

**TAV Havalimanlari Holding A.Ş. (previously known  
as“TAV Havalimanları İşletme A.Ş.”)  
and Its Subsidiaries**

**Consolidated Interim Financial Statements  
as at 30 September 2007**

**30 November 2007**

This report contains the “Report on Review of Interim Financial Information” comprising 1 page and; the “Consolidated interim financial statements and their explanatory notes” comprising 75 pages.

**TAV Havalimanlari Holding A.Ş. (previously known  
as“TAV Havalimanları İşletme A.Ş.”)  
and Its Subsidiaries**

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# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Balance Sheet

As at 30 September 2007

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

<b>ASSETS</b>			<b>Restated (*)</b>
<b>CURRENT ASSETS</b>	<b>Notes</b>	<b>30 September 2007</b>	<b>31 December 2006</b>
Cash and cash equivalents	5	52,751,858	6,254,146
Restricted bank balances	6	203,541,462	323,524,530
Investments held for trading	7	800,881	157,729
Trade receivables (net)	8	30,567,305	20,775,578
Due from related parties	9	13,457,353	15,391,132
Inventories	10	9,846,179	11,513,064
Prepaid concession expenses, current portion	15	140,797,439	140,818,617
Other receivables and current assets	11	29,273,246	35,409,916
<b>Total Current Assets</b>		<b>481,035,723</b>	<b>553,844,712</b>
<b>NON CURRENT ASSETS</b>			
Investments to associates	7	743,840	742,801
Goodwill	12	72,717,730	72,717,730
Property, plant and equipment	13	38,945,028	33,806,957
Intangible assets	16	17,267,448	18,131,797
Build-operate-transfer (“BOT”) investments (net)	14	456,405,626	441,200,616
Prepaid concession expenses	15	189,641,983	187,567,509
Other non-current assets	11	38,081,829	27,549,640
Deferred tax assets	23	21,622,819	14,416,548
<b>Total Non-Current Assets</b>		<b>835,426,303</b>	<b>796,133,598</b>
<b>TOTAL ASSETS</b>		<b>1,316,462,026</b>	<b>1,349,978,310</b>

(\*) See “Restatement of Prior Periods’ Financial Statements” – Note 37

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Balance Sheet

As at 30 September 2007

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

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		Restated (*)	
	Notes	<u>30 September 2007</u>	<u>31 December 2006</u>
<b>CURRENT LIABILITIES</b>			
Bank loans, current portion	18	156,376,562	820,688,103
Obligations under finance leases, current portion	19	172,854	35,630
Due to related parties	9	11,927,322	49,073,919
Trade payables	20	10,767,998	42,071,070
Derivative financial instruments	34	18,208,800	9,941,501
Other payables and deferred revenue	21	27,841,354	19,200,009
Current tax liabilities	23	3,116,703	1,680,846
<b>Total Current Liabilities</b>		<b><u>228,411,593</u></b>	<b><u>942,691,078</u></b>
<b>NON CURRENT LIABILITIES</b>			
Bank loans, long term portion	18	720,714,328	49,739,170
Obligations under finance leases, long term portion	19	498,269	-
Provision for employment termination benefits	22	2,659,035	3,685,054
Other non-current liabilities	21	19,597,154	22,568,298
Deferred tax liabilities	23	2,613,588	3,888,875
<b>Total Non-Current Liabilities</b>		<b><u>746,082,374</u></b>	<b><u>79,881,397</u></b>
<b>EQUITY</b>			
Share capital	26	104,910,267	123,219,861
Premium in excess of par	26	220,182,481	171,881,833
Legal reserves	26	10,372,967	8,766,287
Purchase of shares of entities under common control		40,063,860	35,589,741
Translation reserves		193,153	(83,244)
Retained earnings		(35,893,625)	(13,432,822)
<b>Equity attributable to equity holders of the parent</b>		<b><u>339,829,103</u></b>	<b><u>325,941,656</u></b>
Minority interest		2,138,956	1,464,179
<b>Total Equity</b>		<b><u>341,968,059</u></b>	<b><u>327,405,835</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u><u>1,316,462,026</u></u></b>	<b><u><u>1,349,978,310</u></u></b>

(\*) See "Restatement of Prior Periods' Financial Statements" – Note 37

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Statement of Operations For the Nine-Month Period Ended 30 September 2007

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

		Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Restated (*) Nine -month period ended 30 September 2006	(Restated (*) Three-month period ended 30 September 2006
Operating income	27	357,572,248	141,208,374	278,806,919	109,163,051
Other operating income	28	15,015,214	6,343,569	12,448,643	3,751,686
Cost of catering inventory sold		(7,774,327)	(2,898,691)	(4,291,633)	(1,141,150)
Cost of duty free inventory sold		(41,759,427)	(15,234,607)	(33,273,574)	(11,218,615)
Cost of services rendered		(14,396,631)	(7,222,438)	(19,828,565)	(9,518,298)
Employee benefit expense		(75,995,546)	(27,319,121)	(48,027,798)	(18,082,373)
Concession rent expenses	15	(105,302,461)	(35,486,543)	(105,291,997)	(34,957,670)
Depreciation and amortization expense	30	(36,712,718)	(12,823,658)	(6,299,667)	(2,758,472)
Other operating expenses	29	(61,324,168)	(18,579,147)	(54,147,327)	(16,999,429)
<b>Operating profit</b>		<b>29,322,184</b>	<b>27,987,738</b>	<b>20,095,001</b>	<b>18,238,730</b>
Finance income	31	7,758,693	2,799,720	12,681,973	4,449,661
Finance expenses	32	(56,491,820)	(29,173,043)	(43,304,445)	(11,719,138)
Other gains/(losses), (net)		544,305	560,133	(229,523)	(1,279,083)
Foreign currency translation gain/(loss) (net)		(5,644,869)	(6,502,154)	(13,242,508)	2,980,672
<b>Profit/(Loss) before tax</b>		<b>(24,511,507)</b>	<b>(4,327,606)</b>	<b>(23,999,502)</b>	<b>12,670,842</b>
Income tax benefit /(expense)	23	4,551,379	1,834,938	(16,559,578)	(3,100,047)
<b>Profit/(Loss) for the period</b>		<b>(19,960,128)</b>	<b>(2,492,668)</b>	<b>(40,559,080)</b>	<b>9,570,795</b>
<b>Attributable to:</b>					
Equity holders of the parent		(20,854,123)	(3,591,910)	(41,503,937)	19,581,231
Minority interest		893,995	1,099,242	944,857	(10,010,436)
		<b>(19,960,128)</b>	<b>(2,492,668)</b>	<b>(40,559,080)</b>	<b>9,570,795</b>
<b>Weighted average number of shares outstanding</b>		<b>238,958,333</b>	<b>238,958,333</b>	<b>200,000,000</b>	<b>200,000,000</b>
<b>Profit/(Loss) per share – basic and diluted</b>		<b>(0.09)</b>	<b>(0.02)</b>	<b>(0.21)</b>	<b>0.10</b>

(\*) See “Restatement of Prior Periods’ Financial Statements” – Note 37

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Statement of Changes in Equity For the Nine-Month Period Ended 30 September 2007

