other payables	32	23,983,560	18,014,081
Provisions	34	4,190,570	11,533,560
Deferred income	33	6,181,183	9,364,355
<b>Total current liabilities</b>		<b>362,191,779</b>	<b>345,081,222</b>
<b>Total Liabilities</b>		<b>1,122,252,511</b>	<b>1,137,427,255</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,455,049,153</b>	<b>1,474,895,563</b>

(\*) See "Restatement of Prior Periods' Financial Statements" – Note 43

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Operations

### For the Six-Month and Three-Month Period Ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	1 January- 30 June 2008	1 April- 30 June 2008	Restated (*) 1 January- 30 June 2007	Restated (*) 1 April- 30 June 2007
Construction revenue	8	108,786,116	72,574,640	16,102,678	771,713
Operating revenue	9	261,857,498	147,330,770	211,896,023	121,582,468
Other operating income	10	12,674,221	6,715,274	8,671,645	4,527,821
Construction expenditure	8	(103,605,825)	(69,118,705)	(16,488,489)	(129,203)
Cost of catering inventory sold		(6,025,406)	(2,963,881)	(4,875,636)	(2,492,219)
Cost of duty free inventory sold		(28,904,457)	(15,573,991)	(26,524,820)	(15,047,454)
Cost of services rendered		(15,643,297)	(9,428,298)	(7,174,193)	(4,322,311)
Personnel expenses	11	(71,609,092)	(36,732,285)	(48,676,425)	(25,990,823)
Concession rent expenses	12	(75,364,164)	(38,979,929)	(69,815,918)	(35,100,821)
Depreciation and amortisation expense	14	(16,898,911)	(8,456,337)	(15,060,036)	(7,577,498)
Other operating expenses	13	(34,022,905)	(16,362,740)	(42,760,848)	(21,282,357)
<b>Operating profit</b>		<b>31,243,778</b>	<b>29,004,518</b>	<b>5,293,981</b>	<b>14,939,316</b>
Finance income		7,716,202	3,962,376	16,604,580	12,277,747
Finance expenses		(50,364,530)	(17,823,338)	(37,114,232)	(17,620,841)
<b>Net finance expense</b>	15	<b>(42,648,328)</b>	<b>(13,860,962)</b>	<b>(20,509,652)</b>	<b>(5,343,094)</b>
<b>Profit / (loss) before income tax</b>		<b>(11,404,550)</b>	<b>15,143,556</b>	<b>(15,215,671)</b>	<b>9,596,222</b>
Income tax (expense) / benefit	16	(5,448,952)	(1,590,278)	2,617,842	(693,035)
<b>Profit / (loss) for the period</b>		<b>(16,853,502)</b>	<b>13,553,278</b>	<b>(12,597,829)</b>	<b>8,903,187</b>
<b>Attributable to:</b>					
Equity holders of the Group		(17,115,012)	13,672,673	(12,392,582)	8,148,224
Minority interest		261,510	(119,395)	(205,247)	754,963
<b>Profit / (loss) for the period</b>		<b>(16,853,502)</b>	<b>13,553,278</b>	<b>(12,597,829)</b>	<b>8,903,187</b>
<b>Weighted average number of shares outstanding</b>		<b>240,717,076</b>	<b>240,717,076</b>	<b>238,958,333</b>	<b>238,958,333</b>
<b>(Loss) / income per share – basic</b>	29	<b>(0.07)</b>	<b>0.06</b>	<b>(0.05)</b>	<b>0.04</b>

(\*) See “Restatement of Prior Periods’ Financial Statements” – Note 43

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Changes in Equity For the Six-Month Period Ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

	Share Capital	Share Premium	Legal Reserves	Revaluation Surplus	Purchase of Shares of Entities Under Common Control	Cash Flow Hedge Reserve	Translation Reserves	Accumulated Losses	Attributable to Equity Holders of the Parent	Minority Interest	Total
<b>Balance as at 31 December 2006 as previously reported</b>	<b>99,543,528</b>	<b>171,881,833</b>	<b>8,766,287</b>	-	<b>35,589,741</b>	-	<b>(83,244)</b>	<b>(5,131,662)</b>	<b>310,566,483</b>	<b>23,073,806</b>	<b>333,640,289</b>
Effect of purchase of shares from subsidiaries	-	23,676,333	-	-	-	-	-	(2,066,710)	21,609,623	(21,609,623)	-
Correction of an error (Note 43)	-	-	-	-	-	-	-	(6,234,456)	(6,234,456)	-	(6,234,456)
Effect of adoption of IFRIC 12 (Note 43)	-	-	-	-	-	-	-	2,313,489	2,313,489	-	2,313,489
<b>Balance as at 31 December 2006 as restated</b>	<b>99,543,528</b>	<b>195,558,166</b>	<b>8,766,287</b>	-	<b>35,589,741</b>	-	<b>(83,244)</b>	<b>(11,119,339)</b>	<b>328,255,139</b>	<b>1,464,183</b>	<b>329,719,322</b>
Cash injection in share capital	5,366,739	48,300,648	-	-	-	-	-	-	53,667,387	-	<b>53,667,387</b>
Transfers	-	-	1,606,680	-	-	-	-	(1,606,680)	-	-	-
Exchange differences on translation reserves	-	-	-	-	-	-	646,217	-	646,217	66,336	<b>712,553</b>
Effect of group structure change	-	-	-	-	-	-	-	-	-	(366,798)	<b>(366,798)</b>
Loss for the period	-	-	-	-	-	-	-	(12,392,582)	(12,392,582)	(205,247)	<b>(12,597,829)</b>
<b>Balance as at 30 June 2007</b>	<b>104,910,267</b>	<b>243,858,814</b>	<b>10,372,967</b>	-	<b>35,589,741</b>	-	<b>562,973</b>	<b>(25,118,601)</b>	<b>370,176,161</b>	<b>958,474</b>	<b>371,134,635</b>
<b>Balance as at 31 December 2007 as previously reported</b>	<b>104,910,267</b>	<b>220,182,481</b>	<b>10,559,039</b>	<b>3,007,539</b>	<b>40,063,860</b>	-	<b>343,039</b>	<b>(53,499,998)</b>	<b>325,566,227</b>	<b>14,986,680</b>	<b>340,552,907</b>
Effect of adoption of IFRIC 12 (Note 43)	-	-	-	-	-	-	-	(3,084,599)	(3,084,599)	-	<b>(3,084,599)</b>
<b>Balance as at 31 December 2007 as restated</b>	<b>104,910,267</b>	<b>220,182,481</b>	<b>10,559,039</b>	<b>3,007,539</b>	<b>40,063,860</b>	-	<b>343,039</b>	<b>(56,584,597)</b>	<b>322,481,628</b>	<b>14,986,680</b>	<b>337,468,308</b>
Transfers	-	-	4,152,840	-	-	-	-	(4,219,631)	(66,791)	66,791	-
Released from minority	-	-	-	-	-	-	-	-	-	(308,532)	<b>(308,532)</b>
Exchange differences on translation reserves	-	-	-	-	-	-	779,941	-	779,941	(65,499)	<b>714,442</b>
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	12,395,764	-	-	12,395,764	-	<b>12,395,764</b>
Dividend distributions	-	-	-	-	-	-	-	-	-	(653,998)	<b>(653,998)</b>
Depreciation on revaluation surplus	-	-	-	(170,804)	-	-	-	204,964	34,160	-	<b>34,160</b>
Loss for the period	-	-	-	-	-	-	-	(17,115,012)	(17,115,012)	261,510	<b>(16,853,502)</b>
<b>Balance as at 30 June 2008</b>	<b>104,910,267</b>	<b>220,182,481</b>	<b>14,711,879</b>	<b>2,836,735</b>	<b>40,063,860</b>	<b>12,395,764</b>	<b>1,122,980</b>	<b>(77,714,276)</b>	<b>318,509,690</b>	<b>14,286,952</b>	<b>332,796,642</b>

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Cash Flows For the Six-Month Period Ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	1 January - 30 June 2008	Restated (*) 1 January - 30 June 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period		<b>(16,853,502)</b>	<b>(12,597,829)</b>
Adjustments to reconcile net profit to net cash provided by operating activities:			
Amortisation of airport operation right	14-19	9,456,251	9,469,497
Depreciation of property and equipment	14-17	5,581,604	4,351,352
Amortisation of intangible assets	14-18	1,861,056	1,239,187
Amortisation of concession asset	12	75,364,164	69,815,917
Non-recoverable VAT related to concession payments		-	5,272,317
Provision / (reversal of provision) for employment termination benefits	31	1,874,319	(448,387)
Provision / (reversal of provision) for doubtful receivables	38	436,091	(272,579)
Provisions set	34	2,132,568	306,549
Discount on receivables and payables		489,566	314,395
(Gain) on sale of property and equipment		(357,845)	(76,743)
Unused vacation accrual	34	68,627	356,767
Reversal of provision for slow moving inventory		-	(146,192)
Unrealized foreign exchange differences on balance sheet items		(32,403,390)	(4,593,294)
Accrued interest income / (expense)		449,719	(569,273)
Interest expense on financial liabilities		35,366,896	27,864,971
Income tax expense / (benefit)	16	5,448,952	(2,617,842)
Marked to market valuation of derivative instruments		(14,393,323)	(8,050,604)
<b>Cash flows from operating activities</b>		<b>74,521,753</b>	<b>89,618,209</b>
Change in trade receivables		(15,521,874)	(5,933,594)
Change in non-current trade receivables		11,562,183	3,474,983
Change in inventories		345,011	2,161,901
Change in due from related parties		(5,863,003)	(24,933,973)
Change in restricted bank balances		25,831,912	70,121,354
Change in other receivables and current assets		26,798,242	(5,227,620)
Change in trade payables		(6,235,644)	(21,435,792)
Change in due to related parties		59,108,292	(30,295,648)
Change in other payables and provisions		(3,531,426)	4,685,327
Change in other long term assets		36,948,352	-
Additions to prepaid concession expenses	21	(95,196,117)	(107,355,756)
Change in VAT portion of prepaid rent		(38,605,549)	(13,112,208)
<b>Cash generated from / (used in) operations</b>		<b>70,162,132</b>	<b>(38,232,817)</b>
Income taxes paid		(1,368,600)	(1,512,791)
Interest paid		(14,765,566)	(23,340,140)
Retirement benefits paid		(452,460)	(339,834)
<b>Net cash provided from / (used in) operating activities</b>		<b>53,575,506</b>	<b>(63,425,582)</b>

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



# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Cash Flows For the Six-Month Period Ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

	<b>Notes</b>	<b>1 January - 30 June 2008</b>	<b>Restated (*) 1 January - 30 June 2007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments held for trading		248,683	157,729
Proceeds from sale of property and equipment		1,604,744	2,677
Acquisition of property and equipment	17	(6,287,509)	(5,045,101)
Additions to airport operation right	19	(93,976,262)	(27,279,672)
Acquisition of intangible assets	18	(757,170)	(641,235)
<b>Net cash used in investing activities</b>		<b>(99,167,514)</b>	<b>(32,805,602)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New borrowings raised		534,690,259	207,017,651
Repayment of borrowings		(584,701,201)	(229,534,096)
Change in restricted bank balances		48,816,766	94,240,606
Change in revaluation surplus and translation reserves		(170,804)	-
Minority change		(699,728)	(366,798)
Addition in finance lease liabilities		438,711	31,055
Increase in share premium		-	48,300,648
Increase of share capital		-	5,366,739
<b>Net cash (used in) / provided from financing activities</b>		<b>(1,625,997)</b>	<b>125,055,805</b>
<b>NET (DECREASE) / INCREASE FROM CASH AND CASH EQUIVALENTS</b>			
		<b>(47,218,005)</b>	<b>28,824,621</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	26	<b>62,681,735</b>	<b>6,254,146</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	26	<b>15,463,730</b>	<b>35,078,767</b>

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### Index to the notes to the consolidated interim financial statements

	<b>Page</b>
1 Reporting entity	8-12
2 Basis of preparation	13-14
3 Significant accounting policies	14-28
4 Determination of fair values	28-29
5 Financial risk management	30-31
6 Segment reporting	32-35
7 Goodwill	36
8 Construction revenue and expenditure	36
9 Operating revenue	37
10 Other operating income	37
11 Personnel expenses	38
12 Concession rent expenses	38
13 Other operating expenses	39
14 Depreciation and amortisation	39
15 Finance income and expense	40
16 Income tax expense	41-42
17 Property and equipment	43-44
18 Intangible assets	45
19 Airport operation right	46-47
20 Other investments	48
21 Prepaid concession expenses	49-50
22 Deferred tax assets and liabilities	51-53
23 Inventories	53
24 Other receivables, current and non-current assets	54
25 Trade receivables	55
26 Cash and cash equivalents	56
27 Restricted bank balances	57
28 Capital and reserves	57-60
29 Earnings per share	61
30 Loans and borrowings	61-70
31 Reserve for employee severance indemnity	71
32 Other payables	72
33 Deferred income	72
34 Provisions	72-73
35 Trade payables	73
36 Derivative financial instruments	74
37 Operating leases	75
38 Financial instruments	75-82
39 Commitments, contingencies and contractual obligations	82-87
40 Related party transactions	88-89
41 Joint ventures	90
42 Events after the balance sheet date	91
43 Restatement of prior periods' financial statements	91-93

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 1. REPORTING ENTITY

TAV Havalimanları Holding A.Ş. (“TAV”, “TAV Holding” or “the Company”) was established in 1997 under the name of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. in Turkey for the purpose of reconstructing the İstanbul Atatürk Airport (International Lines Building) and operating it for a limited period of 66 months. On 7 August 2006, the Company’s name has been changed to TAV Havalimanları Holding A.Ş. The address of the Company’s registered office is İstanbul Atatürk Havalimanı Dış Hatlar Terminali 34149 Yeşilköy, İstanbul, Turkey.

The Company is listed in İstanbul Stock Exchange since 23 February 2007 and Company’s shares are traded as “TAVHL”.

The immediate parent and ultimate controlling party of TAV and its subsidiaries are Tepe Group and Akfen Group. As explained in Note 3, Significant accounting policies, in years 2005, 2006 and 2007, the ultimate shareholders of the Company transferred their shares in certain companies and joint ventures to the Company. As a result of these share transfers, the Company became the parent company of these subsidiaries.

TAV, its subsidiaries and its joint ventures are collectively referred to as “the Group” in this report. The Company’s subsidiaries as at 30 June 2008 and 31 December 2007 are as follows:

Name of Subsidiary	Principal Activity	Place of operation	30 June 2008		31 December 2007	
			Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
TAV İstanbul Terminal İşletmeciliği A.Ş. (“TAV İstanbul”)	İstanbul Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. (“TAV Esenboğa”)	Ankara Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV İzmir Terminal İşletmeciliği A.Ş. (“TAV İzmir”)	İzmir Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Tunisie SA (“TAV Tunisie”)	Airport Operator	Tunisia	100.00	100.00	100.00	100.00
TAV Batumi Operations LLC (“TAV Batumi”)	Airport Management Service Provider	Georgia	60.00	100.00	60.00	100.00
Batumi Airport LLC	Airport Operator	Georgia	-	100.00	-	100.00
TAV Gazipaşa Yapım, Yatırım ve İşletme A.Ş. (“TAV Gazipaşa”)	Airport Operator	Turkey	100.00	100.00	-	-
HAVAŞ Havaalanları Yer Hizmetleri A.Ş. (“HAVAŞ”)	Ground Handling Services	Turkey	100.00	100.00	100.00	100.00
BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. (“BTA”)	Food and Beverage Services	Turkey	66.66	66.66	66.66	66.66
BTA Georgia LLC (“BTA Georgia”)	Food and Beverage Services	Georgia	66.66	66.66	66.66	66.66
BTA Tunisie SARL	Food and Beverage Services	Tunisia	100.00	100.00	-	-
TAV İşletme Hizmetleri A.Ş. (“TAV İşletme”)	Operations & Maintenance (“O&M”), Lounge Services	Turkey	99.99	99.99	99.99	99.99
TAV Georgia Operation Services LLC (“TAV İşletme Georgia”)	Lounge Services	Georgia	99.99	99.99	99.99	99.99
TAV Bilişim Hizmetleri A.Ş. (“TAV Bilişim”)	Software and System Services	Turkey	97.00	97.00	97.00	97.00
TAV Özel Güvenlik Hizmetleri A.Ş. (“TAV Güvenlik”)	Security Services	Turkey	66.67	66.67	66.67	66.67

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 1. REPORTING ENTITY (continued)

BTA, TAV İşletme, TAV İstanbul, ATÜ and insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. Although the Company owned insignificant amount of shares of TAV Esenboğa in year 2005, it had the power to appoint and remove the majority of the board of directors and control the entity by the board. Accordingly, as at 31 December 2005, TAV Esenboğa was reflected as a subsidiary due to a formal protocol signed between TAV and shareholders of TAV Esenboğa which transfers all operational and financial control of TAV Esenboğa to TAV. On 29 December 2006 and 6 July 2007, TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01% to 75% and from 75% to 100%, respectively.

In July 2005, The Group owned 64.99% of TAV İzmir at the time of the acquisition by HAVAŞ. According to the share purchase agreement of HAVAŞ, the other shareholders in HAVAŞ and TAV İzmir agreed to transfer their remaining shares in TAV İzmir to TAV under conditions determined by TAV and in doing so relinquished all rights to or control of the shares in TAV İzmir. Accordingly, TAV in substance owns and controls 100% of TAV İzmir from July 2005. In year 2006, HAVAŞ purchased an additional 35% of the shares in TAV İzmir. On 29 December 2006, 95% and on 17 July 2007, remaining 5% of TAV İzmir shares were transferred to TAV.

HAVAŞ, Gözen Havacılık ve Ticaret A.Ş. and Türkmen Havacılık Taşımacılık ve Ticaret A.Ş. formed a joint venture under the name of TAV Gözen Havacılık İşletme ve Ticaret A.Ş. ("TAV Gözen") at 10 June 2008. HAVAŞ has 32.4% ownership in TAV Gözen as at 30 June 2008. TAV Gözen is engaged in management of all operational inventory, machinery and system in the special hangar of İstanbul Atatürk Airport, any construction and investment related to its subject.

The entities that are jointly controlled by the Company as at 30 June 2008 and 31 December 2007 are as follows:

Name of joint venture	Principal activity	Place of operation	30 June 2008		31 December 2007	
			Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ")	Duty free Services	Turkey	49.98	50.00	49.98	50.00
ATÜ Georgia Operation Services LLC ("ATÜ Georgia")	Duty free Services	Georgia	49.98	50.00	49.98	50.00
TAV Urban Georgia LLC ("TAV Tbilisi")	Airport Operator	Georgia	60.00	50.00	60.00	50.00

### Description of Operations

The Group's core businesses are related to the construction of terminal buildings management and the operation of terminals or airports. The Group companies incorporated in Turkey enter into Build – Operate – Transfer ("BOT") Agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMI"), TAV Tbilisi with JSC Tbilisi International Airport ("JSC"), TAV Batumi with Georgian Ministry of Economic Development ("GMED") and TAV Tunisie with Tunisian Airport Authority (Office De L'Aviation Civil Et Des Aeroports) ("OACA"). Under these agreements the Group agrees to build or renovate or manage an airport or terminal within a specified period of time and in exchange receives the right to operate the airport and terminal for a preestablished period of time. At the end of the contract, the Group transfers the ownership of the terminal building or airport back to the related public authority, DHMI, JSC, GMED or OACA accordingly. In addition, the Group enters into subsequent stand alone contracts for the operation of airports and terminals.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 1. REPORTING ENTITY (continued)

#### ***BOT Agreements***

The airport terminals operated by the Group are as follows:

#### **İstanbul Atatürk International Airport**

A BOT agreement was executed between TAV and DHMİ regulating the reconstruction, investment and operations of the Atatürk International Airport International Lines Building (referred to as “Atatürk Airport Terminal” or “AAT”) in 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of the International Lines Building for 3 years, 8 months and 20 days. TAV completed the reconstruction of the International Lines Building in January 2000 and started the operation seven months early, after completion of a significant portion of the construction. Construction of the remaining parts of the project was finalized in August 2000. DHMİ and the Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

An addendum to the agreement was made in June 2000. Under the terms of the addendum, TAV committed to enlarge the International Lines Building by 30% by 2004. In return for extending the International Lines Building, the operation period of TAV was extended by 13 months 12 days (approximately 66 months in total) through June 2005. The contract expired in June 2005 and TAV transferred AAT to DHMİ. On 3 June 2005, TAV İstanbul signed a concession agreement to operate AAT for 15,5 years until 2021. The concession agreement requires TAV İstanbul to make annual rent payments totaling US Dollar (“USD”) 2,543,000,000 plus VAT (18%) over the life of the concession agreement, of which USD 584,890,000 plus VAT has been prepaid at the beginning of the concession agreement under the terms of the agreement. In addition, TAV İstanbul is required to make certain enhancements and improvements to the domestic terminal within the first year of the concession agreement and to maintain the facilities through the concession period.