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

	Share Capital	Premium in Excess of Par	Legal Reserves	Translation Reserves	Retained Earnings	Purchase of Shares of Entities Under Common Control	Attributable to Equity Holders of the Parent	Minority Interest	Total
<b>Balance at 31 December 2005 as previously reported</b>	<b>104,853,453</b>	-	<b>8,362,895</b>	<b>183,918</b>	<b>54,871,460</b>	<b>(12,367,409)</b>	<b>155,904,317</b>	<b>10,852,802</b>	<b>166,757,119</b>
Correction of an error (Note 37)	-	-	-	-	(293,402)	-	(293,402)	-	(293,402)
Effect of group structure change (Note 4A)	7,597,794	-	-	-	3,255,008	-	10,852,802	(10,852,802)	-
<b>Balance at 31 December 2005 as restated</b>	<b>112,451,247</b>	-	<b>8,362,895</b>	<b>183,918</b>	<b>57,833,066</b>	<b>(12,367,409)</b>	<b>166,463,717</b>	-	<b>166,463,717</b>
Effect of group structure change (Note 37)	-	-	-	-	(334,256)	-	(334,256)	26,648	(307,608)
Exchange differences on translation reserves	-	-	-	(371,849)	-	-	(371,849)	(77,044)	(448,893)
Transfers	-	-	403,392	-	(403,392)	-	-	-	-
Loss for the period	-	-	-	-	(41,503,937)	-	(41,503,937)	944,857	(40,559,080)
Issue of share capital	10,510,218	-	-	-	-	-	10,510,218	291,543	10,801,760
<b>Balance at 30 September 2006</b>	<b>122,961,465</b>	-	<b>8,766,287</b>	<b>(187,931)</b>	<b>15,591,481</b>	<b>(12,367,409)</b>	<b>134,763,893</b>	<b>1,186,003</b>	<b>135,949,897</b>
<b>Balance at 31 December 2006 as previously reported</b>	<b>99,543,528</b>	<b>171,881,833</b>	<b>8,766,287</b>	<b>(83,244)</b>	<b>(5,131,662)</b>	<b>35,589,741</b>	<b>310,566,483</b>	<b>23,073,804</b>	<b>333,640,287</b>
Correction of an error (Note 37)	-	-	-	-	(6,234,452)	-	(6,234,452)	-	(6,234,452)
Effect of group structure change	23,676,333	-	-	-	(2,066,708)	-	21,609,625	(21,609,625)	-
<b>Balance at 31 December 2006 as restated</b>	<b>123,219,861</b>	<b>171,881,833</b>	<b>8,766,287</b>	<b>(83,244)</b>	<b>(13,432,822)</b>	<b>35,589,741</b>	<b>325,941,656</b>	<b>1,464,179</b>	<b>327,405,835</b>
Effect of group structure change (Note 4A)	(23,676,333)	-	-	-	-	4,474,119	(19,202,214)	-	(19,202,214)
Cash injection in share capital	5,366,739	48,300,648	-	-	-	-	53,667,387	-	53,667,387
Dividend distributions	-	-	-	-	-	-	-	(369,959)	(369,959)
Exchange differences on translation reserves	-	-	-	276,397	-	-	276,397	150,740	427,137
Transfers	-	-	1,606,680	-	(1,606,680)	-	-	-	-
Loss for the period	-	-	-	-	(20,854,123)	-	(20,854,123)	893,995	(19,960,128)
<b>Balance at 30 September 2007</b>	<b>104,910,267</b>	<b>220,182,481</b>	<b>10,372,967</b>	<b>193,153</b>	<b>(35,893,625)</b>	<b>40,063,860</b>	<b>339,829,103</b>	<b>2,138,956</b>	<b>341,968,059</b>

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Statement of Cash Flows For the Nine-Month Period Ended 30 September 2007

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

	Notes	Nine-month period ended 30 September 2007	(Restated) Nine-month period ended 30 September 2006
<b>OPERATING ACTIVITIES</b>			
Loss for the period		<b>(19,960,128)</b>	<b>(40,559,080)</b>
Adjustments to reconcile net profit to net cash provided by operating activities:			
- Depreciation of BOT investments	14-30	28,050,051	794,074
- Depreciation of property, plant and equipment	13-30	6,775,910	3,883,312
- Amortization of other intangible assets	16-30	1,886,757	1,698,579
- Amortization of concession asset	15	105,302,460	105,291,996
- Non-recoverable VAT related to concession payments		7,927,980	7,548,068
- (Reversal of provision)/provision for employment termination benefits	22	(815,634)	1,173,578
- Provision/(reversal of allowance) for doubtful receivables		(246,017)	948,375
- Discount on receivables and payables		400,096	(60,532)
- Gain on disposal of property, plant and equipment		(273,063)	(92,051)
- Unused vacation accrual		516,848	183,104
- Reversal of provision for slow moving inventory		(202,654)	65,625
- Unrealized foreign exchange differences on loans		(11,133,433)	(20,409,774)
- Accrued interest income		(1,333,050)	(9,793,818)
- Accrued interest expense		45,079,206	39,417,692
- Income tax (benefit)/expense	23	(4,551,379)	16,559,578
- Mark to market valuation of derivative instruments		8,267,299	5,021,411
<b>Operating cash flows before movements in working capital</b>		<b>165,691,249</b>	<b>111,670,136</b>
- Increase in trade receivables		(9,567,372)	(11,863,248)
- Decrease in inventories		1,827,788	6,344,773
- (Increase) / decrease in related party receivables		1,890,594	149,196,389
- (Increase) / decrease in other receivables and assets		(3,117,604)	(5,728,739)
- Decrease/(increase) in restricted bank balances		38,283,018	(50,512,878)
- (Decrease)/increase in trade payables		(30,237,031)	21,002,066
- (Decrease)/increase in related party payables		(36,317,033)	38,287,020
- Increase in other payables and liabilities		4,514,972	2,837,257
- Additions to prepaid concession expenses		(107,355,756)	(44,011,350)
- Change in VAT portion of prepaid rent		(7,801,633)	18,384,715
<b>Cash generated from used in operations</b>		<b>17,811,192</b>	<b>235,606,141</b>
- Income taxes paid		(2,719,181)	(1,798,635)
- Interest paid		(29,545,712)	(32,676,586)
- Retirement benefits paid	22	(495,419)	(286,674)
<b>Net cash provided from/ (used in) operating activities</b>		<b>(14,949,120)</b>	<b>200,844,246</b>

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



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Consolidated Interim Statement of Cash Flows For the Nine-Month Period Ended 30 September 2007

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

	Notes	Nine-months period ended 30 September 2007	Restated (*) Nine-months period ended 30 September 2006
<b>INVESTING ACTIVITIES</b>			
- Net change in investments held for trading		(643,152)	547,163
- Proceeds on tangible and intangible assets disposed		1,097,354	684,344
- Purchases of property, plant and equipment	13	(12,247,327)	(15,306,062)
- Additions to BOT investments	14	(44,531,145)	(268,861,755)
- Purchases of intangible assets	16	(923,211)	(4,627,498)
<b>Net cash used in investing activities</b>		<b>(57,247,481)</b>	<b>(287,563,808)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
- New borrowings raised		253,672,836	236,743,943
- Repayment of borrowings		(251,409,280)	(155,406,723)
- Decrease/(increase) in restricted bank balances		81,700,050	(5,303,160)
- Increase in premium in excess of par		48,300,648	-
- Purchase of shares of entities under common control		(19,202,214)	-
- Dividends paid		(369,959)	-
- Increase in share capital		5,366,739	10,801,760
- Effect of group structure change		-	(334,255)
- Addition in /(repayments of) obligations under finance leases		635,493	(32,614)
<b>Net cash provided from financing activities</b>		<b>118,694,313</b>	<b>86,468,951</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>46,497,712</b>	<b>(250,611)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>6,254,146</b>	<b>10,928,081</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>52,751,858</b>	<b>10,677,470</b>

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 1 A. BACKGROUND AND DESCRIPTION OF OPERATIONS

TAV Havalimanlari Holding A.Ş. (formerly known as TAV Havalimanlari İşletme 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 Havalimanlari Holding A.Ş.

On 29 December 2005, 27 March 2006 and 17 May 2006, the ultimate shareholders of the Company transferred their shares in certain companies and joint ventures, which are responsible for the operation of İstanbul Atatürk Airport, to the Company. As a result of this share transfer, the Company became the parent company of these subsidiaries. The immediate parent and ultimate controlling party of the TAV and its subsidiaries are Tepe and Akfen Group.

TAV, its subsidiaries and its joint ventures are collectively referred to as “the Group” in this report. The details of the Company’s subsidiaries as at 30 September 2007 and 31 December 2006 are as follows:

<u>Name of Subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>30 September 2007</u>		<u>31 December 2006</u>	
			<u>Ownership interest %</u>	<u>Voting power held %</u>	<u>Ownership interest %</u>	<u>Voting power held %</u>
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	75.00	100.00
TAV İzmir Terminal İşletmeciliği A.Ş. (“TAV İzmir”)	İzmir Airport Terminal Services	Turkey	100.00	100.00	99.98	100.00
TAV Tunisie SA (“TAV Tunisie”)	Airport Operator	Tunisia	100.00	100.00	-	-
BTA Havalimanlari 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
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 Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the nine-month period ended 30 September 2007

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

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

In 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 TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%. Then on 6 July 2007 TAV acquired remaining 25% interest in TAV Esenboğa increasing ownership interest from 75% to 100% accordingly.