#### **Ankara Esenboğa International Airport**

A BOT agreement was executed between TAV and DHMİ on 18 August 2004 regulating the reconstruction, investment and operations of the Ankara Esenboğa International Airport (international and domestic terminals). According to the Agreement, TAV was required to complete the construction within 36 months after the agreement date and would then have the right to operate the facilities of the Ankara Esenboğa International Airport Terminal for a period of 15 years and 8 months. In the operations phase, TAV Esenboğa has been providing mainly passenger, ramp and check-in counter services since 16 October 2006.

#### **İzmir Adnan Menderes International Airport**

A BOT agreement was executed between HAVAŞ and DHMİ on 20 May 2005 regulating the reconstruction, investment and operations of the İzmir Adnan Menderes Airport International Terminal. According to the Agreement, TAV was required to complete the construction within 24 months after the agreement date and would then have the right to operate the facilities of the İzmir Adnan Menderes Airport International Terminal for a period of 6 years, 7 months and 29 days. An addendum to the Agreement was signed on 21 August 2006. Under the terms of the addendum, in return for additional works, the operation period of TAV was extended by 11 months 17 days through January 2015. TAV İzmir has started to provide mainly passenger, ramp and check-in counter services on 13 September 2006.

#### **Tbilisi International Airport**

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The BOT agreement undertakes the design, engineering, financing, construction, testing, commissioning and maintenance of the new terminal for Tbilisi International Airport, for an initially agreed term of 10 years and 6 months from the commencement date of the new terminal operations. Subsequently, this period was extended by another 9,5 years in exchange for an obligation by the Company to invest an additional amount for the construction of the terminal (including construction of additional runways, extension of apron etc.) for Batumi airport. TAV Tbilisi has started to provide all airport activities such as passenger, ramp, check-in counter services and parking-apron-taxi services excluding air traffic services in New Tbilisi International Airport on 8 February 2007.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 1. REPORTING ENTITY (continued)

##### **Batumi International Airport**

On 9 August 2007, TAV Batumi Operations signed an agreement with the Georgian Ministry of Economic Development to transfer the management rights of all shares of the Batumi Airport LLC to TAV Batumi for 20 years. According to such share management agreement, all airport operations (excluding only the air traffic control and aviation security services) of the Batumi International Airport will be carried out by TAV Batumi until August 2027. The air traffic control and aviation security services will strictly be under Georgian Government's responsibility.

##### **Tunisie Monastir and Enfidha International Airports**

A BOT agreement was executed between TAV Tunisie and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways) which is planned to be constructed in two years. The BOT agreement undertakes the operation of existing Monastir Habib Bourguiba Airport and design, engineering, financing, construction, testing, commissioning and maintenance of the new terminal of Enfidha Airport, which shall be undertaken following the completion of the investment amounting to approximately Euro ("EUR") 400 million, latest by 1 October 2009. The operation of Monastir Habib Bourguiba Airport was undertaken on 1 January 2008. The concession periods of both airports will end in May 2047. The operation of the Monastir and Enfidha Airports will cover all airport activities such as passenger handling, ramp, check-in counter services, ground handling, cargo and parking apron taxi services excluding air traffic services.

##### **Gazipaşa Airport**

Relating to the transfer of the operational rights of Antalya-Gazipaşa Airport via a lease, the concession agreement between the new company, named TAV Gazipaşa Yapım, Yatırım ve İşletme A.Ş., and DHMİ was signed on 4 January 2008. The operation period of Antalya-Gazipaşa Airport, which currently has 500,000 annual passenger capacity currently, is 25 years, and the operation of the airport will cover activities within airside and landside facilities and area of runway, apron and taxiway. TAV Gazipaşa shall make a yearly rent payment of US\$ 50,000 plus VAT as a fixed amount, until the end of the operation period; as well as a share of 65% of the net profit to the DHMİ.

##### ***Operations Contracts***

BOT operations and management contracts include the following:

***Terminal and airport services*** – The Group has the right to operate the terminals and airports as mentioned in the preceding paragraphs. This includes passenger, ramp and check-in counter services and services for parking-apron-taxi ways (for airport operations). A fee is charged to each airline based on the number of passengers that utilize the airport, based on the number of aircrafts that utilize ramps and runways and based on the number of check-in counters utilized by the airlines.

***Duty free goods*** – The Group has the right to manage duty free operations within the terminals which the Group operates. Duty free shopping is available to both arriving and departing passengers. The duty free shops are either operated by the Group or, in certain circumstances, subcontracted to other companies in exchange for a commission based on sales.

***Catering and airport hotel services*** – The Group has the right to manage all food and beverage operations within the terminals both for the passengers and the terminal personnel. The Group subcontracts certain food and beverage operations in exchange for a commission based on sales.

***Area allocation services*** – As a lessor, the Group leases office space in the airport terminal including the offices leased to the airlines for ticket office and banks.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 1. REPORTING ENTITY (continued)

Ground handling – The Group has the right to provide all ground handling operations. Ground handling involves providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation License (“SHY 22”). Additional activities include shuttle bus and car parking.

Lounge services – The Group has the right to operate or rent the lounges to provide CIP or VIP services to the passengers who have the membership.

Bus and car parking services – The Group has the right to operate the car park and render valet parking services. Revenues from bus operations include shuttle services running from airports to city centers.

Software and system services – The Group develops software and systems on operational and financial optimization in aviation, particularly terminal, flight management system and software programs and to meet the information systems requirements of group companies and certain third parties.

Security services – The Group operates the security services within the terminals.

The Group employs approximately 11,714 (average: 11,004 ) people as at 30 June 2008, 10,792 (average: 9,473) people as at 31 December 2007.

#### ***Growth of the Group***

The Group has experienced major and rapid growths in the recent years following the award of contracts at İstanbul Atatürk Airport, İzmir Adnan Menderes Airport, Ankara Esenboğa Airport, Tbilisi International Airport, Batumi International Airport, Antalya Gazipaşa Airport and Tunisia Monastir and Enfidha International Airports. In connection with these contracts, the Group constructed the airports or made large prepayments for operational leasing under the terms of concession agreements with airport authorities.

These long term projects, the leases and the acquisition were financed through facilities from various third party lenders. These borrowing facilities contained certain covenants that, among other things, required the Group to maintain certain financial ratios, limited the Group’s and the shareholders ability to transfer assets outside of the Group and restricted the use of cash, and required regular payments based on the terms of the borrowing facilities.

In addition to the growth in terminal and airport operations, TAV paid USD 125 million to acquire 60% of HAVAŞ shares in year 2005 and paid USD 115 million for the remaining 40% in November 2007.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The Group’s consolidated interim financial statements were approved by the Board of Directors on 29 August 2008.

#### b) Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further in note 4.

#### c) Functional and presentation currency

TAV Holding and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in New Turkish Lira (“TRY”) in accordance with the accounting principles as promulgated by the Capital Markets Board of Turkey, the Turkish Commercial Code and tax legislation. The foreign subsidiaries and jointly controlled entities maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. The accompanying consolidated interim financial statements expressed in EUR, the functional currency of TAV Holding, are based on the statutory records, with adjustments and reclassifications, including re-measurement from TRY to EUR for the purpose of fair presentation in accordance with IFRS.

Although the currency of the country in which the majority of the Group entities are domiciled is TRY, most of the Group entities’ functional currency and reporting currency is EUR. All financial information presented in Euro has been rounded to the nearest amount. The table below summarizes the functional currencies of the Group entities:

<u>Company</u>	<u>Functional Currency</u>
TAV Holding	EUR
TAV İstanbul	EUR
ATÜ	EUR
HAVAŞ	EUR
BTA	TRY
TAV Esenboğa	EUR
TAV İzmir	EUR
TAV Tunisie	EUR
TAV Gazipaşa	EUR
TAV Tbilisi	Georgian Lari (“GEL”)
TAV Batumi	GEL
Batumi Airport LLC	GEL
TAV İşletme	TRY
TAV Bilişim	EUR
TAV Güvenlik	TRY
ATU Georgia	GEL
BTA Georgia	GEL
TAV İşletme Georgia	GEL
TAV Gözen	EUR
BTA Tunisie	Tunisian Dinar



# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 2. BASIS OF PREPARATION (continued)

##### **d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 7 – goodwill

Note 8 – mark-up applied to construction expenditure

Note 18 – valuation of intangible assets

Note 22 – utilisation of tax losses

Note 31 – measurement of reserve for employee severance indemnity

Notes 34 and 39 – provisions and contingencies

Note 38 – valuation of financial instruments

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (See note 43).

##### **a) Basis of consolidation**

The consolidated interim financial statements include the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries and jointly controlled entities). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Each entity is consolidated based on the following methods:

- TAV İstanbul, TAV İzmir, TAV Esenboğa, HAVAŞ, TAV Gazipaşa, TAV Batumi and TAV Tunisie are fully consolidated without minority's ownership. After acquisition of the remaining 40% shares of HAVAŞ in November 2007 from independent third party, HAVAŞ is fully consolidated as at 31 December 2007 from effective date of acquisition whereas it was consolidated proportionally until 30 September 2007. The effects of such change are presented as "effect of change in group structure" in the notes to the consolidated interim financial statements.
- BTA, TAV İşletme, TAV Bilişim, Batumi Airport LLC and TAV Güvenlik 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 is proportionally consolidated under HAVAŞ.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) Basis of consolidation

##### i) Subsidiaries:

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### ii) Acquisitions from entities under common control:

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

##### iii) Jointly controlled entities:

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

##### iv) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### v) Business combinations for independent third party purchases:

Acquisitions from third parties are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### b) Foreign currency

###### i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognized directly in equity.

###### ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at exchange rates at the dates of the transactions.

The Group entities use either EUR, TRY, Tunisian Dinar or GEL as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21 ("The Effects of Changes in Foreign Exchange Rates"). The Group uses EUR as the reporting currency.

The financial statements of subsidiaries that report in the currency of a hyperinflationary economy (Turkey) are restated in terms of the measuring unit current at the balance sheet dates until 31 December 2005 before they are translated into EUR. Turkey came off highly inflationary status for the period beginning after 15 December 2005, therefore restatement for IAS 29 has not been applied since 1 January 2006.

The EUR / TRY, EUR / Tunisian Dinar and EUR / GEL exchange rates as of the end of each period are as follows:

<u>Year:</u>	<u>30 June 2008</u>	<u>31 December 2007</u>	<u>30 June 2007</u>
EUR / TRY	1.9271	1.7102	1.7585
EUR / GEL	2.2325	2.3315	2.2455
EUR / Tunisian Dinar	1.8367	1.7971	1.7540

The financial statements of subsidiaries, namely BTA, TAV İşletme and TAV Güvenlik (established in 2006), which have the TRY as their functional currency, were restated to compensate for the effect of changes in the general purchasing power of the TRY until 31 December 2005, in accordance with IAS 29 as TRY was the currency of a hyperinflationary economy. Financial statements of such subsidiaries are then translated into Euro, the main reporting currency of the Group, at the closing balance sheet exchange rate.

Foreign currency differences are recognised directly in equity, under the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c) Financial instruments

###### i) Non-derivative financial instruments:

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, guaranteed passenger fee receivable from DHMİ (Concession receivables), cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised as described below.

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3n.

The Group's use of Project Accounts or Reserve Accounts or Funding Accounts is dependant upon the lenders' consent according to financial agreements. Therefore, bank balances included in these accounts are presented as restricted bank balances in the balance sheet.

###### *Financial assets at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

###### *Other*

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

###### ii) Derivative financial instruments:

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Financial instruments (continued)

##### ii) Derivative financial instruments: (continued)

###### *Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

##### iii) Share capital:

Ordinary shares are classified as equity.

#### d) Property and equipment

##### i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying amounts is deducted from the borrowing costs eligible for capitalization.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “ other operating income ” in profit or loss.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **d) Property and equipment (continued)**

###### **ii) Subsequent costs:**

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### **iii) Depreciation:**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Machinery and equipment	4-15 years
Vehicles	5 years
Furniture and fixtures	2-15 years
Leasehold improvements	1-18 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

##### **e) Intangible assets**

###### **i) Goodwill:**

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

###### ***Acquisitions of minority interests***

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the fair value of the net assets acquired at the date of exchange.

###### ***Subsequent measurement***

Goodwill is measured at cost less accumulated impairment losses.

###### **ii) Intangibles recognized in business combination:**

Customer relationships and DHMİ license are the intangible assets recognized during the purchase of HAVAŞ shares in years 2006 and 2007. In a business combination or acquisition, the acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset in IAS 38 *Intangible Assets* and its fair value can be measured reliably.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Intangible assets (continued)

##### ii) Intangibles recognized in business combination: (continued)

The fair values of DHMİ licence and customer relationship are determined by an independent external third party expert.

The Group applied proportionate consolidation method to account for its 60% ownership interest in HAVAŞ until 30 September 2007. Therefore, intangible assets arising from the initial acquisition of HAVAŞ were reflected by 60%, being the shareholding of the Group, in the consolidated interim financial statements. In accordance with IFRS 3, the Group applied step acquisition during the purchase of remaining 40% shareholding in HAVAŞ. Customer relationship and DHMİ licence were remeasured to their fair values. The fair value change attributable to 60% portion is recorded to the revaluation reserve under equity. This figure reflected the change in fair value of intangibles that were already carried in the consolidated interim financial statements prior to the acquisition of the additional 40% shareholding.

##### iii) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

##### iv) Subsequent expenditure:

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### v) Amortisation:

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Purchased software is amortised over estimated useful lives, which is between 3-5 years. Intangible assets related to HAVAŞ acquisition are customer relationships and DHMİ licence. Customer relationships have 10 years useful life and DHMİ licence has indefinite useful life. DHMİ licence is annually tested for impairment.

#### f) Service concession agreements

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa and TAV İzmir have guaranteed passenger fee to be received from DHMİ. The agreements cover a period up to January 2015 for TAV İzmir and May 2023 for TAV Esenboğa.

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to August 2027.

A BOT agreement was executed between TAV Tunisie and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways) which is planned to be constructed in two years. The concession periods of both airports will end in May 2047.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **f) Service concession agreements (continued)**

##### **i) Intangible assets**

The Group recognizes an intangible asset arising from a service concession agreement when it has a right to charge for usage of concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession agreement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Tbilisi and TAV Tunisie are 0%, 0%, 15% and 5%, respectively. As of 30 June 2008, total cost of airport operation right is EUR 417,317,310 (EUR 111,500,212 for TAV Esenboğa, EUR 80,478,347 for TAV İzmir, EUR 52,908,462 for TAV Tbilisi and EUR 172,430,289 for TAV Tunisie) (31 December 2007: total cost of airport operation right is EUR 321,094,452 (EUR 111,500,212 for TAV Esenboğa, EUR 80,422,360 for TAV İzmir, EUR 50,661,866 for TAV Tbilisi and EUR 78,510,014 for TAV Tunisie)).

The consideration receivable for the construction services delivered includes direct costs of construction and borrowing and other similar costs that are directly related to the construction of the airport and related infrastructure.

Amortisation of the airport operation right is calculated on a straight line basis. The calculated amortisation over the period of contract amounts to EUR 3,339,208 for TAV Esenboğa, EUR 4,890,037 for TAV İzmir and EUR 1,227,006 for TAV Tbilisi as at 30 June 2008. For TAV Tunisie no amortisation has been calculated as the construction of the airport is still in progress. The estimated useful life of an intangible asset in a service concession arrangement is the period when it is available for use to the end of the concession period.

##### **ii) Financial assets**

The Group recognizes the guaranteed amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa and TAV İzmir. Financial assets are initially recognized at fair value. Fair value of financial assets are estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument.

As at 30 June 2008, the short and long term guaranteed passenger fee receivable from DHMİ equals to EUR 195,104,010; (31 December 2007: EUR 203,907,254).

##### **iii) Accounting for operations contract (TAV İstanbul)**

The costs associated with the operations contract primarily include rental payments and payments made to enhance and improve the domestic terminal at AAT. TAV İstanbul prepaid certain rental amounts and the prepayment is deferred as prepaid rent and is recognized over the life of the prepayment period. The amounts TAV İstanbul incurs to enhance and improve the domestic terminal are recorded as prepaid development expenditures and are being amortized over the life of the associated contract. Any other costs associated with regular maintenance are expensed in the period in which they are incurred.



# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **f) Service concession agreements (continued)**

Under IFRIC 12 “Service Concession Arrangements” an operator recognises an intangible asset or financial asset received as consideration for providing construction or upgrade services or other items. In TAV İstanbul there is no construction nor significant upgrade service provided and the contract is in operating phase. Therefore, no intangible asset or financial asset is recognised in TAV İstanbul’s financial statements and the revenue and costs relating to the operation services are recognised in accordance with IAS 18 as required by IFRIC 12. See note 43.

Amortisation of the airport operation right is calculated on a straight line basis over the BOT periods of each project from the date of commencement of physical construction of the terminal.

##### **g) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group’s balance sheet.

##### **h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

##### **i) Impairment**

###### ***i) Financial assets:***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i) Impairment (continued)

##### ii) Non-financial assets:

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that one not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### j) Reserve for employee severance indemnity

In accordance with the existing labor law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TRY 2,088 as at 30 June 2008 (equivalent to EUR 1,083 as at 30 June 2008) (31 December 2007: TRY 2,030 (equivalent to EUR 1,187 as at 31 December 2007)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying consolidated financial statements on a current basis. The management of the Company used some assumptions (detailed in Note 31) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

##### k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate and the risks specific to the liability.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 1) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Construction revenue and costs: Construction revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Service concession agreements: Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

Aviation income: Aviation income is recognized based on the daily reports obtained from related airline companies for terminal service income charged to passengers, as well as for ramps utilized by aircraft and check-in counters utilized by the airlines.

Area allocation income: Area allocation income is recognized by the issuance of monthly invoices based on the contracts made for allocated areas in the terminal.

Sales of duty free goods: Sales of goods are recognized when goods are delivered and title passes.

Catering services income: Catering services income is recognized when services are provided. The Group defers revenue for collections from long term contracts until the services are provided. There are no deferred costs related to these revenues since these are related with the selling rights given to food and beverage companies to sell their products at domestic and international lines terminals as well as third parties out of the terminals where the subsidiaries operate.