In July 2005, HAVAŞ Havaalanları Yer Hizmetleri A.Ş. (“HAVAŞ”) owned 64.99% of TAV İzmir at the time of the acquisition by HAVAŞ. According to share purchase agreement of HAVAŞ, the other shareholders in HAVAŞ and TAV İzmir agreed to transfer its 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 2006, HAVAŞ purchased an additional 35% of the shares in TAV İzmir. On 29 December 2006, 95% and 31 July 2007, remaining 5% of TAV İzmir shares was transferred to TAV, respectively.

The details of the Company’s joint ventures as at 30 September 2007 and 31 December 2006 are as follows;

Name of Joint Venture	Principal Activity	Place of operation	30 September 2007		31 December 2006	
			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
HAVAŞ Havaalanları Yer Hizmetleri A.Ş. (“HAVAŞ”)	Ground handling services	Turkey	60.00	50.00	60.00	50.00
TAV Urban Georgia LLC (“TAV Tbilisi”)	Airport Operator	Georgia	60.00	50.00	60.00	50.00
TAV Batumi Operations LLC (“TAV Batumi”)	Airport Operator	Georgia	60.00	50.00	60.00	50.00

#### Description of Operations

The Group’s operations relate to the construction and operation of airports. The Group companies incorporated in Turkey enter into Build – Operate – Transfer (“BOT”) Agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (“DHMI”), TAV Tbilisi with JSC Tbilisi International Airport, TAV Batumi with Georgian Ministry of Economic Development and TAV Tunisie with Tunisian Airport Authority (“OACA”). Under these agreements the Group agrees to build, or reconstruct, an airport within specified period of time and in exchange receives the right to operate the airport for a preestablished period of time. At the end of the contract, the Group transfers the ownership of the airport building back to the related public authority, DHMI or Directorate of General of State Airports of Georgia or Tunisian Airport Authority. In addition, the Group enters into subsequent stand alone contracts for the operation of airports.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

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

#### *BOT Agreements*

During the periods presented in these financial statements the Group had following three BOT Agreements in place.

#### **Atatürk International Airport**

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

An addendum to the agreement was made in June 2000. Under the terms of the addendum, TAV committed to enlarge the International Lines Building by 30% by 2004. In return for extending the International Lines Building, operation period of TAV was 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.

#### **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 is required to complete the construction within 36 months after the agreement date and will then have the right to operate the facilities of the Ankara Esenboğa International Airport for a period of 15 years and 8 months. In the operations phase, TAV Esenboğa 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 TAV 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 is required to complete the construction within 24 months after the agreement date and will then have the right to operate the facilities of the İzmir Adnan Menderes Airport for a period of 6 years, 7 months and 29 days. 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 of TAV Tbilisi and JSC Tbilisi International Airport on 6 September 2005 (International and domestic terminals). 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 to another 9,5 years in exchange for an obligation by the Company to invest an additional amount for the construction of new terminal (including construction of additional runways, extension of apron etc.) for Batumi airport. TAV Tbilisi has started to provide mainly passenger, ramp, check-in counter services and parking-apron-taxi services in New Tbilisi International Airport on 8 February 2007.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

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

#### **Batumi International Airport**

On 9 August 2007, TAV Batumi Operations LLC (TAV Batumi) signed an agreement with the Georgian Ministry of Economic Development to transfer of 100% shares of the Batumi Airport Ltd to TAV Batumi for 20 years. According to the agreement, the operation of the Batumi International Airport will be carried out by TAV Batumi with all aspects of airports operations excluding only the air traffic control and aviation security services, which will strictly be Georgian Government's responsibility.

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

A BTO agreement was executed between TAV Tunisie and Tunisian Airport Authority ("OACA"), for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International and domestic terminals) which is planned to be constructed in two years. The signing date of the agreement is 18 May 2007. The BTO agreement undertakes 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 400 million, latest by 1 October 2009. The operation of Monastir Habib Bourguiba Airport is planned to be undertaken as of 1 January 2008. The concession periods of both airports will last until 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, and parking apron taxi services excluding air traffic services.

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

During 2005, the Group bid on, and was awarded, contracts for the operations of AAT. Under these contracts the Group continues to operate the international terminal as it did under the BOT described above, and was awarded contracts for other operations of the airport. The contract includes the following:

*Terminal services* – The Group operates the terminal and mainly provides passenger, ramp and check-in counter services. A fee is charged to each airline based on the number of passengers that utilize the airport, ramps utilized by aircrafts and check-in counters utilized by the airlines.

*Duty free goods* – 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 terminal 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* – The Group has right to rent office space at the airport to airlines for ticket office, banks, etc.

In addition to above services, the Group also provides the following services:

*Ground handling* – The Group is responsible for all ground handling operations. Ground handling involves providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation license ("SHY 22"). Additional activities include shuttle bus and car parking.

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

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

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

#### *Operations Contracts (cont'd)*

*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 terminal.

The concession agreement requires TAV İstanbul to make annual rent payments totaling US Dollar (“USD”) 2,543,000,000 excluding VAT over the life of the concession agreement, of which USD 584,890,000 excluding VAT has been prepaid at the beginning of the concession agreement under the terms of the agreement. In addition, the Company is required to make certain enhancements and improvements to the domestic terminal within the first year of the concession agreement and to maintain the facilities through the concession period.

The Group employs approximately 10,792 (average: 9,473) people as of 30 September 2007; 10,370 (average: 8,146) people as of 31 December 2006.

### 1 B. FINANCIAL RESTRUCTURING OF THE GROUP

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

The Group has experienced major and rapid growths in the recent years following the award of contracts at İzmir Adnan Menderes Airport, Ankara Esenboğa Airport, Tbilisi Airport and İstanbul Atatürk Airport. 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. Although construction cost and prepayments amounted to approximately EUR 1 billion in the last two years, cash flows from their operations will be primarily generated in periods commencing from 2007 as the construction was primarily completed in 2006, except İstanbul Airport that has been in operation since July 2005. Additionally TAV paid USD 125 million for HAVAŞ acquisition. 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.

#### **Waiving of default**

In 2006, some of the Group companies (TAV İstanbul, TAV İzmir and TAV Esenboğa) had not been in compliance with their certain covenants, and accordingly, the associated loans, in the amount of EUR 776,611,486 had been classified as short term loans as of 31 December 2006 in accordance with IAS 1 “Presentation of Financial Statements” paragraph 65 says; “When an entity breaches an undertaking under a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability had been classified as current because, at the balance sheet date, the entity did not have an unconditional right to defer its settlement for at least twelve months after that date. As a result of this classification, the Group’s current liabilities had exceeded its current assets by EUR 408,846,366 as at 31 December 2006 after the additional corrections and reclassifications as explained in Note 37. The management of the Group has completed the financial restructuring regarding to the defaults to be waived in December 2006. Upon completion of the restructuring, and other conditions established by the banks, the banks had waived all events of default on 22 January 2007 and as a result, the loans are payable on the original schedule as at 30 September 2007.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

**As at and for the nine-month period ended 30 September 2007**

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### **2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are effective for accounting periods beginning on 1 January 2007.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

<b>IFRS 8</b>	Operating Segments
<b>IFRIC 12</b>	Service Concession Arrangements
<b>IFRIC 13</b>	Customer Loyalty Programmes
<b>IFRIC 14</b>	<b>IAS 19</b> –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The management of the Group does not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for IFRIC 12 which may have material effect on the financial statements after the adaptation date which will be effective after 1 January 2008. The management assessment for the effects of IFRIC 12 on financial statements continues as of this report date.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation of consolidated financial statements:**

The accompanying consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Group maintains its books of account and prepares its statutory financial statements in New Turkish Lira (“TRY”) in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The foreign Subsidiaries and Joint Ventures 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 Euro (“EUR”), the functional currency of the Group, 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.

The Group’s consolidated interim financial statements were approved by the Board of Directors on 30 November 2007.

The principal accounting policies adopted are set out below.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Foreign currencies:

Although the currency of the country in which the Group is domiciled is TRY, most of the Group entities' functional currency and reporting currency is EUR. The table below summarizes the functional currency of companies:

<u>Company</u>	<u>Functional Currency</u>
TAV İstanbul	EUR
ATÜ	EUR
HAVAŞ	EUR
BTA	TRY
TAV Esenboğa	EUR
TAV İzmir	EUR
TAV Tbilisi	Georgian Lari ("GEL")
TAV Batumi	GEL
TAV İşletme	TRY
TAV Bilişim	EUR
TAV Holding	EUR
TAV Güvenlik	TRY
TAV Tunisie	EUR
ATU Georgia	GEL
BTA Georgia	GEL
TAV İşletme Georgia	GEL

EUR is used to a significant extent in, or has a significant impact on, the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the EUR in measuring items in its financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in EUR have been re-measured to EUR in accordance with the relevant provisions of IAS 21 ("The Effects of Changes in Foreign Exchange Rates").