Ground handling income: Ground handling income is recognized when the services are provided.

Commission: The Group subcontracts the right to operate certain duty free operations and the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is recognized based on the sales reports provided from the subcontractor entities in every 2 to 3 days.

Software and system sales: Software and system sales are recognized when goods are delivered and title has passed, or when services are provided.

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

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **m) Lease payments**

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

##### **n) Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, dividend income, changes in the fair value of financial assets at fair value through profit or loss, unwinding of discount on guaranteed passenger fee receivable from DHMI, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

##### **o) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

*(Amounts expressed in Euro unless otherwise stated)*

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **o) Income tax (continued)**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated interim financial statements, have been calculated on a separate-entity basis.

#### **p) Earnings per share**

The Group presents basic earning per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There are no potentially dilutive shares.

#### **q) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary segment reporting is based on business segments and secondary segment reporting is based on geographical segment.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2008, and have not been applied in preparing these consolidated interim financial statements:

- IFRS 8 *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Group’s 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company’s management in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (note 6).
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 consolidated financial statements and will not constitute a change in accounting policy for the Group since the Group currently capitalizes the borrowing costs.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group’s 2009 consolidated financial statements, is not expected to have any impact on the consolidated financial statements.
- Revised IAS 1 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group’s 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group’s 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.
- Revised IFRS 3 *Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the Group’s operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### r) New standards and interpretations not yet adopted (continued)

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

The following amendments to standards and interpretations have been issued subsequent to 30 June 2008:

- The IFRIC issued on 3 July 2008 an Interpretation, IFRIC 15 *Agreements for the Construction of Real Estate*. The Interpretation will standardize accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses before construction is complete. The Interpretation is effective for annual periods beginning or after 1 January 2009 and is not expected to have any effect on the consolidated financial statements.
- The IFRIC issued on 3 July 2008 an interpretation IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. It does not apply to other types of hedge accounting. The interpretation is effective for annual periods beginning on or after 1 October 2008 and is not expected to have any effect on the consolidated financial statements.
- Eligible Hedged Items (amendment to IAS 39 *Financial Instruments: Recognition and Measurement*) introduces application guidance to illustrate how the principles underlying hedge accounting should be applied in the designation of i) a one-sided risk in a hedged item and ii) inflation in a financial hedged item. The amendment is effective, with retrospective application, for annual periods beginning on or after 1 July 2009 and is not expected to have any effect on the consolidated financial statements.

### 4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### i) *Property and equipment*

The fair value of property and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of equipment, fixtures and fittings is based on the quoted market prices for similar items.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 4. DETERMINATION OF FAIR VALUES (continued)

#### ii) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

The fair values of customer relationship and DHMİ licence were computed according to the cost approach method.

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Tbilisi and TAV Tunisia are 0%, 0%, 15% and 5%, respectively.

#### iii) Investments in equity securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

#### iv) Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### v) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.



# **TAV Havalimanları Holding A.Ş. and its Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **As at and for the six-month period ended 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated)*

#### **5. FINANCIAL RISK MANAGEMENT**

##### **Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has established a Risk Management Department and the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

All directors act to ensure an effective internal control, providing assurance in relation to control, governance and the risk management process.

The Group Audit Committee is assisted in its oversight role by Internal Audit. The mission of Internal Audit Directorate of the Group is to assist Holding Board of Directors and Management (including subsidiaries) in their oversight, management and operating responsibilities by identifying; ineffectiveness's of internal control, risk management and governance processes inefficiencies that cause waste of its resources and making professional recommendations through independent audits (reports) and / or advisory services.

The Internal Audit Director has a dual reporting line to the CEO and Board of Directors. Functionally, the Internal Audit Director reports to Board of Directors via Internal Audit Committee, and hierarchically reports to the CEO.

Internal audit plans are based on risk assessments as well as the issues highlighted by the Audit Committee and the management. Risk assessment is conducted on a continuous basis so as to identify not only existing risks but also emerging risks. Formally, risk assessment is made annually but more often if required.

##### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of trade and other receivables, net of provision for impairment of receivables, and the total of cash and cash equivalents, represents the maximum amount exposed to credit risk. The Group has no significant concentration of credit risk since the customers portfolio is diversified among a number of customers and the main customer is Turkish Airlines ("THY") which is the flag carrier and one of the most reputable firms in Turkey. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded due to, reputation and type of customers for the airlines (well-known reputable, international and flag carrier companies), method of sales which is cash or credit card basis for duty free sales.

In addition, the Group receives letters of guarantee, and notes from some customers whose credibilities are low.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 5. FINANCIAL RISK MANAGEMENT (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational and financial expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

##### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Company as mentioned in Note 36.

##### *i) Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 30 June 2008, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro, but also USD, GEL and TRY which are disclosed within the relevant notes to these consolidated interim financial statements. The Group manages this currency risk by maintaining foreign currency cash balances. The currency risk is managed by using of some financial intruments as mentioned in Note 36.

##### *ii) Interest rate risk*

The Group adopts a policy of ensuring that between 75 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps as mentioned in Note 36.

##### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests. In addition, consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

### 6. SEGMENT REPORTING

#### Business Segments:

For management purposes, the Group is currently organized into five divisions; Terminal Operations, Catering Operations, Duty Free Operations, Ground Handling and Bus Operations and Other Operations. These divisions are the basis on which the Group reports its primary segment information, the principal activities of each are as follows:

- **Terminal operations:** Operating Terminal Buildings, the Car Park and the General Aviation Terminal, the Group companies included in this segment are TAV İstanbul, TAV Esenboğa, TAV İzmir, TAV Gazipaşa, TAV Tunisie, TAV Tbilisi, and TAV Batumi. TAV Tbilisi and TAV Batumi also include the ground handling operations, and parking-apron-taxi ways as they are not outsourced and are run by the airport.
- **Catering operations:** Managing all food and beverage operations of the terminal, both for the passengers and the terminal personnel, which is run by BTA.
- **Duty free operations:** Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATÜ.
- **Ground handling and bus operations:** Providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation License. The Group operates the ground handling services through HAVAŞ, which also provides bus operations.
- **Other:** Providing lounge services, IT and Security services, the Group companies included in this segment are TAV Holding, TAV İşletme, TAV Bilişim and TAV Güvenlik.

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 6. SEGMENT REPORTING (continued)

##### Business Segments

30 June 2008	Terminal Operations	Catering Operations	Duty Free Operations	Ground Handling and Bus Operations	Other Operations	Consolidation Eliminations	Consolidated
External revenues	110,787,480	18,613,305	71,856,131	50,684,064	9,916,518	-	261,857,498
Inter - segment revenue	42,639,210	4,712,989	-	14,265	6,762,219	(54,128,683)	-
Construction revenue	108,786,116	-	-	-	-	-	108,786,116
Construction expenditure	(103,605,825)	-	-	-	-	-	(103,605,825)
Operating expenses	(112,559,919)	(23,208,122)	(66,012,993)	(41,452,788)	(17,980,778)	46,769,273	(214,445,327)
Other operating income	7,932,707	3,639,354	1,303,453	953,704	6,142,309	(7,297,306)	12,674,221
Other operating expenses	(31,611,040)	(4,531,934)	(1,429,624)	(5,601,713)	(8,675,719)	17,827,125	(34,022,905)
<b>Operating profit / (loss)</b>	<b>22,368,729</b>	<b>(774,408)</b>	<b>5,716,967</b>	<b>4,597,532</b>	<b>(3,835,451)</b>	<b>3,170,409</b>	<b>31,243,778</b>
Net finance expense							(42,648,328)
Income tax expense							(5,448,952)
<b>Loss for the period</b>							<b>(16,853,502)</b>
<b>30 June 2008 Other information</b>							
Segment assets	1,205,970,371	13,890,704	34,727,335	52,416,387	749,095,659	(601,051,303)	1,455,049,153
<b>Total assets</b>							<b>1,455,049,153</b>
Segment liabilities	(832,376,265)	(14,178,258)	(28,205,270)	(16,726,964)	(297,782,712)	67,016,958	(1,122,252,511)
<b>Total liabilities</b>							<b>(1,122,252,511)</b>
Additions to tangible, intangible assets and airport operation right	96,220,954	637,131	514,251	2,807,884	840,721	-	101,020,941
Tangible, intangible assets and airport operation right depreciation and amortisation	(10,854,987)	(994,016)	(286,455)	(3,703,960)	(1,059,493)	-	(16,898,911)
Concession rent expense	(75,364,164)	-	-	-	-	-	(75,364,164)
Additions to prepaid concession expenses	95,196,117	-	-	-	-	-	95,196,117

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 6. SEGMENT REPORTING (continued)

<b>30 June 2007</b>	<b>Terminal Operations</b>	<b>Catering Operations</b>	<b>Duty Free Operations</b>	<b>Ground Handling and Bus Operations (*)</b>	<b>Other Operations</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
External revenues	96,728,489	15,928,706	62,913,697	27,038,560	9,286,571	-	211,896,023
Inter - segment revenue	36,679,485	3,470,051	-	17,049	11,072,072	(51,238,657)	-
Construction revenue	16,102,678	-	-	-	-	-	16,102,678
Construction expenditure	(16,488,489)	-	-	-	-	-	(16,488,489)
Operating expenses	(98,994,536)	(19,440,628)	(59,444,276)	(21,257,297)	(12,384,320)	39,394,029	(172,127,028)
Other operating income	4,406,251	3,351,049	1,349,465	194,530	2,486,969	(3,116,619)	8,671,645
Other operating expenses	(36,419,096)	(2,617,442)	(1,341,702)	(3,210,993)	(14,161,606)	14,989,991	(42,760,848)
<b>Operating profit / (loss)</b>	<b>2,014,782</b>	<b>691,736</b>	<b>3,477,184</b>	<b>2,781,849</b>	<b>(3,700,314)</b>	<b>28,744</b>	<b>5,293,981</b>
Net finance expense							(20,509,652)
Income tax benefit							2,617,842
<b>Loss for the period</b>							<b>(12,597,829)</b>
<b>31 December 2007 Other information</b>							
Segment assets	1,198,075,144	14,354,961	34,089,522	56,915,877	646,765,771	(475,305,712)	1,474,895,563
<b>Total assets</b>							<b>1,474,895,563</b>
Segment liabilities	(921,207,838)	(13,467,119)	(26,579,457)	(15,686,388)	(206,364,503)	45,878,050	(1,137,427,255)
<b>Total liabilities</b>							<b>(1,137,427,255)</b>
<b>30 June 2007 Other information</b>							
Additions to tangible, intangible assets and airport operation right	28,369,815	941,719	354,418	2,476,312	823,744	-	32,966,008
Tangible, intangible assets and airport operation right depreciation and amortisation	(10,608,093)	(841,944)	(153,928)	(2,040,120)	(1,415,951)	-	(15,060,036)
Concession rent expense	(69,815,917)	-	-	-	-	-	(69,815,917)
Additions to concession expenses	107,355,756	-	-	-	-	-	107,355,756

(\*) HAVAŞ, providing ground handling and bus operations, was fully consolidated after the acquisition of the remaining 40% shares by TAV in 2007, whereas it was proportionally consolidated until 30 September 2007.

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 6. SEGMENT REPORTING (continued)

##### Geographical segments

The main geographical segments of the Group are comprised of Turkey, Tunisie and Georgia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<b>30 June 2008</b>	<b>Turkey</b>	<b>Georgia</b>	<b>Tunisie</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
Operating revenue	243,055,771	4,289,965	14,511,762	-	261,857,498
Construction revenue	-	-	108,786,116	-	108,786,116
<b>Other information</b>					
Segment assets	1,763,332,749	60,868,863	231,898,844	(601,051,303)	1,455,049,153
<b>Total assets</b>					<b>1,455,049,153</b>
Additions to tangible, intangible assets and airport operation right	6,844,077	222,712	93,954,152	-	101,020,941
<b>30 June 2007</b>	<b>Turkey</b>	<b>Georgia</b>	<b>Tunisie</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
Operating revenue	208,662,256	3,233,767	-	-	211,896,023
Construction revenue	4,264,851	11,837,827	-	-	16,102,678
<b>Other information</b>					
Segment assets as at 31 December 2007	1,765,143,793	60,636,508	124,533,970	(475,418,708)	1,474,895,563
<b>Total assets</b>					<b>1,474,895,563</b>
Additions to tangible, intangible assets and airport operation right	20,200,677	12,574,293	191,038	-	32,966,008

(\*) HAVAŞ, providing ground handling and bus operations, was fully consolidated after the acquisition of the remaining 40% shares by TAV in 2007, whereas it was proportionally consolidated until 30 September 2007.

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

#### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 7. GOODWILL

An analysis of goodwill as of 30 June 2008 and 31 December 2007 is as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Goodwill	131,564,539	131,564,539
	<b>131,564,539</b>	<b>131,564,539</b>

On 9 November 2007, TAV Holding purchased 40% shareholding of HAVAŞ, increasing its total share from 60% to 100%. The transaction comprised the purchase of 17,999,990 B group registered shares with 1 TRY nominal value each, in return for USD 114,999,936 by TAV Holding, from Park Yatırım Holding A.Ş. ("Park Holding"), purchase of 10 B group registered shares in return for USD 63.89 by TAV Bilişim. The price of the shares corresponding to 40% of HAVAŞ capital has been determined through negotiations between parties, taking as the basis the valuation made by independent third party appraiser. The payment was made in cash. TAV Holding utilised a bank loan amounting to USD 115,000,000 (equivalent to EUR 78,318,618) with an interest rate of Libor+1.85% and maturity of November 2012 from Türkiye İş Bankası A.Ş. in order to fund this payment. In relation to such loan, HAVAŞ shares with a nominal amount of TRY 44,994,667 corresponding to 99.988% of the capital have been pledged in favour of Türkiye İş Bankası A.Ş. However, the voting right for these shares remains at TAV Holding.

#### 8. CONSTRUCTION REVENUE AND EXPENDITURE

An analysis of the Group's construction revenue and expenditure for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
<b>Construction expenditure</b>	<b>103,605,825</b>	<b>69,118,705</b>	<b>16,488,489</b>	<b>129,203</b>
Mark up on construction expenditure	5,180,291	3,455,935	(385,811)	642,510
<b>Construction revenue</b>	<b>108,786,116</b>	<b>72,574,640</b>	<b>16,102,678</b>	<b>771,713</b>

Construction revenue and expenditure relate to the development of the new terminals for Enfidha International Airport in year 2008 and for Esenboğa International, Adnan Menderes International, Tbilisi International and Batumi Airports in year 2007.

In year 2006, TAV Georgia estimated the construction margin applicable to similar contracts and development work to be 22% in Georgia. Subsequently, during year 2007 as a result of increased costs to completion, the actual construction margin achieved has been reduced to 15%. The reduction from 22% to 15% on the total construction expenditure has been recorded as a reduction of construction revenue for the period ended 30 June 2007.

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

#### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 9. OPERATING REVENUE

An analysis of the Group's operating revenue for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
Sales of duty free goods	71,856,131	38,856,813	62,913,697	35,138,852
Aviation income	57,174,861	32,621,524	51,837,428	31,219,219
Ground handling income (*)	44,596,873	28,826,184	22,775,896	15,111,643
Commission from sales of duty free goods	31,331,376	16,778,236	28,446,902	15,495,705
Catering services income	16,794,435	7,988,842	14,231,889	6,775,373
Area allocation income	11,245,190	6,289,474	8,755,354	5,245,543
Income from car parking operations	10,449,322	5,547,805	8,863,479	4,616,365
Bus services income	7,068,437	3,581,295	4,809,241	2,747,980
Income from lounge services	6,847,214	4,136,915	4,086,078	2,863,764
Other operating revenue	4,493,659	2,703,682	5,176,059	2,368,024
<b>Total operating revenue</b>	<b>261,857,498</b>	<b>147,330,770</b>	<b>211,896,023</b>	<b>121,582,468</b>

(\*) HAVAŞ, providing ground handling and bus operations, was fully consolidated after the acquisition of the remaining 40% shares by TAV in year 2007, whereas it was proportionally consolidated until 30 September 2007.

#### 10. OTHER OPERATING INCOME

An analysis of the Group's other operating income for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
Advertising income	5,453,063	3,169,410	3,801,675	1,610,186
Rent income from sublease	3,917,415	2,011,474	3,825,693	3,364,368
Utility and general participation income (*)	661,472	407,558	274,133	(890,097)
Other	2,642,271	1,126,832	770,144	443,364
<b>Total other operating income</b>	<b>12,674,221</b>	<b>6,715,274</b>	<b>8,671,645</b>	<b>4,527,821</b>

(\*) Utility participation income consists of electricity, water supplies, heat, natural gas expenses which are initially paid by the Company and charged to the tenants of the terminal according to the m<sup>2</sup> of the areas rented. Utility and general participation income was not eliminated from utility cost in year 2007 since it was impractical.



## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

#### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 11. PERSONNEL EXPENSES

An analysis of the Group's personnel expenses for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
Wages and salaries	54,257,384	29,189,508	34,704,683	18,483,777
Compulsory social security contributions	9,392,322	4,681,043	6,969,144	3,753,957
Employment termination benefit expenses	1,819,265	704,612	(192,852)	(365,899)
Other personnel expenses	<u>6,140,121</u>	<u>2,157,122</u>	<u>7,195,450</u>	<u>4,118,988</u>
<b>Total personnel expenses</b>	<b><u>71,609,092</u></b>	<b><u>36,732,285</u></b>	<b><u>48,676,425</u></b>	<b><u>25,990,823</u></b>

#### 12. CONCESSION RENT EXPENSES

An analysis of the Group's concession rent expenses for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
TAV İstanbul	70,205,846	35,102,923	69,815,918	35,100,821
TAV Tunisie (*)	<u>5,158,318</u>	<u>3,877,006</u>	-	-
<b>Total concession expenses</b>	<b><u>75,364,164</u></b>	<b><u>38,979,929</u></b>	<b><u>69,815,918</u></b>	<b><u>35,100,821</u></b>

(\*) According to the concession agreement, TAV Tunisie is obliged to pay 33.7% of total revenue to Tunisian government as annual concession rent expense.

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements

#### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 13. OTHER OPERATING EXPENSES

An analysis of the Group's other operating expense for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
VAT non-recoverable	5,892,730	2,770,810	7,395,102	3,853,671
Taxes (*)	2,509,566	814,114	667,195	183,612
Utility cost	5,164,121	2,372,759	4,421,823	523,359
Maintenance expenditures	3,646,581	1,996,694	4,096,892	2,364,458
Insurance expense	3,640,346	1,687,064	4,460,976	1,970,324
Cleaning expense	3,458,720	1,648,964	3,225,378	1,814,464
Consultancy expense	2,487,918	1,249,682	10,739,190	6,857,926
Traveling and transportation expenses	1,399,284	749,758	1,274,694	413,992
Communication and stationary expenses	1,070,408	596,020	1,074,416	541,556
Rent expense	910,901	450,946	628,819	324,585
Advertisement and marketing expenses	822,762	575,178	1,517,836	710,965
Representation expenses	509,921	362,469	681,424	416,532
Security cost	210,664	113,570	130,946	61,858
Other operating expenses	2,298,983	974,712	2,446,157	1,245,055
<b>Total other operating expenses</b>	<b>34,022,905</b>	<b>16,362,740</b>	<b>42,760,848</b>	<b>21,282,357</b>

(\*) Taxes include tax penalty and other taxes expenses. See note 32 for tax penalty expense.