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the main functional currency, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Foreign currencies (cont'd):

For the purpose of presenting consolidated interim financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

The TRY/EUR exchange rates as of the end of each year are as follows:

<u>Year:</u>	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>	<u>31 December</u>
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>
TRY/EUR	1.7086	1,8515	1,8964	1,5875

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.

#### 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). 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 and TAV Tunisie are fully consolidated without minority's ownership.
- BTA, TAV İşletme, TAV Bilişim and TAV Güvenlik are fully consolidated with the minority's ownership reflected as a minority interest.
- ATÜ, HAVAŞ, TAV Tbilisi and TAV Batumi are proportionally consolidated.

The results of a subsidiary, HAVAŞ including TAV İzmir, acquired from independent third party, during 2005 are included in the consolidated income statement from the effective date of acquisition.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Basis of Consolidation (cont'd):**

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 2005, it had the power to appoint and remove the majority of the board of directors and control of the entity by the board. On 29 December 2006, TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%. Then, on 6 July 2007, TAV acquired remaining 25% interest in TAV Esenboğa increasing ownership interest from 95% to 100% accordingly. The acquired subsidiaries and the joint venture which were under common control, are accounted through a restatement of all periods presented to reflect the effect of the structure change as explained below under "Business combinations for entities under common control".

TAV Tbilisi and TAV Bilişim were acquired from parents of the Company on 27 March 2006 and 17 May 2006 respectively. The acquired subsidiary and the joint venture were also under common control. Since these entities have been established in 2005 and their 2005 key figures were not material to the consolidated interim financial statements, 31 December 2005 financial statements have not been restated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### **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.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

#### **Business combinations for entities under common control:**

Acquisitions from entities under common control are accounted by using the uniting of interests method of accounting. Accordingly, the financial statements of the Group are retrospectively restated to reflect the effect of the structure change for the comparative years.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Interests in joint ventures:**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated interim financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

#### **Goodwill:**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Aviation income: Aviation income is 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.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Revenue recognition (cont'd)**

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

*Sales of duty free goods:* Sales of goods are 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.

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

*Commission:* The Group subcontracts the right to operate certain of the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is 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.

In addition, the Group has other income as summarized below:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First-in-First-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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## Notes to Consolidated Interim Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Build-Operate-Transfer (BOT) Investment**

All construction expenditures and equipment and system investments, made during BOT period according to the agreements commenced with DHMİ and JSC in the context of a Build-Operate-Transfer model, are accounted as BOT Investments.

BOT investments related to building are depreciated during the operation period of BOT. Other BOT assets are depreciated based on their useful lives not to exceed the BOT operation period.

#### **Accounting for Operations Contract**

The costs associated with the operations contract primarily include rental payments and payments made to enhance and improve the domestic terminal at AAT. The Company prepaid certain rental amounts and the prepayment is deferred as prepaid rent and is recognized over the life of the prepayment period. The amounts the Company incurs to enhance and improve the domestic terminal are recorded as prepaid development expenditures and are being 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.

#### **Intangible assets**

Intangible assets are carried at cost and are presented after amortization and impairment loss. Purchased intangible assets, primarily software, are amortized over five years using the straight-line method.

#### **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets carried at cost less accumulated depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

#### **Taxation and deferred income taxes**

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.

Income tax benefit/(expense) represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset for individual entities.

#### **Provision for employment termination benefits**

Under the Turkish Labor Law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The Group recognizes liability by estimating the present value of the future probable obligation of the Group entities registered in Turkey arising from the retirement of employees. The Group management used some assumptions (detailed in Note 22) in the calculation of the total liability.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Foreign currency transactions**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of subsidiaries whose functional currencies are other than EUR are translated to EUR in rules of IAS 21. For the purpose of the consolidated interim financial statements, the results and financial position of each entity are expressed in EUR, which is the presentation currency of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

#### **Leasing - the Group as Lessee**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see borrowing costs note).

#### **Provisions, contingent liabilities, contingent assets**

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### **Earnings per share**

Earnings per common share for the six-month period ended 30 September 2007 has been determined using the weighted average number of TAV's shares as at 30 September 2007. There are no potentially dilutive securities.

#### **Financial instruments**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Financial instruments (cont'd)

##### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The Group management considers that the carrying amounts of trade and other receivables approximate their fair value.

##### Due to / from related parties

The close family members of board of directors and key management personnel and any companies controlled or affiliated with them are considered as related parties.

The carrying values of the due to and from related parties are estimated to be their fair values.

##### Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

##### Restricted bank balances

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.

##### Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Financial instruments (cont'd)**

##### **Trade and other payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Group management considers that the carrying amount of trade and other payables approximates their fair value.

##### **Derivative financial instruments**

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. TAV İstanbul, TAV Esenboğa and TAV İzmir use derivative financial instruments (primarily interest rate derivative contracts) to manage their risks associated with interest rate fluctuations relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The Group has not designated the derivative financial instruments as hedges and, accordingly, the changes in the fair value of non-hedging derivatives are charged to income statement in the related period.

##### **Events After Balance Sheet Date**

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed on the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

The Group records adjusting events after the balance sheet date and discloses non-adjusting events after the balance sheet date.

##### **Change in Accounting Policies, Accounting Estimates and Errors**

Adjustments due to the changes in accounting policies or accounting errors are applied retrospectively and the financial statements of the previous period are restated unless changes in accounting estimates are deemed to affect that period only, and thus adjustments applied in the current period. If however the estimated changes are for the following periods, changes are applied both on the current and following periods prospectively. The summary of changes is disclosed in Note 37.

##### **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in products or services (business segment), or in providing products or services within particular economic environment (geographic 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 segment and secondary segment reporting is based on geographical segment. As most of the Group's operations are generated from one geographical segment, segment reporting is presented only for the business segments.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 4 A. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

*Critical judgments in applying the entity's accounting policies*

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following judgments that have most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

BTA, TAV İşletme, TAV İstanbul, ATÜ and insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. On 29 December 2006 TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%. Then, on 6 July 2007, TAV acquired remaining 25% interest in TAV Esenboğa, increasing ownership interest from 75% to 100% accordingly. The effect of change in consolidation of TAV Esenboğa was reflected to financial statements retrospectively. The acquired subsidiaries and the joint venture, which all are in airport terminal related operations and could be treated as an integrated operation of TAV by nature or by transfer of knowledge, were under common control with TAV since the beginning of their operations. The acquisition of these entities being under common control were accounted for by use of the pooling of interest method. This application is based on management judgment that this treatment is the best way to present the economic substance of the transaction because there is no independent third party involved and hence measurement of the fair value is very difficult and, therefore meets the criteria of IAS 8.10-12. IAS 8.10 states that "In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is: (a) relevant to the economic decision-making need's of users; and (b) reliable, in that financial statements. IAS 8.12 states that "in making the judgment described in paragraph 10, management may also consider the most recent pronouncement of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11. Accordingly, the financial statements of these entities have been retrospectively restated to reflect the effect of structure change for the earliest period.

### 4 B. EARNINGS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

	<b>Nine-month period ended 30 September 2007</b>	<b>Nine-month period ended 30 September 2006</b>
Weighted average number of ordinary shares outstanding during the period	238,958,333	200,000,000
Net loss for the period attributable to equity holders of the parent	(20,854,123)	(41,503,937)
<b>Basic loss per share from operations</b>	<b>(0.09)</b>	<b>(0.20)</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 5. CASH AND CASH EQUIVALENTS

	<u>30 September 2007</u>	<u>31 December 2006</u>
Cash equivalents	51,301,464	366,520
Cash on hand	808,600	585,943
Other liquid assets	641,794	164,307
	<u><b>52,751,858</b></u>	<u><b>6,254,146</b></u>

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Cash equivalents</u></b>		
Time deposits	39,141,875	255,140
Demand deposits	12,147,884	5,137,376
Reverse repurchase agreements	11,705	111,380
	<u><b>51,301,464</b></u>	<u><b>366,520</b></u>

The details of the Group's time deposits, maturities and interest rates as at 30 September 2007 and 31 December 2006 are as follows:

<b>Original Currency</b>	<b>Maturity</b>	<b>Interest rate %</b>	<b>30 September 2007</b>
EUR	1 October- 29 October 2007	3.25-4.55	33,451,238
USD	1 October- 7 November 2007	4.25-5.80	2,664,365
Tunisian Dinar ("TND")	1 October 2007	5.18	1,972,723
TRY	1 October 2007	15.00-17.40	1,053,549
			<u><b>39,141,875</b></u>

<b>Original Currency</b>	<b>Maturity</b>	<b>Interest rate %</b>	<b>31 December 2006</b>
EUR	4 January 2007	2.40	198,417
TRY	4 January 2007	11.00	38,381
USD	4 January 2007	2.00	18,342
			<u><b>255,140</b></u>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 6. RESTRICTED BANK BALANCES:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Project reserve and funding accounts (*)	203,541,462	266,793,826
Cash collaterals (**)	-	56,730,704
	<u>203,541,462</u>	<u>323,524,530</u>

(\*) Some of the subsidiaries namely TAV İstanbul, TAV Esenboğa, TAV İzmir and ATÜ (“the Borrowers”) opened Project Accounts or Reserve Accounts or Funding Accounts to fund Project Accounts (designated mainly in order to reserve required amount of debt services, lease payment to DHMİ and etc) as based on agreements with their lenders. As a result of pledges regarding to the project bank loans as explained in note 18, 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 3.14%-6.99% (31 December 2006: 1.90%-7.56%) for EUR reserves and of 3.00%-5.18% (31 December 2006: 4.27%-4.95%) for USD reserves.

(\*\*) The Group has deposited cash equivalents of EUR null as of 30 September 2007 (31 December 2006: EUR 56,730,704) in respect of the Group’s indebtedness.

### 7. INVESTMENTS

#### a) Investments held for trading

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Debt securities:</u></b>		
Investment funds- short term	800,881	157,729
	<u>800,881</u>	<u>157,729</u>

#### b) Investment in associates

		<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Unlisted entities</u></b>			
Cyprus Airports Services Ltd.	50.00	718,563	718,563
TAV Havacılık A.Ş.	3.00	25,277	24,238
		<u>743,840</u>	<u>742,801</u>

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.

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 1,198,004 corresponding to USD 1,500,000 on behalf of its share and recognized this amount in its financial statements.

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.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 8. TRADE RECEIVABLES (NET)

	<u>30 September 2007</u>	<u>31 December 2006</u>
Trade receivables	30,259,251	20,628,588
Notes receivable	60,937	136,846
Doubtful receivables	1,157,120	1,409,983
Allowance for doubtful receivables (-)	(1,157,120)	(1,409,983)
Other	247,117	10,144
	<u><b>30,567,305</b></u>	<u><b>20,775,578</b></u>

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

The Borrowers irrevocably and unconditionally assign and transfer, as security for the fulfillment of all the obligations at any time due, in respect of the finance documents to the lenders all of their receivables and rights, title, interest and benefit in, to and under their receivables, as well as the claims arising from such receivables under the following "assigned receivables" such as income from the lease, area lease, duty free, food and beverage, contractors, operation and maintenance providers, insurers including VAT refunds, and etc.

### 9. RELATED PARTY TRANSACTIONS

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

The Company has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. 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.

<b>Due from related parties</b>	<u><b>30 September 2007</b></u>	<u><b>31 December 2006</b></u>
TAV Urban Georgia LLC	5,701,337	305,228
Park Enerji Yatırım Holding A.Ş.	3,540,314	2,296,984
TAV Havacılık A.Ş.	2,346,452	2,554,663
TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş. ("TAV İnşaat")	636,471	1,524,068
Urban İnşaat Sanayi ve Ticaret A.Ş.	153,390	2,476,948
Akfen Holding A.Ş. ("Akfen Holding")	119,747	1,084,101
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	-	1,203,359
ATÜ	-	1,048,563
Other related parties	959,642	2,897,218
	<u><b>13,457,353</b></u>	<u><b>15,391,132</b></u>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 9. RELATED PARTY TRANSACTIONS (cont'd)

Receivables from shareholders (Akfen Holding and Tepe İnşaat) at 31 December 2006 represents charge back of expenses for Initial Public Offering.

Receivables from TAV Urban Georgia LLC is a result of financial supporting by TAV Holding during the construction phase of the new terminal before the usage of project financing facilities.

Receivables from Park Yatırım Holding A.Ş. represents the dividend advances given by HAVAŞ.

<b>Due to related parties</b>	<b>30 September 2007</b>	<b>31 December 2006</b>
Unifree Dutyfree A.Ş.	6,101,905	4,260,092
HAVAŞ	3,837,773	3,006,089
IBS Sigorta Brokerlik Hizmetleri A.Ş.	1,022,840	-
Tepe İnşaat Sanayi A.Ş.	361,349	2,430,869
TAV Tepe Akfen Yat. İnş. ve İşl. A.Ş.	-	22,731,752
ATI Services SA	-	9,919,296
Other related parties	603,455	6,725,821
	<b>11,927,322</b>	<b>49,073,919</b>

Payable to ATI Services SA represents share capital advance received by TAV Esenboğa at 31 December 2006.

Payable to Unifree Dutyfree A.Ş. represents the payable relating to purchase of duty free inventory.

Payable to HAVAŞ represents the dividend advance given to TAV Holding by HAVAŞ.

<b>Services rendered to related parties</b>	<b>Nine-month period ended 30 September 2007</b>	<b>Three-month period ended 30 September 2007</b>	<b>Nine-month period ended 30 September 2006</b>	<b>Three-month period ended 30 September 2006</b>
ATÜ	46,226,959	16,511,988	35,720,349	12,402,307
HAVAŞ	2,748,269	1,056,572	5,564,066	2,287,652
Other related parties	2,563,290	665,477	2,509,960	696,540
	<b>51,538,518</b>	<b>18,234,037</b>	<b>43,794,375</b>	<b>15,386,499</b>

The Company generates commission income, rent income and utility participating fee from ATÜ and these amounts are included in revenues. In 2006, services rendered to HAVAŞ represents the bus and parking income of TAV İşletme.

TAV invoiced to HAVAŞ 3% of HAVAŞ revenue (after some exclusions in revenue) as consultancy services (including management efforts of TAV Holding and know-how) amounting to EUR 1,325,010. Since Havaş is proportionally consolidated, the amount of charged represents remaining portion after elimination of intergroup transactions.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 9. RELATED PARTY TRANSACTIONS (cont'd)

Services rendered by related parties	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Unifree Dutyfree A.Ş.	41,779,595	15,224,525	33,392,717	10,643,574
IBS Brokerlık ve Sigorta Hizmetleri A.Ş.	3,911,209	1,495,129	5,591,949	3,175,869
Park Enerji Holding A.Ş.	2,208,613	1,076,452	3,839,581	3,839,581
TAV Yatırım Holding A.Ş.	167,644	-	8,706,968	1,309,836
Other related parties	1,645,773	374,409	8,644,009	979,346
	<b>49,712,834</b>	<b>18,170,515</b>	<b>60,175,224</b>	<b>19,948,206</b>

TAV Yatırım Holding A.Ş. ("TAV Yatırım Holding") provided support, consultancy and such facilities to TAV İstanbul in connection with information technology, finance, human resource, administration, accounting, general management and operations by way of human resources and/or consultants and allowed TAV İstanbul to utilize any kind of resources of TAV Yatırım Holding including know-how. TAV İstanbul paid USD 9,000,000 excluding VAT for such consulting and support services to TAV Yatırım Holding in 2006. The Support and Services Agreement with TAV Yatırım Holding was terminated on 1 July 2006. TAV Yatırım Holding invoices services incurred on behalf of TAV İstanbul such as, legal expenses, traveling and hospitality expenses.

IBS Brokerlık ve Sigorta Hizmetleri A.Ş. provides insurance intermediary services to the Group

ATÜ purchases the duty free goods from Unifree Dutyfree A.Ş.

Construction work rendered by related parties	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
TAV İnşaat	6,736,286	304,985	119,380,069	66,523,551
IC İċtaş San.Tic. A.Ş.	-	-	92,058,572	34,862,749
	<b>6,736,286</b>	<b>304,985</b>	<b>211,438,641</b>	<b>101,386,300</b>

In 2006, TAV İnşaat provided services related to refurbishment of Domestic terminal of TAV İstanbul and TAV İzmir and construction of Esenboğa Airport.