#### 14. DEPRECIATION AND AMORTISATION

An analysis of the Group's depreciation and amortisation expenses for the six-month periods ended 30 June is as follows:

	<b>Airport operation right</b>	<b>Property and equipment</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Balance at 1 January 2007</b>	<b>6,359,641</b>	<b>35,694,200</b>	<b>3,064,906</b>	<b>45,118,747</b>
Foreign currency translation effect	(13,583)	272,969	55,490	314,876
Effect of change in group structure	-	532	31	563
Current period charges	9,469,497	4,351,352	1,239,187	15,060,036
Disposals	-	(1,079,185)	-	(1,079,185)
<b>Balance at 30 June 2007</b>	<b>15,815,555</b>	<b>39,239,868</b>	<b>4,359,614</b>	<b>59,415,037</b>
<b>Balance at 1 January 2008</b>	<b>25,258,857</b>	<b>56,695,410</b>	<b>6,087,281</b>	<b>88,041,548</b>
Foreign currency translation effect	152,210	(292,049)	(53,658)	(193,497)
Current period charges	9,456,251	5,581,604	1,861,056	16,898,911
Disposals	-	(1,049,380)	(135)	(1,049,515)
<b>Balance at 30 June 2008</b>	<b>34,867,318</b>	<b>60,935,585</b>	<b>7,894,544</b>	<b>103,697,447</b>

## TAV Havalimanları Holding A.Ş. and its Subsidiaries

### Notes to the Consolidated Interim Financial Statements As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 15. FINANCE INCOME AND EXPENSE

##### Recognised in profit or loss

An analysis of the Group's finance income and expense for the six-month and three-month periods ended 30 June is as follows:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
Interest income on bank deposits and intercompany loans	5,864,109	2,863,141	4,940,952	2,265,053
Fair value of derivatives (****)	-	-	9,795,455	8,845,891
Discount income (*)	1,848,681	1,095,996	992,868	904,180
Other finance income	3,412	3,239	18,021	8,522
Foreign exchange gain, net	-	-	857,284	254,101
<b>Finance income</b>	<b>7,716,202</b>	<b>3,962,376</b>	<b>16,604,580</b>	<b>12,277,747</b>
Interest expense on financial liabilities and intercompany loans	(35,366,896)	(18,360,191)	(27,864,922)	(13,330,740)
Fair value of derivatives (**)	(6,858,249)	-	-	-
Commission expense	(714,980)	(398,477)	(908,299)	(457,188)
Other finance costs (***)	(4,938,848)	(419,712)	(8,341,011)	(3,832,913)
Foreign exchange loss, net	(2,485,557)	1,355,042	-	-
<b>Finance expense</b>	<b>(50,364,530)</b>	<b>(17,823,338)</b>	<b>(37,114,232)</b>	<b>(17,620,841)</b>
<b>Net finance expense</b>	<b>(42,648,328)</b>	<b>(13,860,962)</b>	<b>(20,509,652)</b>	<b>(5,343,094)</b>

(\*) Discount income includes unwinding of discount on guaranteed passenger fee receivables from DHMİ (concession receivables).

(\*\*) Starting from 1 January 2008, the fair value of derivatives are included in equity due to hedge accounting. The effect of realized derivatives are included in finance expense as fair value of derivatives.

(\*\*\*) Other finance costs include bank charges and consultancy expenses charged for loans used as project financing facilities.

(\*\*\*\*) After 1 January 2008, fair value of derivatives are recognised under shareholders equity in order to hedge financial risk exposures. Effect of derivatives realized in 2008 is recognised under finance expenses as fair value of derivatives.

##### Recognized directly in equity

	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
Foreign currency translation reserve differences	779,941	646,217
	<b>779,941</b>	<b>646,217</b>

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 16. INCOME TAX EXPENSE

	1 January- 30 June 2008	1 April- 30 June 2008	1 January- 30 June 2007	1 April- 30 June 2007
<b><u>Current tax expense</u></b>				
Current period	3,892,469	2,620,125	2,167,374	1,545,905
<b><u>Deferred tax benefit</u></b>				
Origination and reversal of temporary differences	1,556,483	(1,029,847)	(4,785,216)	(852,870)
<b>Total income tax expense / (benefit)</b>	<b><u>5,448,952</u></b>	<b><u>1,590,278</u></b>	<b><u>(2,617,842)</u></b>	<b><u>693,035</u></b>

#### Reconciliation of effective tax rate

The reported income tax expense for the six-month periods ended 30 June 2008 and 2007 are different than the amounts computed by applying the statutory tax rate to profit before income tax of the Group, as shown in the following reconciliation:

	%	2008	%	2007
Loss for the period		(16,853,502)		(12,597,829)
Total income tax expense / (benefit)		<u>5,448,952</u>		<u>(2,617,842)</u>
<b>Loss before income tax</b>		<b>(11,404,550)</b>		<b>(15,215,671)</b>
Income tax using the Company's domestic tax rate	20	(2,280,910)	20	(3,043,134)
Tax effects of:				
- not deductible expenses	(20)	2,257,047	(7)	1,072,915
- translation of non-monetary items according to IAS 21	3	(325,491)	23	(3,504,034)
- tax exempt income	26	(2,999,069)	11	(1,716,140)
- effect of consolidation adjustments	<1	1,860	-	-
- investment incentives used	-	-	6	(901,409)
- translation effect on carried forward loss	(18)	2,109,157	(16)	2,503,806
- current year losses which no deferred tax asset is recognised	(59)	6,750,921	-	-
- effect of tax rates for foreign jurisdictions	(7)	833,005	-	-
- other consolidation adjustments	8	(897,568)	(20)	2,970,154
<b>Income tax expense / (benefit)</b>	<b>(48)</b>	<b><u>5,448,952</u></b>	<b>17</b>	<b><u>(2,617,842)</u></b>

#### Corporate tax:

The Turkish entities within the Group are subject to Turkish corporate taxes. Provision is made in the accompanying consolidated interim financial statements for the estimated charge based on the each of the Group entities' results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate at 30 June 2008 is 20% (31 December 2007: 20%, 30 June 2007: 20%).

Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

Georgian corporate income tax is levied at a rate of 20% on income less deductible expenses. Effective from 1 January 2008, the corporate income tax rate has been reduced from 20% to 15%. As of 31 December 2007, deferred tax is calculated at a 15% tax rate as applicable to the period when the asset is realised or the liability is settled.

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### As at and for the six-month period ended 30 June 2008

(Amounts expressed in Euro unless otherwise stated)

#### 16. INCOME TAX EXPENSE (continued)

##### Corporate tax (continued):

Tunisian corporate income tax is levied at a rate of 30% on income less deductible expenses. According to concession agreement, TAV Tunisie is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

##### Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. After the resolution, declared in official gazette in on 23 July 2006, this rate was changed to 15% thereafter. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as at 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However, companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of the Group planned not to use the investment incentives, the consolidated Group companies resident in Turkey have used 20% corporate tax rate in 30 June 2008 (31 December 2007: 20%, 30 June 2007: 20%).

##### Transfer pricing regulations:

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 17. PROPERTY AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leaseholds improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>								
<b>Balance at 1 January 2007</b>	<b>585,724</b>	<b>433,914</b>	<b>31,106,203</b>	<b>10,094,158</b>	<b>12,244,390</b>	<b>15,030,502</b>	-	<b>69,494,891</b>
Effect of movements in exchange rates	-	1,471	390,825	16,551	315,891	260,865	-	985,603
Additions	-	-	380,587	1,962,103	1,318,439	942,956	441,016	5,045,101
Effect of change in group structure	-	-	7,091	-	857	-	-	7,948
Disposals	-	-	(225,112)	(729,378)	(110,112)	-	(13,859)	(1,078,461)
Transfers	-	-	-	47,344	108,524	-	(155,868)	-
<b>Balance at 30 June 2007</b>	<b>585,724</b>	<b>435,385</b>	<b>31,659,594</b>	<b>11,390,778</b>	<b>13,877,989</b>	<b>16,234,323</b>	<b>271,289</b>	<b>74,455,082</b>
<b>Balance at 1 January 2008</b>	<b>14,533,311</b>	<b>252,595</b>	<b>50,581,208</b>	<b>14,618,527</b>	<b>15,638,912</b>	<b>26,005,111</b>	<b>1,211,341</b>	<b>122,841,005</b>
Effect of movements in exchange rates	618,505	5,277	(50,281)	99,605	(687,521)	(760,009)	(15,111)	(789,535)
Additions	-	12,668	787,714	692,611	1,103,047	863,784	2,827,685	6,287,509
Disposals	-	(172,446)	(1,168,994)	(409,710)	(351,931)	(186,392)	-	(2,289,473)
Transfers	-	-	-	-	-	219,652	(219,652)	-
<b>Balance at 30 June 2008</b>	<b>15,151,816</b>	<b>98,094</b>	<b>50,149,647</b>	<b>15,001,033</b>	<b>15,702,507</b>	<b>26,142,146</b>	<b>3,804,263</b>	<b>126,049,506</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 17. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
<b><u>Accumulated depreciation</u></b>								
<b>Balance at 1 January 2007</b>	-	52,221	22,686,231	3,656,814	5,554,756	3,744,178	-	35,694,200
Effect of movements in exchange rates	-	190	101,304	6,142	140,158	25,175	-	272,969
Effect of change in group structure	-	-	503	-	29	-	-	532
Depreciation for the period	-	16,607	1,326,151	930,211	996,456	1,081,927	-	4,351,352
Eliminated on disposals	-	-	(179,850)	(859,821)	(39,514)	-	-	(1,079,185)
<b>Balance at 30 June 2007</b>	-	<b>69,018</b>	<b>23,934,339</b>	<b>3,733,346</b>	<b>6,651,885</b>	<b>4,851,280</b>	-	<b>39,239,868</b>
<b>Balance at 1 January 2008</b>	-	61,760	36,858,002	4,695,449	7,793,590	7,286,609	-	56,695,410
Effect of movements in exchange rates	-	1,204	(15,516)	22,406	(170,135)	(130,008)	-	(292,049)
Depreciation for the period	-	5,280	1,452,110	1,236,276	1,117,168	1,770,770	-	5,581,604
Eliminated on disposals	-	(45,765)	(447,891)	(395,082)	(132,174)	(28,468)	-	(1,049,380)
<b>Balance at 30 June 2008</b>	-	<b>22,479</b>	<b>37,846,705</b>	<b>5,559,049</b>	<b>8,608,449</b>	<b>8,898,903</b>	-	<b>60,935,585</b>
<b>Carrying amounts</b>								
<b>At 30 June 2007</b>	<b>585,724</b>	<b>366,367</b>	<b>7,725,255</b>	<b>7,657,432</b>	<b>7,226,104</b>	<b>11,383,043</b>	<b>271,289</b>	<b>35,215,214</b>
<b>At 31 December 2007</b>	<b>14,533,311</b>	<b>190,835</b>	<b>13,723,207</b>	<b>9,923,080</b>	<b>7,845,321</b>	<b>18,718,501</b>	<b>1,211,341</b>	<b>66,145,596</b>
<b>At 30 June 2008</b>	<b>15,151,816</b>	<b>75,615</b>	<b>12,302,942</b>	<b>9,441,984</b>	<b>7,094,058</b>	<b>17,243,243</b>	<b>3,804,263</b>	<b>65,113,921</b>

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 18. INTANGIBLE ASSETS

	<u>Purchased software</u>	<u>Customer relationships</u>	<u>DHMI license</u>	<u>Total</u>
<b><u>Cost</u></b>				
<b>Balance at 1 January 2007</b>	<b>6,262,980</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>21,196,703</b>
Effect of movements in exchange rates	147,727	-	-	147,727
Additions	641,235	-	-	641,235
Effect of change in group structure	458	-	-	458
<b>Balance at 30 June 2007</b>	<b>7,052,400</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>21,986,123</b>
<b>Balance at 1 January 2008</b>	<b>7,930,596</b>	<b>23,228,550</b>	<b>5,323,771</b>	<b>36,482,917</b>
Effect of movements in exchange rates	(93,717)	-	-	(93,717)
Additions	757,170	-	-	757,170
Disposals	(6,941)	-	-	(6,941)
<b>Balance at 30 June 2008</b>	<b>8,587,108</b>	<b>23,228,550</b>	<b>5,323,771</b>	<b>37,139,429</b>
<b><u>Amortisation</u></b>				
<b>Balance at 1 January 2007</b>	<b>1,033,920</b>	<b>2,030,986</b>	-	<b>3,064,906</b>
Effect of movements in exchange rates	55,490	-	-	55,490
Amortisation for the period	562,192	676,995	-	1,239,187
Effect of change in group structure	31	-	-	31
<b>Balance at 30 June 2007</b>	<b>1,651,633</b>	<b>2,707,981</b>	-	<b>4,359,614</b>
<b>Balance at 1 January 2008</b>	<b>2,536,257</b>	<b>3,551,024</b>	-	<b>6,087,281</b>
Effect of movements in exchange rates	(53,658)	-	-	(53,658)
Amortisation for the period	851,965	1,009,091	-	1,861,056
Disposals	(135)	-	-	(135)
<b>Balance at 30 June 2008</b>	<b>3,334,429</b>	<b>4,560,115</b>	-	<b>7,894,544</b>
<b><u>Carrying amounts</u></b>				
<b>At 30 June 2007</b>	<b>5,400,767</b>	<b>10,831,928</b>	<b>1,393,814</b>	<b>17,626,509</b>
<b>At 31 December 2007</b>	<b>5,394,339</b>	<b>19,677,526</b>	<b>5,323,771</b>	<b>30,395,636</b>
<b>At 30 June 2008</b>	<b>5,252,679</b>	<b>18,668,435</b>	<b>5,323,771</b>	<b>29,244,885</b>



## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 19. AIRPORT OPERATION RIGHT

	<b>Ankara Esenboğa International Airport</b>	<b>İzmir Adnan Menderes International Airport</b>	<b>Tbilisi International Airport</b>	<b>Enfidha International Airport</b>	<b>Total</b>
<b><u>Cost</u></b>					
<b>Balance at 1 January 2007</b>	109,110,020	70,960,406	40,789,131	-	220,859,557
Effect of movements in exchange rates	-	-	194,364	-	194,364
Additions	2,527,344	13,108,865	11,643,463	-	27,279,672
<b>Balance at 30 June 2007</b>	<b>111,637,364</b>	<b>84,069,271</b>	<b>52,626,958</b>	-	<b>248,333,593</b>
<b>Balance at 1 January 2008</b>	111,500,212	80,422,360	50,661,866	78,510,014	321,094,452
Effect of movements in exchange rates	-	-	2,246,596	-	2,246,596
Additions	-	55,987	-	93,920,275	93,976,262
<b>Balance at 30 June 2008</b>	<b>111,500,212</b>	<b>80,478,347</b>	<b>52,908,462</b>	<b>172,430,289</b>	<b>417,317,310</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 19. AIRPORT OPERATION RIGHT (continued)

	<b>Ankara Esenboğa International Airport</b>	<b>İzmir Adnan Menderes International Airport</b>	<b>Tbilisi International Airport</b>	<b>Enfidha International Airport</b>	<b>Total</b>
<b><u>Accumulated amortisation</u></b>					
<b>Balance at 1 January 2007</b>	1,367,925	2,560,768	2,430,948	-	6,359,641
Effect of movements in exchange rates	-	-	(13,583)	-	(13,583)
Amortisation for the period	3,357,692	4,832,648	1,279,157	-	9,469,497
<b>Balance at 30 June 2007</b>	<b>4,725,617</b>	<b>7,393,416</b>	<b>3,696,522</b>	-	<b>15,815,555</b>
<b>Balance at 1 January 2008</b>	8,083,319	12,314,121	4,861,417	-	25,258,857
Effect of movements in exchange rates	-	-	152,210	-	152,210
Amortisation for the period	3,339,208	4,890,037	1,227,006	-	9,456,251
<b>Balance at 30 June 2008</b>	<b>11,422,527</b>	<b>17,204,158</b>	<b>6,240,633</b>	-	<b>34,867,318</b>
<b>Carrying amounts</b>					
<b>At 30 June 2007</b>	<b>106,911,747</b>	<b>76,675,855</b>	<b>48,930,436</b>	-	<b>232,518,038</b>
<b>At 31 December 2007</b>	<b>103,416,893</b>	<b>68,108,239</b>	<b>45,800,449</b>	<b>78,510,014</b>	<b>295,835,595</b>
<b>At 30 June 2008</b>	<b>100,077,685</b>	<b>63,274,189</b>	<b>46,667,829</b>	<b>172,430,289</b>	<b>382,449,992</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 20. OTHER INVESTMENTS

##### Non-current investments

##### Available-for-sale securities

	Ownership %	30 June 2008	31 December 2007
<b><u>Unlisted entities</u></b>			
Cyprus Airports Services Ltd (“CAS”)	50.00	1,211,110	1,211,110
TAV Havacılık A.Ş.	1.00	24,238	24,238
		<b><u>1,235,348</u></b>	<b><u>1,235,348</u></b>

##### Current investments

##### Investments held for trading

	30 June 2008	31 December 2007
<b><u>Debt securities</u></b>		
Government bonds	-	248,683
	-	<b><u>248,683</u></b>

HAVAŞ and Kıbrıs Türk Havayolları Limited Şirketi (“KTHY”) formed a joint venture under the name of Cyprus Airport Services Ltd. (“CAS”) according to the protocol signed on 1 September 2006 to construct an airport terminal and to undertake its management for ground handling operations in the Turkish Republic of Northern Cyprus.

The capital structure of the joint venture is designated as 50% +1 share of participation for KTHY and 50% of participation for HAVAŞ. The capital of this joint venture amounts to TRY 4,500,001, which corresponds to USD 3,000,001. HAVAŞ has paid EUR 1,211,110 corresponding to USD 1,500,000 on behalf of its share and recognized this amount in its financial statements. As of the balance sheet date, KTHY has not paid its share and how the payment will be done will be determined later.

CAS was established in the Turkish Republic of Northern Cyprus on 29 December 2006. However, it has not started its operations and has not obtained its operating license as of the balance sheet date, therefore, it was not consolidated in the accompanying consolidated interim financial statements and carried at cost as at 30 June 2008.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 21. PREPAID CONCESSION EXPENSES

An analysis of the Group's prepaid concession expenses as at 30 June 2008 31 December 2007 and 30 June 2007 is as follows:

<u>30 June 2008</u>	<u>Rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
<b>Balance at 31 December 2007</b>	<b>254,875,995</b>	<b>40,076,882</b>	<b>294,952,877</b>
Rent payments	95,196,117	-	95,196,117
Current period concession expense	(68,666,710)	(1,539,136)	(70,205,846)
<b>Balance at 30 June 2008</b>	<b>281,405,402</b>	<b>38,537,746</b>	<b>319,943,148</b>
<b>Represented as short term prepaid concession expense</b>	<b>132,704,006</b>	<b>3,086,729</b>	<b>135,790,735</b>
<b>Represented as long term prepaid concession expense</b>	<b>148,701,396</b>	<b>35,451,017</b>	<b>184,152,413</b>
<u>31 December 2007</u>	<u>Rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
<b>Balance at 31 December 2006</b>	<b>293,076,406</b>	<b>43,155,178</b>	<b>336,231,584</b>
Correction of error (Note 43)	(7,845,458)	-	(7,845,458)
<b>Restated balance at 31 December 2006</b>	<b>285,230,948</b>	<b>43,155,178</b>	<b>328,386,126</b>
Rent payments	107,355,756	-	107,355,756
Current period concession expense	(137,710,709)	(3,078,296)	(140,789,005)
<b>Balance at 31 December 2007</b>	<b>254,875,995</b>	<b>40,076,882</b>	<b>294,952,877</b>
<b>Represented as short term prepaid concession expense</b>	<b>137,710,709</b>	<b>3,086,729</b>	<b>140,797,438</b>
<b>Represented as long term prepaid concession expense</b>	<b>117,165,286</b>	<b>36,990,153</b>	<b>154,155,439</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 21. PREPAID CONCESSION EXPENSES (continued)

<u>30 June 2007</u>	<u>Rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
Balance at 31 December 2006	293,076,406	43,155,178	336,231,584
Correction of error (Note 43)	(7,845,458)	-	(7,845,458)
<b>Restated balance at 31 December 2006</b>	<b>285,230,948</b>	<b>43,155,178</b>	<b>328,386,126</b>
Rent payments	107,355,756	-	107,355,756
Current period concession expense	(68,289,420)	(1,526,497)	(69,815,917)
<b>Balance at 30 June 2007</b>	<b>324,297,284</b>	<b>41,628,681</b>	<b>365,925,965</b>
<b>Represented as short term prepaid concession expense</b>	<b>137,710,708</b>	<b>3,086,730</b>	<b>140,797,438</b>
<b>Represented as long term prepaid concession expense</b>	<b>186,586,576</b>	<b>38,541,951</b>	<b>225,128,527</b>

#### Rent:

The total rent associated with the concession agreement is USD 2,543,000,000 plus VAT (equivalent to EUR 1,614,793,783 as at 30 June 2008). TAV İstanbul paid 23% of the total amount plus VAT as required by the Concession Agreement. Prepaid VAT amount is disclosed in Note 24. A payment representing 5.5% of the total rent amount will be made within the first five workdays of each rental year following the first rental year. Below is the payment schedule per the Concession Agreement, excluding VAT:

<u>Year</u>	<u>Amount US Dollar</u>	<u>Amount Euro as at 30 June 2008</u>
2009	139,865,000	88,813,658
2010	139,865,000	88,813,658
2011	139,865,000	88,813,658
2012	139,865,000	88,813,658
After 2013 to 2020	1,118,920,000	710,509,265
	<b>1,678,380,000</b>	<b>1,065,763,897</b>

#### Prepaid development expenditures:

Prepaid development expenditures represent costs incurred related to the installation of EDS Security Systems ("EDS") for the International and Domestic Lines Terminals, and various re-design at the exterior of the Domestic Lines Terminal as required by the Concession Agreement.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 22. DEFERRED TAX ASSETS AND LIABILITIES

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (31 December 2007: 20%) is used.

In Turkey, companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

#### Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Tax loss carry-forwards	9,212,049	9,499,594
	<b>9,212,049</b>	<b>9,499,594</b>

#### Recognised deferred tax assets and liabilities

As at 30 June 2008 and 31 December 2007, deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
PPE, airport operation right, and other intangible assets	8,960,141	15,092,542	(7,258,945)	(5,887,747)	1,701,196	9,204,795
Prepaid concession expenses	-	-	(16,643,942)	(16,095,521)	(16,643,942)	(16,095,521)
Inventories	19,783	36,955	-	-	19,783	36,955
Derivatives	-	3,490,406	(2,058,116)	(158,460)	(2,058,116)	3,331,946
Loans and borrowings	202,748	118,457	(779,736)	(538,510)	(576,988)	(420,053)
Reserve for employee severance indemnity	1,127,998	965,098	-	-	1,127,998	965,098
Provisions	468,551	582,488	-	-	468,551	582,488
Receivables and payables	159,159	144,586	(4,084)	(45,463)	155,075	99,123
Other items	368,828	624,878	-	(97,350)	368,828	527,528
Tax loss carry-forwards	27,437,192	18,344,246	-	-	27,437,192	18,344,246
<b>Deferred tax assets / (liabilities)</b>	<b>38,744,400</b>	<b>39,399,656</b>	<b>(26,744,823)</b>	<b>(22,823,051)</b>	<b>11,999,577</b>	<b>16,576,605</b>
Set off of tax	(21,643,686)	(18,241,848)	21,643,686	18,241,848	-	-
<b>Net deferred tax assets / (liabilities)</b>	<b>17,100,714</b>	<b>21,157,808</b>	<b>(5,101,137)</b>	<b>(4,581,203)</b>	<b>11,999,577</b>	<b>16,576,605</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

##### Movement in temporary differences during the period

	Balance at 1 January 2007	Recognized in profit or loss	Effect of acquisition	Recognize d in equity	Balance at 31 December 2007	Recognize d in profit or loss	Recognize d in equity	Balance at 30 June 2008
PPE, airport operation right, and other intangible assets	(3,508,662)	14,651,187	(1,614,595)	(323,135)	9,204,795	(6,651,923)	(851,676)	1,701,196
Prepaid concession expenses	(5,366,196)	(10,729,325)	-	-	(16,095,521)	(548,421)	-	(16,643,942)
Inventories	-	36,955	-	-	36,955	(17,172)	-	19,783
Trade receivables and payables	232,028	(132,905)	-	-	99,123	55,952	-	155,075
Derivatives	2,005,770	1,326,176	-	-	3,331,946	(3,221,193)	(2,168,869)	(2,058,116)
Loans and borrowings	-	(420,053)	-	-	(420,053)	(156,935)	-	(576,988)
Reserve for employee severance indemnity	614,442	350,656	-	-	965,098	162,900	-	1,127,998
Provisions	(237,214)	819,702	-	-	582,488	(113,937)	-	468,551
Tax loss carry-forwards	14,532,000	3,812,246	-	-	18,344,246	9,092,946	-	27,437,192
Other items	1,453,349	(572,875)	(352,946)	-	527,528	(158,700)	-	368,828
Tax liabilities / (assets)	<u>9,725,517</u>	<u>9,141,764</u>	<u>(1,967,541)</u>	<u>(323,135)</u>	<u>16,576,605</u>	<u>(1,556,483)</u>	<u>(3,020,545)</u>	<u>11,999,577</u>

##### Movement in unrecognised temporary differences during the period

	Balance at 1 January 2007	Additions	Balance at 31 December 2007	Recognised	Balance at 30 June 2008
Tax loss carry-forwards	3,978,918	5,520,676	9,499,594	(287,545)	9,212,049
Tax liabilities / (assets)	<u>3,978,918</u>	<u>5,520,676</u>	<u>9,499,594</u>	<u>(287,545)</u>	<u>9,212,049</u>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

At the balance sheet date, the Group has unused tax losses of EUR 183,246,206 (31 December 2007: EUR 137,891,661) available for offset against future profits. Tax losses can be carried forward for five years under the current tax legislation. The Group management assessed that EUR 46,060,243 (31 December 2007: EUR 47,497,970) of tax losses will not be utilized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Unutilized tax losses will expire as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Expire in year 2009	2,242,185	2,526,555
Expire in year 2010	23,999,519	27,043,313
Expire in year 2011	64,303,013	82,737,123
Expire in year 2012	17,047,458	25,584,670
Expire in year 2013	75,654,031	-
Total	<b>183,246,206</b>	<b>137,891,661</b>

Movements of deferred tax assets are as follows:

	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Balance at 31 December</b>	<b>16,561,378</b>	<b>8,916,667</b>
Correction of error (Note 43)	-	1,611,006
Effect of adoption of IFRIC 12 (Note 43)	15,227	(802,156)
<b>Restated balance at 31 December</b>	<b>16,576,605</b>	<b>9,725,517</b>
Effect of adoption of IFRIC 12 on current period charge (Note 43)	-	(98,599)
(Charged to) / recovery from profit or loss for the period	(1,556,483)	4,883,816
Translation effect	-	(183,592)
Recognised in equity	(3,020,545)	-
<b>Balance at 30 June</b>	<b>11,999,577</b>	<b>14,327,142</b>

#### 23. INVENTORIES

At 30 June 2008 and 31 December 2007, inventories comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Duty free inventories	5,078,564	5,233,940
Spare parts and other inventories	2,958,937	3,089,020
Catering inventories	926,964	986,516
	<b>8,964,465</b>	<b>9,309,476</b>

In year 2008, the write-down of inventories to net realizable value amounted to EUR 98,917 (2007: EUR 119,095).

The reversal of write-downs is nil in year 2008 (2007:EUR 216,862). The write-down and reversal are included in cost of duty free inventory sold.



## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 24. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b><u>Other receivables and current assets:</u></b>		
VAT deductible and carried forward (*)	24,729,619	13,401,447
Advances to suppliers	4,642,745	874,461
Prepaid insurance (***)	3,551,235	4,288,629
Prepaid expenses	1,009,625	443,152
Advances given to personnel	761,861	353,828
Prepaid taxes and funds	520,873	987,220
Income accruals	449,719	447,728
Business advances given	117,030	778,085
Advances given to DHMİ for VAT portion (**)	-	20,106,626
Other receivables	655,291	1,898,155
	<b><u>36,437,998</u></b>	<b><u>43,579,331</u></b>
<b><u>Other non-current assets:</u></b>		
VAT deductible and carried forward (*)	4,534,040	3,974,305
Non-current prepaid insurance expenses	332,545	1,410,939
Advances given to DHMİ for VAT portion (**)	-	18,498,923
Other non-current receivables	1,472,437	904,285
	<b><u>6,339,022</u></b>	<b><u>24,788,452</u></b>

(\*) VAT deductible is mainly attributable to the VAT of TAV Tbilisi and TAV Tunisia according to local legislations.

(\*\*) Advances given to DHMİ for VAT portion were recovered in year 2008. According to the article 4 of the Concession Agreement Related With the Rental of the Operating Rights of İstanbul Atatürk Airport International and Domestic Terminal Buildings, Multi – Storey Car Park and General Aviation Terminal, the total payment made to DHMİ as advance payment is USD 690,170,200 including VAT. The VAT amount within this total amount is USD 105,280,200.

According to the VAT Law, the main fact which generates the VAT should be the delivery of goods or the realization of the service. Therefore, USD 56,686,881 which is calculated by deducting the VAT of concession invoices relating with the years 2005, 2006 and 2007 from the total VAT amount of the advance payment which is USD 105,280,200 reimbursed to TAV İstanbul Terminal İşletmeciliği A.Ş. by DHMİ by offsetting the above mentioned amount from the concession payment made in January 2008 concerning the year 2008.

(\*\*\*) EUR 2,579,428 portion of prepaid insurance is related with the insurance expenses of IBS Sigorta Brokerlık Hizmetleri A.Ş. (“IBS Sigorta”), related party of the Group, as at 30 June 2008 (31 December 2007: EUR 1,318,140).

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

### 25. TRADE RECEIVABLES

At 30 June 2008 and 31 December 2007, trade receivables comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b><u>Trade receivables:</u></b>		
Trade receivables	37,230,903	25,221,907
Guaranteed passenger fee receivable from DHMİ (*)	27,234,972	24,476,033
Doubtful receivables	1,694,686	1,389,209
Allowance for doubtful receivables (-)	(1,694,686)	(1,389,209)
Notes receivable	317,339	21,892
Other	29,142	163,514
	<b><u>64,812,356</u></b>	<b><u>49,883,346</u></b>
<b><u>Non-current trade receivables:</u></b>		
Guaranteed passenger fee receivable from DHMİ (*)	167,869,038	179,431,221
	<b><u>167,869,038</u></b>	<b><u>179,431,221</u></b>

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

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in Note 38.

(\*) Guaranteed passenger fee receivable represents 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 as a result of IFRIC 12 application.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 26. CASH AND CASH EQUIVALENTS

At 30 June 2008 and 31 December 2007, cash and cash equivalents comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Cash on hand	648,813	397,852
Cash at banks		
- Demand deposits	6,239,915	33,019,722
- Time deposits	10,156,373	30,382,010
- Reverse repurchase agreements	196,270	139,750
Other liquid assets	1,250,938	713,099
Cash and cash equivalents	18,492,309	64,652,433
Bank overdrafts used for cash management purposes	(3,028,579)	(1,970,698)
Cash and cash equivalents in the statement of cash flows	<b>15,463,730</b>	<b>62,681,735</b>

The details of the Group's time deposits, maturities and interest rates as at 30 June 2008 and 31 December 2007 are as follows:

<b>30 June 2008</b>			
<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	1 July 2008	3.90	5,820,550
USD	1 July - 16 October 2008	1.90-2.98	2,261,787
TRY	1 July 2008	16.50-17.00	1,536,522
GEL	16 October 2008	10.00	537,514
			<b>10,156,373</b>
<b>31 December 2007</b>			
<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	2 January – 1 November 2008	3.25-5.20	15,391,978
USD	2 January - 8 February 2008	4.00-4.50	13,981,847
TRY	1 January - 2 January 2008	12.94-16.00	1,008,185
			<b>30,382,010</b>

The Group's exposure interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 38.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

### 27. RESTRICTED BANK BALANCES

At 30 June 2008 and 31 December 2007, restricted bank balances comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Project reserve and funding accounts (*)	182,872,138	240,485,700
Cash collaterals (**)	-	17,035,116
	<b>182,872,138</b>	<b>257,520,816</b>

(\*) Some of the subsidiaries, namely TAV İstanbul, TAV Esenboğa, TAV İzmir and ATÜ (“the Borrowers”) opened Project Accounts designated mainly in order to reserve required amount of debt services, lease payment to DHMİ based on agreements with their lenders. As a result of pledges regarding to the project bank loans as explained in Note 30, all cash except for cash on hand are classified in these accounts. Based on these agreements, the Group can access and use such restricted cash but all withdrawals from the project accounts are upon the lenders’ consent.

Interest rates are in the range of 2.93% - 4.74% (31 December 2007: 2.94% - 3.85%) for EUR reserves and of 2.00% - 2.96% (31 December 2007: 3.86% - 4.14%) for USD reserves.

(\*\*) The Group has no deposited cash equivalents as at 30 June 2008 (31 December 2007: EUR 17,035,116 in respect of the Group’s indebtedness with 5% interest rate).

### 28. CAPITAL AND RESERVES

<b>Shareholders</b>	<b>(%)</b>	<b>30 June 2008</b>
Tepe İnşaat Sanayi A.Ş. (“Tepe İnşaat”)	18.86	45,672,151
Akfen Holding A.Ş. (“Akfen Holding”)	16.02	38,791,328
Goldman Sachs International (*)	14.40	34,875,000
Meinl Airports International Ltd.	8.85	21,443,250
IDB Infrastructure Fund L.P.	4.92	11,924,792
Babcock Brown Turkish Airports LLC	4.32	10,455,290
Kuwait Investment Authority	3.20	7,750,000
Sera Yapı Endüstrisi ve Tic. Ltd. Şti. (“Sera Yapı”)	2.83	6,853,294
Global Investment House KSCC	3.00	7,265,625
Old Mutual Life Assurance Company Limited	2.35	5,681,750
Global Opportunistic Fund II Company BSCC	2.00	4,843,750
Tricom Equities Limited	0.84	2,041,239
Akfen İnşaat Turizm ve Ticaret A.Ş. (“Akfen İnşaat”)	0.01	27,529
Mehmet Cem Kozlu	<0.01	2
Free Float	18.40	44,562,500
<b>Paid in capital in TRY (nominal)</b>	<b>100.00</b>	<b>242,187,500</b>
Paid in capital in EUR (nominal) as at 30 June 2008		125,674,589
Effect of non-cash increases and exchange rates		(20,764,322)
<b>Paid in capital EUR</b>		<b>104,910,267</b>

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 28. CAPITAL AND RESERVES (continued)

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2007</u>
Tepe İnşaat Sanayi A.Ş.	18.86	45,672,151
Akfen Holding A.Ş.	15.70	38,022,747
Goldman Sachs International (*)	14.40	34,875,000
Meinl Airports International Ltd.	8.85	21,443,250
IDB Infrastructure Fund L.P.	4.92	11,924,792
Babcock Brown Turkish Airports LLC	4.32	10,455,290
Kuwait Investment Authority	3.20	7,750,000
Sera Yapı Endüstrisi ve Tic. Ltd. Şti.	3.15	7,621,875
Global Investment House KSCC	3.00	7,265,625
Old Mutual Life Assurance Company Limited	2.35	5,681,750
Global Opportunistic Fund II Company BSCC	2.00	4,843,750
Tricom Equities Limited	0.84	2,041,239
Akfen İnşaat Turizm ve Ticaret A.Ş.	0.01	27,529
Mehmet Cem Kozlu	<0.01	2
Free Float	18.40	44,562,500
<b>Paid in capital in TRY (nominal)</b>	<b>100.00</b>	<b>242,187,500</b>
Paid in capital in EUR (nominal) as at 31 December 2007		141,613,554
Effect of non-cash increases and exchange rates		(36,703,287)
<b>Paid in capital EUR</b>		<b>104,910,267</b>

(\*) TRY 34,875,000 of the shares owned by Goldman&Sachs International that correspond to the 14.4% (31 December 2007: 14.4%) of the share capital of the Company have been provided by Tepe İnşaat, Akfen Holding and Sera Yapı to Goldman&Sachs International as collateral and the title of those shares have been transferred to Goldman&Sachs International for this purpose. A pledge in favor of Tepe İnşaat, Akfen Holding and Sera Yapı exists on those shares. Voting rights, right of receiving dividends, pre-emption rights for participating in cash share capital increase in connection with those shares (except for acquiring gratis shares under share capital increase) belong to Tepe İnşaat, Akfen Holding and Sera Yapı.

The Company's share capital consists of 242,187,500 shares amounting to TRY 242,187,500 as at 30 June 2008 (31 December 2007: TRY 242,187,500).

#### Legal Reserves:

Retained earnings in the statutory tax financial statements can be distributed as dividends other than judgments related to legal reserves described below:

Legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions; however holding companies are not subject to this application. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") regulations explained below:

# **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

## **Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

### **28. CAPITAL AND RESERVES (continued)**

#### **Legal Reserves (continued):**

In accordance with the CMB's decision numbered 7/242 date 25 February 2005; if the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations does not exceed net distributable profit in the statutory accounts, the whole amount should be distributed. On the contrary, the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations exceeds net distributable profit in the statutory accounts; distributable amount is limited with the figures in the statutory accounts. There is no requirement for profit distribution in 2007 since the both financial statement prepared in compliance with the CMB or regulation and statutory accounts reflect net loss for the period.

The Company has a loss at the end of the 2007 fiscal year, the General Assembly has decided not to distribute any profit.

Under the terms of the Share Sale and Purchase Agreements ("SSPA") of each shareholder, there are various rights and conditions.

#### **Goldman Sachs International SSPAs**

Pursuant to a share sale and purchase agreement dated 21 December 2006 executed between Goldman Sachs International ("GS") and Tepe İnşaat, Akfen Holding and Akfen İnşaat (collectively the "Sellers") regarding the sale and transfer of such number of shares that the Sellers own in TAV Holding that corresponds to the 10% of then existing share capital of TAV Holding to GS and a share sale and purchase agreement dated 21 December 2006 executed between GS and the Sellers regarding the sale and transfer of such number of shares that the Sellers own in TAV Holding that corresponds to the 5% of then existing share capital of TAV Holding to GS (collectively the "GS SSPAs"), GS has an option to offer selling the shares that GS owns in TAV Holding to the Sellers in consideration for the pre-agreed exit price (the "Exit Price") specified in GS SSPAs (the "Put Option").

GS has the right to exercise the first Put Option (the "First Put Option") during such period commencing on 20 November 2006 and ending 10 business days after the first anniversary of Completion (the Completion Date being 21 December 2006). This put option was not exercised in 2007.

GS has the right to exercise the second Put Option (the "Second Put Option") during such period commencing on 17 November 2007 and ending 10 (ten) Business Days thereafter.