In 2006, IC İċtaş San.Tic.A.Ş. provided services related to construction of İzmir Adnan Menderes Airport.

Interest income/(expense) from/to related parties	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Tepe İnşaat	78,539	-	3,428,418	761,723
Akfen İnşaat Turizm ve Ticaret A.Ş.	(19,903)	-	3,967,577	2,068,397
ATI Services SA	(394,255)	(394,255)	-	-
Other related parties	242,131	66,619	886,671	870,957
	<b>(93,488)</b>	<b>(327,636)</b>	<b>8,282,666</b>	<b>3,701,077</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 9. RELATED PARTY TRANSACTIONS (cont'd)

The average interest rate used within the Group is 7.07% per annum (31 December 2006: 6.6%). The Group converts related party TRY loan receivable and payable balances to US Dollar at month end using the Central Bank's announced exchange rates and then charges interest on the US Dollar balances.

#### Compensation of key management personnel:

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

	<b>Nine-month period ended 30 September 2007</b>	<b>Three-month period ended 30 September 2007</b>	<b>Nine-month period ended 30 September 2006</b>	<b>Three-month period ended 30 September 2006</b>
Short-term benefits (salaries, bonuses etc.)	2,158,469	811,987	1,406,875	1,041,512
	<b><u>2,158,469</u></b>	<b><u>811,987</u></b>	<b><u>1,406,875</u></b>	<b><u>1,041,512</u></b>

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

### 10. INVENTORIES

	<b><u>30 September 2007</u></b>	<b><u>31 December 2006</u></b>
Duty free inventories	4,799,793	6,442,852
Spare parts and other inventories	2,944,667	4,006,483
Order advances given	1,279,526	707,119
Catering inventories	955,497	692,568
Less: Provision for slow moving and obsolete inventories	(133,304)	(335,958)
	<b><u>9,846,179</u></b>	<b><u>11,513,064</u></b>

Provision for slow moving and obsolete inventories:

	<b><u>30 September 2007</u></b>	<b><u>31 December 2006</u></b>
At 1 January	335,958	225,706
Provision released	(202,654)	-
Additional provision for the period/year	-	110,252
At the end of the period/year	<b><u>133,304</u></b>	<b><u>335,958</u></b>



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

<u>Other receivables and current assets:</u>	<u>30 September 2007</u>	<u>31 December 2006</u>
Advances given to DHMİ for VAT portion (short-term)	16,646,529	22,413,520
VAT deductible and carried forward	3,471,949	2,331,179
Prepaid insurance	3,281,598	6,740,475
Prepaid taxes and funds	515,056	940,496
Advances to suppliers	326,970	268,479
Advances given to personnel	317,716	82,011
Business advances given	317,384	423,839
Income accruals	280,689	789,059
Other receivables	4,115,355	1,420,858
	<u>29,273,246</u>	<u>35,409,916</u>
<u>Other non current assets:</u>	<u>30 September 2007</u>	<u>31 December 2006</u>
Advances given to DHMİ for VAT portion (long-term)	29,562,932	23,922,293
Deductible VAT	3,791,331	3,115,403
Non-current prepaid insurance expenses	420,530	18,057
Other non-current receivables	4,307,036	493,887
	<u>38,081,829</u>	<u>27,549,640</u>

### 12. GOODWILL

	<u>30 September 2007</u>		<u>31 December 2006</u>	
	<u>Cost</u>	<u>Carrying amount</u>	<u>Cost</u>	<u>Carrying amount</u>
Goodwill	72,717,730	72,717,730	72,717,730	72,717,730

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

See Note 33 for the details related to acquisition of subsidiary (HAVAŞ).

### 13. PROPERTY, PLANT AND EQUIPMENT

The depreciation periods for property, plant and equipment ("PPE") are as follows:

	<u>Useful life</u>
Buildings	50 years
Machinery and equipment	5-15 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5-10 years

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

	<u>Lands</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leaseholds Improvements</u>	<u>Constructio n in progress</u>	<u>Advances given and other PPE</u>	<u>Total</u>
<b>Cost</b>									
<b>Opening balance, 1 January 2006</b>	<u>-</u>	<u>630,326</u>	<u>28,802,443</u>	<u>6,434,448</u>	<u>7,563,362</u>	<u>6,023,105</u>	<u>174,276</u>	<u>62,433</u>	<u>49,690,393</u>
Foreign currency translation effect	-	(6,530)	(37,868)	(76,095)	(403,001)	(16,462)	(20,592)	-	(560,548)
Effect of change in group structure	-	197,873	1,172,053	1,897,526	44,135	-	-	-	3,311,587
Additions	-	112,016	775,397	1,819,326	1,493,833	923,766	4,381,788	2,488,349	11,994,475
Disposals	-	-	(92,735)	(182,587)	(76,272)	(16)	(406,241)	(209,357)	(967,208)
Transfers	<u>585,724</u>	<u>(585,724)</u>	<u>-</u>	<u>-</u>	<u>769,627</u>	<u>723,250</u>	<u>(1,492,877)</u>	<u>-</u>	<u>-</u>
<b>Closing balance, 30 September 2006</b>	<u>585,724</u>	<u>347,961</u>	<u>30,619,290</u>	<u>9,892,618</u>	<u>9,391,684</u>	<u>7,653,643</u>	<u>2,636,354</u>	<u>2,341,425</u>	<u>63,468,699</u>
<b>Opening balance, 1 January 2007</b>	<u>585,724</u>	<u>433,914</u>	<u>31,106,203</u>	<u>10,094,158</u>	<u>12,244,390</u>	<u>15,030,502</u>	<u>-</u>	<u>6,266</u>	<u>69,501,157</u>
Foreign currency translation effect	-	(12,154)	364,432	(95,796)	399,613	412,159	-	499	1,068,753
Additions	-	108,006	613,901	2,765,884	2,134,219	2,929,438	1,249,629	2,446,250	12,247,327
Disposals	-	(94,309)	(823,626)	(840,331)	(1,139,821)	(10,049)	(17,620)	(647,458)	(3,573,214)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,343</u>	<u>259,863</u>	<u>394,243</u>	<u>(701,449)</u>	<u>-</u>	<u>-</u>
<b>Closing balance, 30 September 2007</b>	<u>585,724</u>	<u>435,457</u>	<u>31,260,910</u>	<u>11,971,258</u>	<u>13,898,264</u>	<u>18,756,293</u>	<u>530,560</u>	<u>1,805,557</u>	<u>79,244,023</u>

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

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

<u>Accumulated depreciation</u>	<u>Lands</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>Advances given and other PPE</u>	<u>Total</u>
<b>Opening balance, 1 January 2006</b>	-	<b>24,852</b>	<b>20,961,832</b>	<b>2,661,193</b>	<b>4,876,633</b>	<b>2,938,659</b>	-	-	<b>31,463,169</b>
Foreign currency translation effect	-	76	(27,153)	(7,761)	(271,965)	(1,041)	-	-	(307,844)
Effect of change in group structure	-	366	20,225	40,113	505	-	-	-	61,209
Depreciation charge for the period	-	677	1,682,199	1,008,369	621,121	509,737	-	-	3,822,103
Eliminated on disposals	-	-	(90,347)	(150,714)	(41,787)	(16)	-	-	(282,864)
<b>Closing balance, 30 September 2006</b>	-	<b>25,971</b>	<b>22,546,756</b>	<b>3,551,200</b>	<b>5,184,507</b>	<b>3,447,339</b>	-	-	<b>34,755,773</b>
<b>Opening balance, 1 January 2007</b>	-	<b>52,221</b>	<b>22,686,231</b>	<b>3,656,814</b>	<b>5,554,756</b>	<b>3,744,178</b>	-	-	<b>35,694,200</b>
Foreign currency translation effect	-	(1,263)	100,380	(33,116)	193,631	45,113	-	-	304,745
Depreciation charge for the period	-	31,956	1,995,109	1,454,629	1,593,505	1,700,711	-	-	6,775,910
Eliminated on disposals	-	(22,829)	(683,396)	(736,800)	(1,021,369)	(11,466)	-	-	(2,475,860)
<b>Closing balance, 30 September 2007</b>	-	<b>60,085</b>	<b>24,098,324</b>	<b>4,341,527</b>	<b>6,320,523</b>	<b>5,478,536</b>	-	-	<b>40,298,995</b>
<b>Carrying amount at 30 September 2006</b>	-	<b>907,714</b>	<b>8,072,534</b>	<b>6,341,418</b>	<b>4,207,177</b>	<b>4,206,304</b>	<b>2,636,354</b>	<b>2,341,425</b>	<b>28,712,926</b>
<b>Carrying amount at 31 December 2006</b>	<b>585,724</b>	<b>381,693</b>	<b>8,419,972</b>	<b>6,437,344</b>	<b>6,689,634</b>	<b>11,286,324</b>	-	<b>6,266</b>	<b>33,806,957</b>
<b>Carrying amount at 30 September 2007</b>	<b>585,724</b>	<b>375,372</b>	<b>7,162,586</b>	<b>7,629,731</b>	<b>7,577,741</b>	<b>13,277,757</b>	<b>530,560</b>	<b>1,805,557</b>	<b>38,945,028</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 14. BUILD-OPERATE-TRANSFER (“BOT”) INVESTMENTS (NET)