If the Sellers fail to acquire the shares offered by GS under the First Put Option or the Second Put Option, as the case may be, within the period specified in GS SSPAs in consideration for the Exit Price specified in the GS SSPAs for the First Put Option and Second Put Option separately or cause a third party to do so, GS will send a default notice of 15 Business Days. If the Sellers fail to complete the foregoing transaction within this notice period then GS will have right to enforce the Collateral Shares described below.

# **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

## **Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

### **28. CAPITAL AND RESERVES (continued)**

#### **Collateral Shares**

Tepe İnfaat, Akfen Holding and Sera Yapı have lent and transferred the title of such number of shares that correspond to the 14.4% of the present share capital of TAV Holding (the ‘‘Collateral Shares’’) under an agreement named Collateralized Stock Borrowing Agreement as a security for the performance of the obligations of the Sellers in connection with the Put Option.

GS has created pledge in favour of Tepe İnfaat, Akfen Holding and Sera Yapı on the Collateral Shares. All voting rights, dividends, rights for participating in share capital increase in connection with the Collateral Shares shall belong to Tepe İnfaat, Akfen Holding and Sera Yapı, provided that gratis (bonus) shares issued as the result of such share capital increase made by way of adding the reserves to equity shall belong to GS in connection with the Collateral Shares. In the event of enforcement of Collateral Shares by GS as described above, the share pledge is released on the Collateral Shares. Collateral Shares are maintained by an escrow agent. Further, pursuant to GS SSPAs, GS is entitled to transfer the shares that it owns in the Company to its Affiliates.

#### **Share premium**

Excess amount of selling price and nominal value for each share was recorded as share premium in equity.

#### **Revaluation surplus**

The revaluation surplus comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

#### **Purchase of shares of entities under common control**

The purchase of the shares of entities that are under common control are accounted for at book values. The net amount of consideration paid and the book value of the net asset value acquired is recorded in equity.

#### **Cash flow hedge reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### **Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 29. EARNINGS PER SHARE

The calculation of basic loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of EUR 16,853,502 (30 June 2007: EUR 12,597,829) and a weighted average number of ordinary shares outstanding of 240,717,076 (30 June 2007: 238,958,333), calculated as follows:

	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
Numerator:		
Net loss for the period	<b>(17,115,012)</b>	<b>(12,392,582)</b>
Denominator:		
Weighted average number of shares	242,187,500	238,958,333
<b>Basic loss per share</b>	<b>(0.07)</b>	<b>(0.05)</b>
	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	240,717,076	232,500,000
Effect of shares issued during the period	-	6,458,333
<b>Weighted average number of ordinary shares</b>	<b>240,717,076</b>	<b>238,958,333</b>

#### 30. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 38.

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b>Non-current liabilities</b>		
Secured bank loans	714,802,148	740,511,227
Unsecured bank loans	13,419,715	22,686,731
Finance lease liabilities	430,917	614,615
	<b>728,652,780</b>	<b>763,812,573</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	122,036,801	123,843,088
Current portion of unsecured bank loans	89,621,101	110,804,901
Current portion of finance lease liabilities	177,992	120,104
	<b>211,835,894</b>	<b>234,768,093</b>



## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

The Group's total bank loans and finance lease liabilities as at 30 June 2008 and 31 December 2007 are as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Bank loans	939,879,765	997,845,947
Finance lease liabilities	608,909	734,719
<b>Total</b>	<b>940,488,674</b>	<b>998,580,666</b>

The Group's bank loans as at 30 June 2008 are as follows:

	<b>Presented as</b>		<b>Total</b>
	<b>Current liabilities</b>	<b>Non-current liabilities</b>	
TAV İstanbul	51,814,867	381,895,705	433,710,572
TAV İzmir	19,552,675	75,443,113	94,995,788
TAV Esenboğa	11,911,249	135,479,377	147,390,626
ATÜ	3,155,714	12,974,595	16,130,309
TAV Tbilisi	3,103,018	16,978,045	20,081,063
TAV Holding	119,671,153	86,055,468	205,726,621
TAV Tunisie	1,717,965	19,395,560	21,113,525
Others	731,261	-	731,261
	<b>211,657,902</b>	<b>728,221,863</b>	<b>939,879,765</b>

The Group's bank loans as at 31 December 2007 are as follows:

	<b>Presented as</b>		<b>Total</b>
	<b>Current liabilities</b>	<b>Non-current liabilities</b>	
TAV İstanbul	52,966,710	433,362,937	486,329,647
TAV İzmir	16,052,732	84,316,990	100,369,722
TAV Esenboğa	10,600,926	135,310,146	145,911,072
ATÜ	3,142,076	13,815,512	16,957,588
TAV Tbilisi	28,097,203	7,785,002	35,882,205
TAV Holding	52,102,025	88,328,232	140,430,257
TAV Tunisie	70,333,078	-	70,333,078
Others	1,353,239	279,139	1,632,378
	<b>234,647,989</b>	<b>763,197,958</b>	<b>997,845,947</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group's bank loans according to original maturities as at 30 June 2008 and 31 December 2007 are as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
On demand or within one year	211,657,902	234,647,989
In the second year	122,292,050	135,917,924
In the third year	101,216,392	109,951,978
In the fourth year	94,736,358	100,834,168
In the fifth year	85,996,965	97,938,061
After five years	323,980,098	318,555,827
	<b><u>939,879,765</u></b>	<b><u>997,845,947</u></b>

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spread for EUR and USD denominated loans as at 30 June 2008 is between 1.10% – 4.75% and 1.20% – 4.50% respectively (31 December 2007: 1.00% – 5.00%; 1.20% – 4.00%, respectively).

100%, 100%, 80% and 100% of floating bank loans for TAV İstanbul, TAV Tunisie, TAV İzmir and TAV Esenboğa, respectively are fixed with financial derivatives, as explained in Note 36.

The Group has obtained project loans to finance construction of its BOT concession projects, namely TAV Esenboğa, TAV İzmir and TAV Tunisie; and to be able to finance advance payments to DHMİ related to concession leasing project, TAV İstanbul. Details of the loans are summarized for each project below:

#### **TAV İstanbul**

The breakdown of bank loans as at 30 June 2008 is as follows:

	<b><u>Original Currency</u></b>	<b><u>Year of Maturity</u></b>	<b><u>Nominal Interest Rate</u></b>	<b><u>Face Value</u></b>	<b><u>Carrying Amount</u></b>
Secured bank loans (*)					
	EUR	2018	Euribor + 2.50%	<u>440,000,000</u>	<u>433,710,572</u>
				<b><u>440,000,000</u></b>	<b><u>433,710,572</u></b>

TAV İstanbul has bank loan in the amount of EUR 433,710,572 under facility agreement. The terms of the loan requires semi-annual principal and interest payments on 4 July and 4 January of each year according to the loan agreements. TAV İstanbul also has additional borrowing right which is a maximum amount of EUR 65,000,000 related to facility agreement.

(\*) Interest rate is Euribor+2.65% between the period of 4 January 2013 and 4 January 2016, and Euribor+2.75% between the period of 4 January 2016 and 4 July 2018.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV İstanbul (continued)

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan (*)	EUR	2015	Euribor+2.50%	360,960,596	363,769,617
Secured bank loan (**)	USD	2015	Libor+2.50%	109,515,307	107,671,712
Secured bank loan	EUR	2013	Euribor+5.00%	15,134,680	14,888,318
				<u>485,610,583</u>	<u>486,329,647</u>

(\*) Interest rate is Euribor+ 2.50% until 31 December 2009 and Euribor+ 2.85% between the period of 31 December 2009 and 31 December 2015.

(\*\*) Interest rate is Interest rate is Libor+ 2.50% until 31 December 2009 and Libor+2.85% between the period of 31 December 2009 and 31 December 2015.

Redemption schedules of the TAV İstanbul bank loans according to the original maturities as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	51,814,867	52,966,710
In the second year	35,910,911	53,292,710
In the third year	45,082,926	58,369,907
In the fourth year	43,447,402	55,947,749
In the fifth year	43,796,715	61,090,443
After five years	213,657,751	204,662,128
	<u>433,710,572</u>	<u>486,329,647</u>

##### TAV İzmir

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2013	Euribor + 3.00%	90,497,613	94,995,788
				<u>90,497,613</u>	<u>94,995,788</u>

TAV İzmir has bank loans in the amount of EUR 94,995,788 under loan agreements. The terms of the loan require semi annual principle and interest payments at each 23 January and 23 July according to the loan agreements. With the consent of the facility agent, TAV İzmir has a right to have an additional;

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to USD 0.5 million for the acquisition cost of any assets or leases of assets,
- indebtedness up to USD 3 million for the payment of tax and social security liabilities.

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2013	Euribor+3.00%	97,109,761	100,369,722
				<u>97,109,761</u>	<u>100,369,722</u>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV İzmir (continued)

Redemption schedules of the TAV İzmir bank loans according to original maturities as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	19,552,675	16,052,732
In the second year	19,201,888	17,959,590
In the third year	17,910,843	17,306,992
In the fourth year	16,911,582	16,639,792
In the fifth year	16,559,734	16,302,989
After five years	4,859,066	16,107,627
	<u>94,995,788</u>	<u>100,369,722</u>

##### TAV Esenboğa

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loans	EUR	2021	Euribor + 2.35%	149,850,000	147,390,626
				<u>149,850,000</u>	<u>147,390,626</u>

TAV Esenboğa has a bank loan in the amount of EUR 147,390,626 under loan agreement. The terms of the loan semi annual principal and interest payments at each 30 June and at each 31 December according to the loan agreements starting from 31 December 2007 for interest and 30 June 2008 for principal.

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loans	EUR	2021	Euribor+2.35%	150,000,000	145,911,072
				<u>150,000,000</u>	<u>145,911,072</u>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV Esenboğa (continued)

Redemption schedules of the TAV Esenboğa borrowings according to original maturities as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	11,911,249	10,600,926
In the second year	12,488,724	9,273,835
In the third year	12,458,943	10,140,498
In the fourth year	12,913,595	11,092,911
In the fifth year	12,566,280	11,691,447
After five years	85,051,835	93,111,455
	<u><b>147,390,626</b></u>	<u><b>145,911,072</b></u>

##### Pledges regarding the project bank loans:

a) Share pledge: In case of an event of default, the banks have the right to take control of the shares. Upon the occurrence of any event of default, the banks can demand the sale of shares by way of public auction in accordance with the applicable provisions of the Bankruptcy and Execution Law of the Republic of Turkey or by way of private auction among the nominees.

b) Receivable pledge: In case of an event of default, the banks have the right to take control of the receivables of project companies (disclosed as the Borrowers in Note 27) in order to perform its obligations under the loan documents. Immediately upon the occurrence of default,; and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

c) Pledge over bank accounts: In case of an event of default, the banks have the right to control the bank accounts of project companies in order to perform its obligations under the loan documents. Upon the occurrence of event of default project companies shall be entitled to set-off and apply the whole or any part of the cash standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts.

##### ATÜ

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2015	Euribor + 2.70%	8,204,053	8,065,155
Secured bank loan	EUR	2015	Euribor + 2.70%	8,204,053	8,065,154
				<u><b>16,408,106</b></u>	<u><b>16,130,309</b></u>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### ATÜ (continued)

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2015	Euribor+2.70%	8,417,895	8,478,794
Secured bank loan	EUR	2015	Euribor+2.70%	8,417,895	8,478,794
				<b>16,835,790</b>	<b>16,957,588</b>

Redemption schedules of the ATÜ bank loans as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	3,155,714	3,142,076
In the second year	2,722,686	2,484,340
In the third year	2,472,345	2,476,289
In the fourth year	2,166,171	2,204,797
In the fifth year	1,891,825	1,975,469
After five years	3,721,568	4,674,617
	<b>16,130,309</b>	<b>16,957,588</b>

##### TAV Tbilisi

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2015	Libor+4.50%	10,020,327	10,040,478
Secured bank loan	USD	2015	Libor+4.50%	10,021,043	10,040,585
				<b>20,041,370</b>	<b>20,081,063</b>

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2009	Libor+4.00%	12,258,566	12,678,662
Secured bank loan	USD	2009	Libor+4.00%	10,215,472	10,418,973
Secured bank loan	USD	2008	5.30%	10,215,472	10,245,437
Secured bank loan	USD	2009	Libor+4.00%	1,225,856	1,267,004
Secured bank loan	USD	2009	Libor+4.00%	1,225,856	1,242,731
Unsecured bank loan	USD	2008	13%	17,597	29,398
				<b>35,158,819</b>	<b>35,882,205</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV Tbilisi (continued)

Redemption schedules of the TAV Tbilisi bank loans as at 30 June 2008 and 31 December 2007 are as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
On demand or within one year	3,103,018	28,097,203
In the second year	3,132,444	7,785,002
In the third year	3,029,547	-
In the fourth year	2,864,857	-
In the fifth year	2,704,550	-
After five years	5,246,647	-
	<b>20,081,063</b>	<b>35,882,205</b>

##### TAV Holding

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2012	Libor + 1.85%	73,024,493	73,183,601
Secured bank loan	EUR	2010	Euribor + 4.00%	30,000,000	30,233,464
Unsecured bank loan	EUR	2009	Euribor + 3.00%	25,000,000	25,206,368
Unsecured bank loan	USD	2009	Libor + 4.00%	25,018,826	25,199,571
Unsecured bank loan	EUR	2009	Euribor + 2.00%	20,000,000	20,157,567
Unsecured bank loan	EUR	2009	Euribor + 1.10%	18,000,000	18,542,179
Unsecured bank loan	USD	2010	Libor + 1.20%	15,874,890	13,203,871
				<b>206,918,209</b>	<b>205,726,621</b>

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2012	Libor + 1.85%	78,318,618	78,933,408
Unsecured bank loan	EUR	2008	5.30%	25,000,000	25,908,161
Unsecured bank loan	EUR	2009	Euribor+1.10%	18,000,000	18,476,326
Unsecured bank loan	USD	2010	Libor + 1.20%	17,025,786	17,112,362
				<b>138,344,404</b>	<b>140,430,257</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV Holding (continued)

Redemption schedules of the TAV Holding bank loans as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	119,671,153	52,102,025
In the second year	46,906,894	44,843,309
In the third year	18,293,320	21,658,292
In the fourth year	14,289,775	14,948,920
In the fifth year	6,565,479	6,877,711
	<u>205,726,621</u>	<u>140,430,257</u>

##### TAV Tunisie

The breakdown of bank loans as at 30 June 2008 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2022	Euribor+1.75%	19,515,779	12,814,434
Secured bank loan	EUR	2028	Euribor+2.03%	8,110,435	6,444,988
Secured bank loan	EUR	2028	Euribor+4.75%	2,373,786	1,854,103
				<u>30,000,000</u>	<u>21,113,525</u>

The breakdown of bank loans as at 31 December 2007 is as follows:

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Unsecured bank loan	EUR	2008	Euribor+1.00%	70,000,000	70,333,078
				<u>70,000,000</u>	<u>70,333,078</u>



## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 30. LOANS AND BORROWINGS (continued)

##### TAV Tunisie (continued)

Redemption schedules of the TAV Tunisie bank loans as at 30 June 2008 and 31 December 2007 are as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
On demand or within one year	1,717,965	70,333,078
In the second year	1,928,506	-
In the third year	1,968,467	-
In the fourth year	2,142,977	-
In the fifth year	1,912,381	-
After five years	11,443,229	-
	<u>21,113,525</u>	<u>70,333,078</u>

##### Finance lease liabilities

	<u>Minimum lease payments</u>	
	<u>30 June 2008</u>	<u>31 December 2007</u>
<b>Amounts payable under finance leases</b>		
Less than one year	177,992	614,615
Between one and five years	430,917	120,104
<b>Present value of lease obligations</b>	<u>608,909</u>	<u>734,719</u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is three years as at 30 June 2008. For the period ended 30 June 2008, the average effective borrowing rate was 6.06% (31 December 2007: 6.09%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 31. RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and joint ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TRY 2,088 as at 30 June 2008 (equivalent to EUR 1,083 as at 30 June 2008) (31 December 2007: TRY 2,030 (equivalent to EUR 1,187 as at 31 December 2007)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiaries and joint venture registered in Turkey arising from the retirement of employees. IFRSs require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated interim financial statements as at 30 June 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at 30 June 2008 and 31 December 2007 have been calculated assuming an annual inflation rate of 5.00% and a discount rate of 11.00% resulting in a real discount rate of approximately 5.71%. It is planned that, retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Provision as at 1 January</b>	4,884,107	3,685,054
Provisions set / (released) during the period	1,874,319	(448,387)
Payment made during the period	(452,460)	(339,834)
Effects of change in foreign exchange rate	(546,204)	77,604
<b>Provision as at 30 June</b>	<b>5,759,762</b>	<b>2,974,437</b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 32. OTHER PAYABLES

At 30 June 2008 and 31 December 2007, other payables comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
VAT penalty (*)	6,261,213	-
Due to personnel	4,716,809	4,612,340
Social security premiums payable	3,849,319	4,002,446
Taxes and duties payable	3,557,590	5,690,968
Expense accruals	2,678,015	2,720,806
Advances received	1,491,689	604,537
Other accruals and liabilities	1,428,925	382,984
	<b>23,983,560</b>	<b>18,014,081</b>

The Group's exposure to currency and liquidity risk is related to other payables is disclosed in Note 38.

(\*) Includes the tax penalty for TAV Holding and BTA amounting EUR 2,826,414 and EUR 3,434,799 respectively.

#### 33. DEFERRED INCOME

The breakdown of deferred income as at 30 June 2008 and 31 December 2007 is as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b>Deferred income:</b>		
Short-term deferred income	6,181,183	9,364,355
Long-term deferred income	18,259,109	19,068,150
	<b>24,440,292</b>	<b>28,432,505</b>

EUR 18,020,032 (31 December 2007: EUR 18,713,681) of deferred income is related with the prepaid concession rent income from ATÜ.

#### 34. PROVISIONS

The Group's unused vacation and tax penalty provisions are as follows:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Unused vacation accruals	2,610,518	2,284,737
Tax penalty (*)	1,298,077	9,248,823
Other provisions	281,975	-
	<b>4,190,570</b>	<b>11,533,560</b>

(\*) TAV İstanbul did not calculate value added taxes for the sales pursuant to the tax-free sales of stores, and the lease of independent units such as depots and warehouses for these stores, between July 2005 and December 2007. Taking into consideration the similar outcomes of possible examinations in the relevant sector carried by tax authorities, as well as the general assessments carried out by TAV İstanbul management, a provision of TRY 2,501,524 (equivalent of EUR 1,298,077) has been allocated by TAV İstanbul in 30 June 2008 financial statements (31 December 2007: a provision of TRY 2,501,524 (equivalent of EUR 1,462,709) has been allocated).

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 34. PROVISIONS (continued)

Following the audits carried out by the Financial Auditors of the Ministry of Finance, on the 2001-2004 accounts of the TAV Holding, a settlement has been reached on 23 March 2008, with the Revenues Administration Directorate of the Ministry of Finance, for the taxes and penalties set forth in the reports notified regarding the 2001-2005 period, and subsequently settlement has been reached for an income tax withholding of TRY 2,790,637 (equivalent of EUR 1,631,404) and a value added tax of TRY 623,282 (equivalent of EUR 364,806) had been settled. A delay interest payment of TRY 4,603,610 (equivalent of EUR 2,691,855) is made for these penalties. A provision of TRY 8,017,529 (equivalent of EUR 4,688,065) had been allocated in the 31 December 2007 financial statements of the Company. As at 30 June 2008, tax review for TAV Holding has been finalized and tax penalty amounting to TRY 5,446,782 (equivalent of EUR 2,826,414) has been recorded to short term other payables and TRY 1,381,480 (equivalent of EUR 716,870) to other long term liabilities. This sum will be paid in equal installments in 18 months.

The tax audits carried out by the Financial Auditors of the Ministry of Finance, on the January 2004 - September 2007 accounts of BTA have been completed. Following the inspections carried out, it has been notified to BTA that food and beverage sales at the customs areas at the airports (air side) must not be exempt from value added tax, together with the relevant tax/penalty notifications. Together with this notification, a value added tax of TRY 15,480,954 and a corporate tax of TRY 288,647 were calculated, and a tax loss penalty for the same amounts was calculated. BTA requested a settlement as a response to this notification, and in its financial statements as at 31 December 2007, BTA allocated a provision amounting to a total of TRY 5,298,286 (equivalent of EUR 3,098,051), i.e., TRY 3,238,286 (equivalent of EUR 1,893,513) tax and TRY 2,060,000 (equivalent of EUR 1,204,537) delay interest. As of 30 June 2008, tax review has been finalized for BTA and tax penalty amounting TRY 6,619,201 (equivalent of EUR 3,434,799) has been recorded to short term other payables and TRY 3,027,617 (equivalent of EUR 1,571,074) to other long term liabilities.

	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Balance at 1 January</b>	<b>11,533,560</b>	<b>949,545</b>
Provision set during the period , net	2,201,195	306,549
Reclassification of tax penalty to other payables	(8,549,157)	-
Effects of change in foreign exchange rate	(995,028)	50,218
<b>Balance at 30 June</b>	<b>4,190,570</b>	<b>1,306,312</b>

#### 35. TRADE PAYABLES

At 30 June 2008 and 31 December 2007, trade payables comprised the following:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Trade payables	20,706,641	21,557,591
Deposits and guarantees received	415,170	422,547
Other	53,096	27,611
	<b>21,174,907</b>	<b>22,007,749</b>

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The Group's exposure to currency and liquidity risk related to trade payables is disclosed in Note 38.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 36. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Amount</u>
		<b>2008</b>	
		<b>Liabilities</b>	
Interest rate swap	21,061,519	-	21,061,519
Cross currency swap	-	(8,509,648)	(8,509,648)
	<b>21,061,519</b>	<b>(8,509,648)</b>	<b>12,551,871</b>
		<b>2007</b>	
		<b>Liabilities</b>	
Interest rate swap	2,327,826	(4,028,806)	(1,700,980)
Cross currency swap	-	(15,443,800)	(15,443,800)
	<b>2,327,826</b>	<b>(19,472,606)</b>	<b>(17,144,780)</b>

#### Derivative Contracts

TAV Esenboğa uses interest rate derivatives to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of EUR 150,000,000 have been signed from floating to fixed with an amortizing schedule depending on repayment of loan.

TAV İstanbul uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. Total amount of project finance loan is hedged through Interest Rate Swap ("IRS") contract during the life of the loan with an amortizing schedule depending on repayment of the loan.

TAV Tunisie uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. Total amount of project finance loan is hedged through IRS contract during the life of the loan with an amortizing schedule depending on repayment of the loan.

TAV İzmir uses interest rate derivative to manage its exposure to interest rate fluctuations on its bank borrowings. Approximately 80% of total project finance loan is hedged through IRS contract during the life of the loan.

TAV İstanbul uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its concession installments that will be paid to DHMİ.

#### Cross currency swap

TAV İstanbul has signed a derivative contract to manage and fix its exposure to foreign currency exchange rates between USD and EUR on the concession installments that will be paid to DHMİ. The contract term matches with the terms of the rent payments made to DHMİ which is the end of each December until 2018. The total notional amount of the contract is EUR 368,090,548 (equivalent of USD 545,878,284) as at 30 June 2008.

#### Interest rate swap

Two derivative contracts have been signed between Dexia Credit Local (DCL) and TAV İstanbul on 12 March 2008 for the project finance facility (in total EUR 472,387,663). The notional amount of these contracts is being amortized by the years in parallel with repayments of loans. As at 30 June 2008 total notional amount is EUR 472,387,664.

The fair value of derivatives at 30 June 2008 is estimated at EUR 12,551,871 (31 December 2007: EUR 17,144,780). This amount is based on market values of equivalent instruments at the balance sheet date. Since the Company applied hedge accounting as at 30 June 2008 changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to equity in cash flow hedge reserve as gain amounting to EUR 12,395,764, net of tax. At 30 June 2007, changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to finance expense as gain amounting to EUR 9,795,455 and foreign currency transaction gain amounting to EUR 8,543,048.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 37. OPERATING LEASES

The Group entered into various operating lease agreements (excluding concession agreement for TAV İstanbul and TAV Tunisie). For the period ended 30 June 2008, total rent expenses for operating leases amounted to EUR 910,901 (30 June 2007: EUR 628,819).

#### 38. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. However, most of Group revenues are denominated in hard currency. The gap between hard currency assets and liabilities are hedged by derivative financial instruments such as forward contracts and options. In addition to hedging of currency risk, TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie use interest rate swap as hedging of fluctuations in Euribor and Libor rates (i.e.100%, 80%, 100% and 100% of floating loans for TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie, respectively are fixed).

##### Credit risk

##### Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	<u>30 June 2008</u>	<u>31 December 2007</u>
Other non-current assets (*)	62,831	3,332,882
Non-current trade receivables	167,869,038	179,431,221
Trade receivables	64,812,356	49,883,346
Due from related parties	10,057,409	4,194,406
Other receivables and current assets (*)	3,486,155	3,345,105
Investments held for trading	-	248,683
Restricted bank balances	182,872,138	257,520,816
Cash and cash equivalents(**)	17,843,496	64,254,581
Interest rate swaps used for hedging	21,061,519	2,327,826
	<u>468,064,942</u>	<u>564,538,866</u>

(\*) Non-financial instruments such as advances given to DHMİ for VAT portion, VAT deductible and carried forward, prepaid expenses and advances given are excluded from other current assets and other non-current assets.

(\*\*) Cash on hand is excluded from cash and cash equivalents.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Impairment losses

The movements in the allowance for impairment in respect of trade receivables during the six-month periods ended 30 June were as follows:

	<u>1 January- 30 June 2008</u>	<u>1 January- 30 June 2007</u>
<b>Balance at 1 January</b>	<b>(1,389,209)</b>	<b>(1,409,983)</b>
Effect of group structure change (note 3)	-	(106,296)
Collections during the period	42,305	294,497
(Provided) / released during the period	(436,091)	272,574
Effect of change in foreign exchange rates	88,309	(74,568)
<b>Balance at 30 June</b>	<b>(1,694,686)</b>	<b>(1,023,776)</b>

Allowance for doubtful receivables is determined by reference to past default experience. The allowance accounts in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the trade receivable directly.

##### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<u>30 June 2008</u>	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
<b>Non-derivative financial liabilities</b>						
Secured bank loans	836,838,949	(1,229,217,707)	(34,225,503)	(79,928,649)	(141,650,595)	(973,412,960)
Unsecured bank loans	103,040,816	(124,744,983)	(10,929,604)	(105,489,472)	(5,611,077)	(2,714,830)
Financial lease liabilities	608,909	(608,909)	(177,992)	-	(430,917)	-
Trade payables (*)	20,759,738	(20,857,111)	(20,857,111)	-	-	-
Due to related parties	87,898,500	(89,480,436)	(89,480,436)	-	-	-
Other payables (*)	22,491,871	(22,491,871)	(19,472,082)	(3,019,789)	-	-
Bank overdraft	3,028,579	(3,028,579)	(3,028,579)	-	-	-
<b>Derivative financial liabilities</b>						
Cross currency swaps						
Outflow	8,509,648	(368,090,548)	(18,143,233)	(15,092,999)	(37,624,258)	(297,230,058)
Inflow	-	346,630,303	17,085,455	14,213,054	35,430,706	279,901,088
	<b>1,083,177,010</b>	<b>(1,511,889,841)</b>	<b>(179,229,085)</b>	<b>(189,317,855)</b>	<b>(149,886,141)</b>	<b>(993,456,760)</b>

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Liquidity risk (continued)

31 December 2007

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
<b>Non-derivative financial liabilities</b>						
Secured bank loans	864,354,315	(1,172,276,702)	(70,807,490)	(57,984,643)	(121,959,865)	(921,524,704)
Unsecured bank loans	133,491,632	(137,634,899)	(102,716,462)	(10,186,458)	(18,864,315)	(5,867,664)
Financial lease liabilities	734,719	(734,719)	(307,308)	(307,308)	(120,103)	-
Trade payables (*)	21,585,202	(21,927,060)	(21,927,060)	-	-	-
Due to related parties	28,790,208	(28,790,208)	(28,790,208)	-	-	-
Other payables (*)	16,843,529	(16,843,529)	(16,843,529)	-	-	-
Bank overdraft	1,970,698	(1,970,698)	(1,970,698)	-	-	-
<b>Derivative financial liabilities</b>						
Cross currency swaps						
Outflow	15,443,800	(143,444,854)	-	(28,936,531)	(26,447,449)	(88,060,874)
Inflow	-	124,653,025	-	25,145,734	22,982,731	76,524,560
	<b>1,083,214,103</b>	<b>(1,398,969,644)</b>	<b>(243,362,755)</b>	<b>(72,269,206)</b>	<b>(144,409,001)</b>	<b>(938,928,682)</b>

(\*) Non-financial instruments such as deposits on guarantees and advances received are excluded from trade payables and other payables.

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

30 June 2008

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
<b>Interest rate swaps</b>						
Assets	21,061,519	29,445,930	1,201,569	3,485,670	4,095,861	20,662,829
Liabilities	-	-	-	-	-	-
<b>Cross currency swaps</b>						
Assets	-	-	-	-	-	-
Liabilities	(8,509,648)	(21,460,245)	(1,057,778)	(879,945)	(2,193,552)	(17,328,970)
	12,551,871	7,985,684	143,791	2,605,725	1,902,309	3,333,859

31 December 2007

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
<b>Interest rate swaps</b>						
Assets	2,327,826	9,389,533	3,858,007	1,322,339	1,872,145	2,337,042
Liabilities	(4,028,806)	(9,849,881)	(159,883)	(386,773)	(2,482,225)	(6,821,000)
<b>Cross currency swaps</b>						
Assets	-	-	-	-	-	-
Liabilities	(15,443,800)	(18,791,829)	-	(3,790,797)	(3,464,718)	(11,536,314)
	(13,742,820)	(18,331,481)	(3,698,124)	(4,726,363)	(2,854,638)	(7,052,356)



## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Currency risk

##### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows in Euro equivalent of their original currencies:

##### 30 June 2008

<b>Foreign currency denominated monetary assets</b>	<b>USD</b>	<b>EUR (*)</b>	<b>TRY</b>	<b>Other</b>	<b>Total</b>
Other non-current assets	17,653	-	150,136	1,165	168,954
Trade receivables	7,071,638	580,250	4,141,733	2,804,144	14,597,765
Due from related parties	8,941,351	1,551	269,570	40,118	9,252,590
Derivative financial instruments	2,169,573	-	-	-	2,169,573
Other receivables and current assets	1,631,859	11,970	2,309,012	23,418,281	27,371,122
Restricted bank balances	47,659,863	-	26,020,868	-	73,680,731
Cash and cash equivalents	2,822,685	510,518	2,781,439	3,194,838	9,309,480
	<u>70,314,622</u>	<u>1,104,289</u>	<u>35,672,758</u>	<u>29,458,546</u>	<u>136,550,215</u>
<b>Foreign currency denominated monetary liabilities</b>					
Loans and borrowings	(131,668,105)	-	(2,234)	-	(131,670,339)
Bank overdraft	-	-	(2,430,648)	-	(2,430,648)
Trade payables	(973,837)	(60,919)	(4,272,562)	(4,596,166)	(9,903,484)
Due to related parties	(240,736)	(22,814)	(4,394)	(10,170)	(278,114)
Other payables	(1,413,953)	(27,868)	(14,204,393)	(200,404)	(15,846,618)
Other long term payables	-	-	(716,869)	-	(716,869)
	<u>(134,296,631)</u>	<u>(111,601)</u>	<u>(21,631,100)</u>	<u>(4,806,740)</u>	<u>(160,846,072)</u>
<b>Net exposure</b>	<b><u>(63,982,009)</u></b>	<b><u>992,688</u></b>	<b><u>14,041,658</u></b>	<b><u>24,651,806</u></b>	<b><u>(24,295,857)</u></b>

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Currency risk (continued)

##### Exposure to currency risk (continued)

##### 31 December 2007

##### Foreign currency denominated monetary assets

	<u>USD</u>	<u>EUR (*)</u>	<u>TRY</u>	<u>Other</u>	<u>Total</u>
Other non-current assets	18,606,730	-	136,681	-	18,743,411
Trade receivables	5,395,617	552,537	4,766,767	142,127	10,857,048
Due from related parties	682,228	9,122	124,817	134,722	950,889
Other receivables and current assets	20,211,831	313,028	4,851,504	10,935,757	36,312,120
Restricted bank balances	163,330,499	-	36,609,606	-	199,940,105
Cash and cash equivalents	15,165,863	2,284,429	1,820,293	1,152,763	20,423,348
Investments held for trading	-	-	44,508	204,175	248,683
	<u>223,392,768</u>	<u>3,159,116</u>	<u>48,354,176</u>	<u>12,569,544</u>	<u>287,475,604</u>

##### Foreign currency denominated monetary liabilities

Loans and borrowings	(241,356,087)	-	(7,895)	-	(241,363,982)
Bank overdraft	-	-	(461,984)	-	(461,984)
Trade payables	(2,147,754)	(209,862)	(4,343,087)	(2,355,624)	(9,056,327)
Due to related parties	(3,132,882)	-	(3,637,854)	(164,408)	(6,935,144)
Derivative financial instruments	(3,236,507)	-	-	-	(3,236,507)
Other payables	(2,169,735)	(13,253)	(5,557,068)	(1,731,178)	(9,471,234)
	<u>(252,042,965)</u>	<u>(223,115)</u>	<u>(14,007,888)</u>	<u>(4,251,210)</u>	<u>(270,525,178)</u>
<b>Net exposure</b>	<b><u>(28,650,197)</u></b>	<b><u>2,936,001</u></b>	<b><u>34,346,288</u></b>	<b><u>8,318,334</u></b>	<b><u>16,950,426</u></b>

(\*) The figures in this column reflect the Euro position of subsidiaries that have functional currencies other than Euro.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates applied during the period:

	Average Rate		Reporting Date Closing Rate	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
USD	0.8151	0.7316	0.6350	0.6810
TRY	0.5325	0.5627	0.5189	0.5847
GEL	0.4358	0.4373	0.4497	0.4289

#### Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the Euro relative to the New Turkish Lira and the US Dollar. The Group manages its exposure to foreign currency risk by entering into derivative contracts and, where possible, seek to incur expenses with respect to each contract in the currency in which the contract is denominated and attempt to maintain its cash and cash equivalents in currencies consistent with its obligations.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

A 10% strengthening of the Euro against other currencies (assuming that other currencies are constant) at 30 June 2008 would have positive effect amounting to approximately EUR 2.4 million on profit or loss statement when ignoring the effect of derivative financial instruments. A 10% strengthening of the Euro against other currencies (assuming that other currencies are constant) at 30 June 2008 would have negative effect amounting to approximately EUR 16.5 million on hedging reserve in equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the Euro against other currencies (assuming that other currencies are constant) at 30 June 2008 would have had the equal but opposite effect on the above currencies to the amount on the basis that all other variables remain constant.

#### Interest rate risk

The Group has used material amounts of bank borrowings from foreign sources and banks. Although most of these loans used have floating interest rates, the Group management and banks fixed interest rates by using derivative financial instruments. TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie use interest rate swap as hedging of fluctuations in Euribor and Libor rates (i.e. 100%, 80%, 100%, 100% and 100% of floating loans for TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie, respectively are fixed).

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Profile

Interest sensitive financial instruments as at 30 June 2008 and 31 December 2007 are as follows:

	Carrying amount	
	30 June 2008	31 December 2007
<b>Fixed rate instruments</b>		
Financial assets	175,041,975	262,898,604
Financial liabilities	(731,260)	(37,815,372)
	<b>174,310,715</b>	<b>225,083,232</b>
	Carrying amount	
	30 June 2008	31 December 2007
<b>Variable rate instruments</b>		
Financial assets	32,034,999	2,327,826
Financial liabilities	(939,148,505)	(968,045,973)
	<b>(907,113,506)</b>	<b>(965,718,147)</b>

##### *Fair value sensitivity analysis for fixed rate instruments:*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

##### *Cash flow sensitivity analysis for variable rate 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 EUR 3.3 million on the Group's variable rate debt when ignoring effect of derivative financial instruments. EUR 2.9 million of the exposure is hedged through IRS contracts. Therefore, the net exposure on income statement would be EUR 0.4 million.

A 50 basis points increase in Euribor or Libor would have resulted a decrease in hedging reserve in equity approximately by EUR 28 million.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 38. FINANCIAL INSTRUMENTS (continued)

##### Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	30 June 2008		31 December 2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>					
Other non-current assets (*)	24	62,831	62,831	3,332,882	3,332,882
Non-current trade receivables	25	167,869,038	167,869,038	179,431,221	179,431,221
Trade receivables	25	64,812,356	64,812,356	49,883,346	49,883,346
Due from related parties	40	10,057,409	10,057,409	4,194,406	4,194,406
Other receivables and current assets (*)	24	3,486,155	3,486,155	3,345,105	3,345,105
Investments held for trading	20	-	-	248,683	248,683
Restricted bank balances	27	182,872,138	182,872,138	257,520,816	257,520,816
Cash and cash equivalents	26	18,492,309	18,492,309	64,652,433	64,652,433
Interest rate swaps used for hedging	36	21,061,519	21,061,519	2,327,826	2,327,826
<b>Financial liabilities</b>					
Bank overdraft	26	(3,028,579)	(3,028,579)	(1,970,698)	(1,970,698)
Loans and borrowings	30	(940,488,674)	(940,488,674)	(998,580,666)	(998,580,666)
Trade payables (**)	35	(20,759,738)	(20,759,738)	(21,585,202)	(21,585,202)
Due to related parties	40	(87,898,500)	(87,898,500)	(28,790,208)	(28,790,208)
Derivative financial instruments	36	(8,509,648)	(8,509,648)	(19,472,606)	(19,472,606)
Other payables (**)	32	(22,491,871)	(22,491,871)	(16,843,529)	(16,843,529)
		<b>(614,463,255)</b>	<b>(614,463,255)</b>	<b>(522,306,191)</b>	<b>(522,306,191)</b>

(\*) Non-financial instruments such as prepaid expenses, prepaid taxes and dues and advances given are excluded from other non-current assets and other receivables and current assets.

(\*\*) Non-financial instruments such as advances received are excluded from trade payables and other payables.

The methods used in determining the fair values of financial instruments are discussed in Note 4.

#### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

##### Commitments and contingencies

	30 June 2008	31 December 2007
Letters of guarantee given to DHMİ	102,922,790	109,376,794
Letters of guarantee given to Tunisia government	68,881,100	68,881,100
Letters of guarantee given to third parties	63,800,629	32,600,749
	<b>235,604,519</b>	<b>210,858,643</b>

The Group is obliged to give 6% of the total rent amount of USD 152,580,000 as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by the Group.

# **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

## **Notes to Consolidated Interim Financial Statements**

### **As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

#### **39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)**

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 52,600,000 (Tunisian Dinar "TND" 91,136,065) to the Ministry of Transport and EUR 16,281,100 to OACA according to the BOT agreement signed with OACA in Tunisia. The total obligation has been provided by the Group.