Cost	Ankara Esenboğa International Airport			İzmir Adnan Menderes Airport			Tbilisi International Airport		Batumi International Airport		Enfidha International Airport		Total
	BOT Investment	Construction in progress (for BOT)	Advances given (for BOT)	BOT Investment	Construction in progress (for BOT)	Advances given (for BOT)	BOT Investment	Construction in progress (for BOT)	BOT Investment	Construction in progress (for BOT)	Construction in progress (for BOT)	Advances given (for BOT)	
<b>Opening balance, 1 January 2006</b>	-	112,500,369	-	-	12,407,579	9,425,772	-	-	-	-	-	-	134,333,720
Foreign currency translation effect	-	-	-	-	-	-	-	(5,465)	-	-	-	-	(5,465)
Effect of change in group structure	-	-	-	-	-	-	-	165,618	-	-	-	-	165,618
Additions	-	133,227,162	-	-	120,924,958	1,908,565	-	8,936,973	-	3,698,479	-	-	268,696,137
Transfers from CIP and advances	-	-	-	142,758,309	(133,332,537)	(9,425,772)	-	-	-	-	-	-	-
<b>Closing balance, 30 September 2006</b>	-	245,727,531	-	142,758,309	-	1,908,565	-	9,097,126	-	3,698,479	-	-	403,190,010
<b>Opening balance, 1 January 2007</b>	251,136,991	-	-	164,089,257	-	1,114,218	-	24,187,813	-	9,351,122	-	-	449,879,401
Foreign currency translation effect	-	-	-	-	-	-	-	(952,600)	-	(368,280)	-	-	(1,320,880)
Additions	2,103,683	-	-	7,774,307	-	1,640,144	-	7,213,479	-	4,868,435	377,274	20,553,823	44,531,145
Transfers from CIP and advances	-	-	-	-	-	-	30,448,692	(30,448,692)	13,851,277	(13,851,277)	-	-	-
<b>Closing balance, 30 September 2007</b>	253,240,674	-	-	171,863,564	-	2,754,362	30,448,692	-	13,851,277	-	377,274	20,553,823	493,089,666

BOT investments are depreciated during the BOT contract periods commencing from date of operations of the Terminals.

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### 15. BUILD-OPERATE-TRANSFER (“BOT”) INVESTMENTS (NET) (cont’d)

	Ankara			İzmir			Tbilisi International Airport	Batumi International Airport	Enfidha Airport		Total
	Esenboğa International Airport			Adnan Menderes Airport					Enfidha Airport		
	BOT Investment	Construction in progress (for BOT)	Advances given (for BOT)	BOT Investment	Construction in progress (for BOT)	Advances given (for BOT)	BOT Investment	Construction in progress (for BOT)	Construction in progress (for BOT)	Advances given (for BOT)	
<b>Accumulated depreciation</b>											
Opening balance, 1 January 2006	-	-	-	-	-	-	-	-	-	-	-
Closing balance, 30 September 2006	-	-	-	794,074	-	-	-	-	-	-	794,074
Opening balance, 1 January 2007	3,276,721	-	-	5,402,064	-	-	-	-	-	-	8,678,785
Foreign currency translation effect	-	-	-	-	-	-	-35,823	-	(8,973)	-	(44,796)
Depreciation charge for the period	11,590,634	-	-	15,184,932	-	-	1,019,198	-	255,287	-	28,050,051
Eliminated on disposals	-	-	-	-	-	-	-	-	-	-	-
Closing balance, 30 September 2007	14,867,355	-	-	20,586,996	-	-	983,375	-	246,314	-	36,684,040
Carrying amount at 31 December 2006	247,860,270	-	-	158,687,193	-	1,114,218	-	24,187,813	-	9,351,122	441,200,616
Carrying amount at 30 September 2007	238,373,319	-	-	151,276,568	-	2,754,362	29,465,317	-	13,604,963	-	456,405,626

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### 15. PREPAID CONCESSION EXPENSES

<u>30 September 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 37)	(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	(103,000,064)	(2,302,396)	(105,302,460)
	<u>289,586,640</u>	<u>40,852,782</u>	<u>330,439,422</u>
<b>Represented as short term prepaid concession expense</b>	<b>137,710,709</b>	<b>3,086,730</b>	<b>140,797,439</b>
<b>Represented as long term prepaid concession expense</b>	<b>151,875,931</b>	<b>37,766,052</b>	<b>189,641,983</b>
		<b>Prepaid development expenditures</b>	
<b>31 December 2006</b>	<b>Rent</b>		<b>Total</b>
<b>Balance at 31 December 2005</b>	<b>423,360,803</b>	<b>2,116,324</b>	<b>425,477,127</b>
Correction of error (Note 37)	(419,146)	-	(419,146)
<b>Restated balance at 31 December 2005</b>	<b>422,941,657</b>	<b>2,116,324</b>	<b>425,057,981</b>
Additions to investments	-	44,011,350	44,011,350
Current year concession expense	(137,710,709)	(2,972,496)	(140,683,205)
	<u>285,230,948</u>	<u>43,155,178</u>	<u>328,386,126</u>
<b>Represented as short term prepaid concession expense</b>	<b>137,710,709</b>	<b>3,107,908</b>	<b>140,818,617</b>
<b>Represented as long term prepaid concession expense</b>	<b>147,520,239</b>	<b>40,047,270</b>	<b>187,567,509</b>
		<b>Prepaid development expenditures</b>	
<b>30 September 2006</b>	<b>Rent</b>		<b>Total</b>
<b>Balance at 31 December 2005</b>	<b>423,360,803</b>	<b>2,116,324</b>	<b>425,477,127</b>
Correction of error (Note 37)	(419,146)	-	(419,146)
<b>Restated balance at 31 December 2005</b>	<b>422,941,657</b>	<b>2,116,324</b>	<b>425,057,981</b>
Additions to investments	-	44,011,350	44,011,350
Current period concession expense	(103,000,064)	(2,291,932)	(105,291,996)
	<u>319,941,592</u>	<u>43,835,742</u>	<u>363,777,334</u>
<b>Represented as short term prepaid concession expense</b>	<b>135,153,236</b>	<b>2,828,112</b>	<b>137,981,348</b>
<b>Represented as long term prepaid concession expense</b>	<b>184,788,356</b>	<b>41,007,630</b>	<b>225,795,986</b>

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### 15. PREPAID CONCESSION EXPENSES (cont'd)

#### Rent:

The total rent associated with the concession agreement is USD 2,543,000,000 plus VAT . TAV İstanbul paid 23% of the total amount as required by the Concession Agreement. 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>Date</u>	<u>Amount US Dollar</u>	<u>Amount Euro</u>
3 January 2008	139,865,000	98,624,226
3 January 2009	139,865,000	98,624,226
3 January 2010	139,865,000	98,624,226
3 January 2011	139,865,000	98,624,226
3 January 2012	139,865,000	98,624,226
After 2013 to 2020	1,118,920,000	788,993,805
	<u>1,818,245,000</u>	<u>1,282,114,935</u>

#### Prepaid development expenditures:

This represents costs incurred related to the installation of EDS Security Systems for the International and Domestic Lines Terminals, and various re-design at the exterior of the Domestic Lines Terminal as required by the Concession Agreement.