Majority of letters of guarantee given to third parties includes the guarantees given to customs and some customers. Majority of letters of credit includes letters of credit given for the constructions of Ankara Esenboğa and İzmir Adnan Menderes Airports as of 30 June 2008.

#### **Contractual obligations**

##### **TAV İstanbul**

TAV İstanbul is bound by the terms of the Concession Agreement made with DHMİ. If TAV İstanbul does not follow the rules and regulations set forth in the Concession Agreement, this might lead to the forced cessation of TAV İstanbul's operation.

DHMİ may terminate the Concession Agreement if the ownership of interest of TAV and founding partner in TAV İstanbul falls below 49% during the first three years of the concession period.

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İstanbul.

Pursuant to the provisions of this agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

In the case where TAV İstanbul as the lessee performs a delayed and/or incomplete rent payment to the DHMİ, TAV İstanbul is charged a penalty of 10% of the rent amount to be paid. TAV İstanbul is then obliged to perform the payment latest within five days. Otherwise, the DHMİ shall be entitled to terminate the rent agreement. TAV İstanbul is not entitled to claim the rent payments performed to the DHMİ prior to the termination of the contract.

##### **TAV Esenboğa and TAV İzmir**

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. If these companies do not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of these companies' operations according to the BOT Agreements. According to the BOT agreement:

The share capital of the companies can not be less than 20% of fixed investment amount.

The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ. DHMİ has requested an extension of EUR 13,900,000 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for such extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ at 21 March 2008.

Final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

## **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

### **Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

#### **39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)**

##### **Contractual obligations (continued)**

##### **TAV Esenboğa and TAV İzmir (continued)**

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İzmir and TAV Esenboğa.

All equipment used by TAV Esenboğa and TAV İzmir must be brand new and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are not delineated in the Tax Application Law, the operator is obliged to perform the replacement.

All fixed assets covered by the implementation contract will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Esenboğa and TAV İzmir have the responsibility of repair and maintenance of all fixed assets under the investment period.

##### **HAVAS**

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ, HAVAŞ undertakes the liability of all losses incurred by its personnel to DHMİ or to third parties. It also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ is required to provide DHMİ with a letter of guarantee amounting to USD 1,000,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines which are over due in accordance with the appointed agreement/ period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount which is USD 1,000,000 within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the Atatürk, Esenboğa, Adnan Menderes, Dalaman, Adana, Trabzon, Milas, Nevşehir, Antalya, Gaziantep, Kayseri, Urfa, Batman, Adiyaman, Elazığ, Muş, Sivas and Konya airports; when the rent period ends, DHMİ will have the right to retain the immovables in the area free of charge.

## **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

### **Notes to Consolidated Interim Financial Statements**

#### **As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

#### **39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)**

##### **Contractual obligations (continued)**

##### **TAV Tbilisi**

TAV Tbilisi is bound by the terms of the BOT Agreement. In case TAV Tbilisi fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations.

With regards to the Agreement, TAV Tbilisi is required to;

- comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;
- construct the new terminals in accordance with the requirements of International Air Transport Association (“IATA”), International Civil Aviation Organization (“ICAO”) or European Civil Aviation Conference (“ECAC”), and in compliance with the approved design;
- maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and IATA, ICAO or ECAC;
- ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;
- remedy accidents that might occur upon mechanical damage inflicted by the Company to existing communication networks or inappropriate use or operation thereof.

##### **TAV Batumi**

TAV Batumi is obliged to perform the terms agreed under the Agreement for Management of 100 percent of Shares in “Batumi Airport Ltd” (the “Agreement”) together with its Schedules annexed to the Agreement. In the event that TAV Batumi fails to fulfill its material obligations under the Agreement and its Schedules, it may be forced to cease the management of the Batumi International Airport and all operation rights generated at the Airport.

With regards to the Agreement, TAV Batumi is required to;

- comply with all requirements of the relevant statutes and the Applicable Laws of Georgia;
- prevent repatriation and transfer of the dividends distributable by Batumi Airport Ltd from Georgia;
- comply with the terms of Permits that materially adversely affect the performance of TAV Batumi’s obligations under the Agreement or achievement of the Revenues by Batumi Airport Ltd and/or achievement of dividends by the TAV Batumi from Batumi Airport Ltd;
- protect, promote, develop and extend the business interests and reputation of Batumi Airport in connection with the Services (reasonable effort basis);
- maintain and operate Batumi Airport in accordance with the international standards applicable to similar international airports, and any other local standards that will be applicable to the operations of an international airport;
- recruit and train sufficient number of staff for the operation of Batumi Airport in accordance with standard, accepted operational standards;
- perform regular, periodic and emergency maintenance and repair works of all the fixed assets, as well as the annexations and accessories related thereto located on the territory of Batumi Airport; and
- procure and maintain insurance policies listed under the Agreement during the term of the operation.



## **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

### **Notes to Consolidated Interim Financial Statements**

#### **As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

#### **39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)**

##### **Contractual obligations(continued)**

##### **TAV Tunisie**

TAV Tunisie is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisie fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.

According to Enfidha Concession Agreement, TAV Tunisie is required to:

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on 1 October 2009, unless the requirements by the Terms and Specifications of the Agreement has not provided;
- finance up to 30% of the Project by Equity.

According to Monastir Concession Agreement, TAV Tunisie is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport.

Pursuant to both Concession Agreements, TAV Tunisie is required to:

- market and promote the activities operated in the Airports and perform the public service related with these activities
- provide with and maintain the bank guarantees in accordance with the Agreements;
- pay the Domainial and Operational Royalties to the Conceding Authorities (Tunisian State and OACA);
- comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisie's shareholders;
- require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
- comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
- to comply with its obligations related to insurance as provided for by the Agreements.

TAV Tunisie may also be obliged to cease the operation of the said airports if (i) it is declared insolvent or is subject to judicial liquidation proceedings or (ii) it is forced to cease the operation of one of the Airports.

Management believes that as at 30 June 2008, the the Group has complied with the terms of the contingencies mentioned above.

# **TAV Havalimanları Holding A.Ş. and Its Subsidiaries**

## **Notes to Consolidated Interim Financial Statements**

### **As at and for the six month 30 June 2008**

*(Amounts expressed in Euro unless otherwise stated except share amounts)*

#### **39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)**

##### **TAV Gazipaşa**

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Antalya Gazipaşa Airport.

If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

The Agreement is made for a period of twenty-five years effective from the date TAV Gazipaşa obtains the operation authorization from the Ministry of Transportation. The contractual obligations of TAV Gazipaşa include the operation of the facilities in compliance with the international norms and standards subject to the supervision of the Ministry of Transportation Civil Aviation General Directorate and DHMİ; obtaining maintenance and periodic maintenance and repairs of all systems and equipment requisite for the operation and the transfer of the facilities together with the systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ, without any debt or liabilities, upon the expiry of the Agreement (if the economic lives of the systems, equipment, furniture and fixtures have come to an end, they should be renewed before the transfer to DHMİ). Upon the expiry of the Agreement, TAV Gazipaşa will be responsible for one year for the maintenance and repair of the systems and equipment in the facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repairs made and the cost will be charged to TAV Gazipaşa.

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement, TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.

In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ, TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount.

##### **Contingent asset**

TAV İstanbul is able to expense VAT on concession rent payments upon the issuance of the related invoice, and DHMİ issues the invoice monthly. Cumulative VAT expense related with DHMİ invoices as at 30 June 2008 is EUR 21,258,267 (31 December 2007: EUR 24,258,638).

TAV İstanbul has opened a tax court case in February 2006 against Ministry of Finance for the concession rent, which has been paid partially and the remaining will be paid to DHMİ, for not being subject to VAT. According to temporary VAT code number 12, TAV İstanbul stated that airport privatizations are exempt from VAT. The resolution of the İstanbul First Tax Court has been declared to TAV İstanbul on 9 April 2007. The resolution sets forth that the administrative transaction is not a tax error in the manner prescribed in the Tax Procedures Law, and that no legal inappropriateness had been observed in the transaction that had been formed via the rejection of the application made upon complaint. The decision does not assess whether there is an exemption from the VAT or not; and it is judged that the application does involve a legal shortcoming; TAV İstanbul had submitted the case to the Court of Appeals. With regard to the mentioned case, the Company had submitted a letter to the 4th Department of the Court of Appeals on 28 May 2007 and required a motion for stay. TAV İstanbul has brought a tax case against Ministry of Finance and Maltepe Tax Administration, with the claim that the rent amounts paid to the State Airports Authority General Directorate are exempt from value added tax; and the Tax Court dismissed the case on the grounds of incompetence. TAV İstanbul had applied against the dismissal decision of the Tax Court. The award of the 4th Chamber of the Council of State ("Danistay") had been declared to TAV İstanbul on 25 July 2007. Accordingly, the Council of State approved the application of TAV İstanbul and decided to reverse the judgement of the Tax Court. The case reverted to the Tax Court according to the Code of Administrative Procedures and the Tax Court rejected the case with the decision notified to TAV İstanbul on 29 November 2007. An application for appeal has been made, and the process is continuing as of the date of this report. Group management believes that this court will be finalized in Group's favor, paid VAT will be reimbursed to the Group, and the Group will not pay VAT on concession rent anymore.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 40. RELATED PARTY TRANSACTIONS

The major immediate parents and ultimate controlling parties of the Group are Tepe and Akfen groups.

The Company has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in the normal course of business.

All other transactions not described in this footnote between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of balances between the Group and other related parties are disclosed below.

#### Key management personnel compensation:

The remuneration of directors and other members of key management during the period comprised the following:

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
Short-term benefits (salaries, bonuses etc.)	2,439,599	1,208,456	1,357,428	442,818
	<b><u>2,439,599</u></b>	<b><u>1,208,456</u></b>	<b><u>1,357,428</u></b>	<b><u>442,818</u></b>

Some of the key management (general managers, directors etc.) of the Group are included in TAV Yatırım Holding A.Ş.'s ("TAV Yatırım Holding") payroll, therefore they are not included in the above table as such expenses separately invoiced by TAV Yatırım Holding.

As at 30 June 2008 and 31 December 2007, none of the Group's directors and executive officers has outstanding personnel loans from the Group.

#### Other related party transactions:

	<b>30 June 2008</b>	<b>31 December 2007</b>
<b>Due from related parties</b>		
TAV Urban Georgia LLC	7,591,907	-
TAV Havacılık A.Ş.	1,675,168	1,776,014
ATÜ	-	1,349,757
Other related parties	790,334	1,068,635
	<b><u>10,057,409</u></b>	<b><u>4,194,406</u></b>
<b>Due to related parties</b>		
TAV İnşaat (*)	55,411,023	24,793,853
Tepe İnşaat (**)	30,065,353	513,510
IBS Sigorta	626,449	3,034,226
ATÜ	1,697,862	-
Other related parties	97,813	448,619
	<b><u>87,898,500</u></b>	<b><u>28,790,208</u></b>

(\*) Payable to TAV İnşaat represents the trade payables related with the construction and renovation of Enfidha and Monastir Airports, respectively.

(\*\*) Payable to Tepe İnşaat represents the advances received related with the construction and renovation of Enfidha and Monastir Airports, respectively.

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 40. RELATED PARTY TRANSACTIONS (continued)

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
<b>Services rendered to related parties</b>				
ATÜ	32,516,978	17,259,237	29,714,971	16,628,687
Other related parties	1,179,000	575,314	3,589,509	1,765,697
	<b><u>33,695,978</u></b>	<b><u>17,834,551</u></b>	<b><u>33,304,480</u></b>	<b><u>18,394,384</u></b>

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
<b>Services rendered by related parties</b>				
IBS Brokerlik ve Sigorta Hizmetleri A.Ş.	3,543,897	1,910,137	2,416,080	2,416,080
Tepe Prefabrik İnş. San. Tic. A.Ş.	305,119	152,565	-	-
TAV Havacılık A.Ş.	265,734	116,543	331,490	147,972
Other related parties	250,830	88,544	2,239,679	1,471,050
	<b><u>4,365,580</u></b>	<b><u>2,267,789</u></b>	<b><u>4,987,249</u></b>	<b><u>4,035,102</u></b>

IBS Sigorta Brokerlik Hizmetleri A.Ş. provides insurance intermediary services to the Group.

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
<b>Interest (expense) / income from related parties (net)</b>				
Tepe İnşaat Sanayi A.Ş.	(305,239)	(305,239)	78,539	61,288
TAV Georgia LLC	98,299	98,299	-	-
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş.	88,506	55,648	26,791	26,791
TAV Havacılık A.Ş.	60,728	27,119	106,729	66,301
Other related parties	1,696	-	22,090	3,050
	<b><u>(56,010)</u></b>	<b><u>(124,173)</u></b>	<b><u>234,149</u></b>	<b><u>157,430</u></b>

The average interest rate used within the Group is 6.96% per annum (30 June 2007: 6.84%). The Group converts related party TRY loan receivable and payable balances to USD at month end using the Central Bank's announced exchange rates and then charges interest on the USD balances.

	<b>1 January- 30 June 2008</b>	<b>1 April- 30 June 2008</b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>
<b>Construction work rendered by related parties</b>				
TAV İnşaat	52,356,597	5,489,296	6,431,303	6,431,303
	<b><u>52,356,597</u></b>	<b><u>5,489,296</u></b>	<b><u>6,431,303</u></b>	<b><u>6,431,303</u></b>

As of 30 June 2008, TAV İnşaat provided services to either renovation of Monastır Airport or construction of Enfidha Airport.

## TAV Havalimanları Holding A.Ş. and Its Subsidiaries

### Notes to Consolidated Interim Financial Statements

#### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 41. JOINT VENTURES

The Group has the following significant interests in joint ventures:

- 49.98% equity shareholding with 50% voting power in ATÜ, a jointly controlled entity established in Turkey. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of ATÜ:

<b>Balance Sheet</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Current assets	14,387,429	30,105,932
Non-current assets	20,339,906	3,983,590
Current liabilities	(14,403,031)	(11,809,443)
Non-current liabilities	(13,802,239)	(14,770,014)
	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Statement of operations</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Total revenue	73,216,622	64,309,049
Total cost of revenue	(70,254,348)	(62,431,607)
Profit for the period	2,962,274	1,877,442

- 60.00% equity shareholding with 50% voting power, in TAV Tbilisi, a joint venture established in Georgia. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of TAV Tbilisi:

<b>Balance Sheet</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Current assets	5,191,543	6,521,876
Non-current assets	55,445,014	57,809,420
Current liabilities	(20,212,530)	(32,687,251)
Non-current liabilities	(16,978,045)	(8,539,755)
	<b>1 January- 30 June 2008</b>	<b>1 January- 30 June 2007</b>
<b>Statement of operations</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Total revenue	8,680,377	10,626,018
Total cost of revenue	(6,135,425)	(12,630,092)
Profit / (loss) for the period	2,544,952	(2,004,076)

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 42. EVENTS AFTER THE BALANCE SHEET DATE

- In order to complete the relevant examinations, the Ministry of Finance Tax Inspectors initiated Tax Audits on 28 July 2008, for the following terms and following companies: TAV İstanbul for July 2005-December 2007, TAV Esenboğa for October 2006 - December 2007, TAV İzmir for September 2006-December 2007 VAT Taxation periods.
- As of 31 July 2008, TAV Airports Holding has formed a consortium with the leading construction company of Latvia, Skonto Buve Ltd, and submitted a prequalification application for the tender on the selection of partner for establishing a joint venture for the development of infrastructure of SJSC Riga International Airport.
- As of 8 August 2008, due to the increased political tension between Russia and Georgia, Russia has military intervention against Georgia. This intervention has ended after a short period of time and there were no negative situation observed in both Tbilisi International Airport and Batumi International Airport. During this intervention, both airports maintained their operations.
- As of 13 August 2008, it has been announced in the official website of the project that the Company has been prequalified to bid for the tender to be held during the first half of 2009, within the scope of the public private sector partnership (PPP) for the Pulkovo Airport, St. Petersburg in Russia, by the St. Petersburg government. The Company has not received a written notification about the issue.
- Within the scope of the "Skopje Alexander the Great, Ohrid St Paul the Apostle, new cargo airport in Shtip" tender held by the Macedonian Ministry of Transportation on 25 August 2008, although no official announcements have been made by the tender authority, we have learned that TAV Holding is the only company which has submitted a bid for the tender.

#### 43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2006 and 2007 and consolidated interim financial statements as of 30 June 2007 have been restated for the following:

	<b>Accumulated losses</b>
<b>Balance at 31 December 2007, as previously reported</b>	<b>(53,499,998)</b>
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,115,646
Effect of adoption for IFRIC 12 (a)	(6,215,472)
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(802,157)
Deferred tax effect of adoption for IFRIC 12 (a)	817,384
<b>Balance at 31 December 2007, as restated</b>	<b><u>(56,584,597)</u></b>
	<b>Accumulated losses</b>
<b>Balance at 30 June 2007, as previously reported</b>	<b>(30,235,007)</b>
Effect of purchase of shares from subsidiaries	(2,066,710)
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,115,646
Effect of adoption for IFRIC 12 (a)	4,968,231
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(802,157)
Deferred tax effect of adoption for IFRIC 12 (a)	(98,604)
<b>Balance at 30 June 2007, as restated</b>	<b><u>(25,118,601)</u></b>

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

#### 43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS (continued)

	<b>Accumulated losses</b>
<b>Balance at 31 December 2006, as previously reported</b>	<b>(5,131,662)</b>
Correction of error in concession expense as at 31 December 2005	(293,402)
Correction of error in concession expense	(7,426,316)
Deferred tax effect on correction of error in concession expense	1,485,262
Effect of group structure change as at 31 December 2005	3,255,008
Effect of group structure change	(5,321,718)
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,115,646
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(802,157)
<b>Balance at 31 December 2006, as restated</b>	<b>(11,119,339)</b>

#### a) **Effect of adoption of IFRIC 12:**

The Company adopted IFRIC 12 and reflected the effect of adoption retrospectively.

	<b>Restated at 31 December 2007</b>	<b>Previously Reported at 31 December 2007</b>
Airport operation right	295,835,595	-
Trade receivables (net)	49,883,346	25,407,313
Trade receivables, long term	179,431,221	-
Deferred tax assets	21,157,808	21,142,581
Build-operate-transfer ("BOT") Inventory	-	502,842,676
	<b>Restated at 1 January- 30 June 2007</b>	<b>Previously Reported at 1 January- 30 June 2007</b>
Construction revenue	16,102,678	-
Aviation income	51,837,428	56,305,279
Income tax benefit	2,617,842	2,716,441
Discount interest income from IFRIC 12	992,868	-
Cost of construction	(16,488,489)	-
Depreciation and amortisation expense	(15,060,036)	(23,889,060)

# TAV Havalimanları Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements As at and for the six month 30 June 2008

(Amounts expressed in Euro unless otherwise stated except share amounts)

### 43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS (continued)

#### b) Change in classification of certain balance sheet items:

The Company has changed the classification of certain balance sheet items in order to achieve a more appropriate presentation in the current period. The comparatives are restated unless impracticable as presented below:

	<b>Restated at 31 December 2007</b>	<b>Previously Reported at 31 December 2007</b>
Loans and borrowings (short term)	234,768,093	235,064,055
Loans and borrowings (long term)	763,812,573	767,503,201
Inventories(advances received)	9,309,476	9,442,540
Other receivables and current assets	43,579,331	43,742,231
Other non-current assets	24,788,452	27,309,817
Property and equipment	66,145,596	67,314,856