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#### 16. OTHER INTANGIBLE ASSETS

	Purchased software	Customer relationships	DHMI License	Total
<b>Cost</b>				
<b>Opening balance, 1 January 2006</b>	<b>898,342</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>15,832,065</b>
Foreign currency translation effect	(72,289)	-	-	(72,289)
Effect of change in group structure	734,880	-	-	734,880
Additions	3,892,618	-	-	3,892,618
<b>At 30 September 2006</b>	<b>5,453,551</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>20,387,274</b>
<b>Opening balance, 1 January 2007</b>	<b>6,262,980</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>21,196,703</b>
Foreign currency translation effect	164,184	-	-	164,184
Additions	923,211	-	-	923,211
<b>At 30 September 2007</b>	<b>7,350,375</b>	<b>13,539,909</b>	<b>1,393,814</b>	<b>22,284,098</b>
<b>Amortization</b>				
<b>Opening balance, 1 January 2006</b>	<b>321,236</b>	<b>676,995</b>	<b>-</b>	<b>998,231</b>
Foreign currency translation effect	(27,914)	-	-	(27,914)
Effect of change in group structure	667,997	-	-	667,997
Charge for the period	15,089	1,015,493	-	1,030,582
<b>At 30 September 2006</b>	<b>976,408</b>	<b>1,692,488</b>	<b>-</b>	<b>2,668,896</b>
<b>Opening balance, 1 January 2007</b>	<b>1,033,920</b>	<b>2,030,986</b>	<b>-</b>	<b>3,064,906</b>
Foreign currency translation effect	64,987	-	-	64,987
Charge for the period	871,263	1,015,494	-	1,886,757
<b>At 30 September 2007</b>	<b>1,970,170</b>	<b>3,046,480</b>	<b>-</b>	<b>5,016,650</b>
<b>Carrying amount</b>				
<b>Net book value, as of 30 September 2006</b>	<b>4,477,143</b>	<b>11,847,421</b>	<b>1,393,814</b>	<b>17,718,378</b>
<b>Net book value, as of 31 December 2006</b>	<b>5,229,060</b>	<b>11,508,923</b>	<b>1,393,814</b>	<b>18,131,797</b>
<b>Net book value, as of 30 September 2007</b>	<b>5,380,205</b>	<b>10,493,429</b>	<b>1,393,814</b>	<b>17,267,448</b>

Purchased softwares are amortised over their estimated useful lives, which is on average five years. Intangible assets related to HAVAŞ acquisition are customer relationships and DHMI license. Customer relationships have 10 years useful life and DHMI rights have indefinite useful life.



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## Notes to Consolidated Interim Financial Statements

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#### 17. JOINT VENTURES

The Group has the following significant interests in joint ventures:

A 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:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Current assets	32,818,375	30,113,637
Non-current assets	3,345,313	1,474,763
Current liabilities	14,176,456	8,871,407
Non-current liabilities	15,982,212	17,363,182
	<b>Nine-month period ended</b>	<b>Nine-month period ended</b>
	<b><u>30 September 2007</u></b>	<b><u>30 September 2006</u></b>
Income	101,708,729	78,744,403
Expenses	(98,246,983)	76,521,484

A 60.00% equity shareholding with a 50% voting power, in HAVAŞ, a jointly controlled entity acquired in 2005. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of HAVAŞ:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Current assets	22,750,273	11,974,889
Non-current assets	15,075,896	16,141,948
Current liabilities	9,633,112	6,523,073
Non-current liabilities	1,898,798	2,358,953
	<b>Nine-month period ended</b>	<b>Nine-month period ended</b>
	<b><u>30 September 2007</u></b>	<b><u>30 September 2006</u></b>
Income	52,079,160	51,462,688
Expenses	(43,815,896)	(48,938,759)

A 60.00% equity shareholding with 50% voting power, in TAV Tbilisi, a joint venture included in the consolidated interim financial statements in 2006. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of TAV Tbilisi:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Current assets	6,799,214	4,859,604
Non-current assets	51,574,298	42,347,769
Current liabilities	29,357,635	30,676,433
Non-current liabilities	11,783,659	-
	<b>Nine-month period ended</b>	<b>Nine-month period ended</b>
	<b><u>30 September 2007</u></b>	<b><u>30 September 2006</u></b>
Income	6,725,176	4,849,862
Expenses	(7,347,968)	2,953,798

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### 17. JOINT VENTURES (cont'd)

A 60.00% equity shareholding with 50% voting power, in TAV Batumi, a joint venture included in the consolidated interim financial statements in 2007. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of TAV Tbilisi:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Current assets	107,134	-
Non-current assets	108,006	-
Current liabilities	260,686	-
Non-current liabilities	-	-
	<b>Nine-month period ended</b>	<b>Nine-month period ended</b>
	<b><u>30 September 2007</u></b>	<b><u>30 September 2006</u></b>
Income	95	-
Expenses	(113,902)	-

### 18. BANK LOANS

The details of the Group's bank loans as at 30 September 2007 are as follows:

	<b>Presented as</b>	
	<b><u>Current liabilities</u></b>	<b><u>Non-current liabilities</u></b>
TAV İstanbul	48,616,038	456,835,603
TAV İzmir	15,491,064	83,284,314
TAV Esenboğa	10,948,018	141,872,229
ATÜ	3,207,192	15,148,854
TAV Tbilisi	14,652,254	11,783,660
TAV Holding	32,282,570	11,498,723
TAV Tunisie	30,081,458	-
Others	1,097,968	290,945
	<b><u>156,376,562</u></b>	<b><u>720,714,328</u></b>

The details of the Group's bank loans as at 31 December 2006 are as follows:

	<b>Presented as</b>	
	<b><u>Current liabilities</u></b>	<b><u>Non-current liabilities</u></b>
TAV İstanbul	510,123,444	-
TAV İzmir	113,432,916	-
TAV Esenboğa	153,055,126	-
ATÜ	2,233,336	16,835,790
TAV Tbilisi	16,619,771	-
TAV	24,077,033	32,636,000
Others	1,146,477	267,380
	<b><u>820,688,103</u></b>	<b><u>49,739,170</u></b>

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### 18. BANK LOANS (cont'd)

As described in Note 1.B "Financial Restructuring", in 2006 some of Group companies (TAV İstanbul, TAV İzmir and TAV Esenboğa) had not been in compliance with their certain covenants, and accordingly, the associated loans, in the amount of EUR 776,611,486 had been classified as short term loans as of 31 December 2006 in accordance with IAS 1. The management of the Group has completed the financial restructuring in December 2006. Upon completion of the restructuring, and other conditions established by the banks, the banks had waived all events of default on 22 January 2007 and as a result, the loans are payable on the original schedule as of 30 September 2007.

Redemption schedules of the Group borrowings according to original maturities as of 30 September 2007 and 31 December 2006 are as follows

	<u>30 September</u> <u>2007</u>	<u>31 December 2006</u>
On demand or within one year	156,376,562	79,190,991
In the second year	103,629,343	59,876,056
In the third year	89,951,972	66,795,910
In the fourth year	88,270,451	80,561,079
In the fifth year	87,992,237	86,106,693
After five years	350,870,325	497,896,544
	<u><b>877,090,890</b></u>	<u><b>870,427,273</b></u>

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 of 30 September 2007 is between 1.10% – 5.00% and 2.50% – 4.00% respectively (31 December 2006: 2.50% – 5.00%; 1.50% – 2.50% respectively).

75%, 80% and 100% of floating bank loans for TAV İstanbul, TAV İzmir and TAV Esenboğa are fixed with financial derivatives respectively as explained in Note 34.

The Group has obtained project loans to finance construction of its BOT concession projects, namely TAV Esenboğa and TAV İzmir; 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

<u>Original</u> <u>Currency</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Presented as</u>	
			<u>Current</u> <u>liabilities</u>	<u>Non-current</u> <u>liabilities</u>
EUR	31.12.2013	Euribor+%5.00	2,215,750	13,626,153
EUR	31.12.2015	Euribor+%2.50	34,461,288	338,689,176
USD	31.12.2015	Libor+%2.50	11,939,000	104,520,274
			<u><b>48,616,038</b></u>	<u><b>456,835,603</b></u>

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### 18. BANK LOANS (cont'd)

#### TAV İstanbul (cont'd)

TAV İstanbul has bank loans in the amount of EUR 116,459,274 ("Tranch A") and EUR 373,150,463 ("Tranch B") under a senior facility agreement and EUR 15,841,903 under a mezzanine facility agreement. These loans require semi annual principal and interest payments on 30 June and 31 December of each year according to the bank agreements. With the consent of the facility agent, TAV İstanbul has a right to have an additional;

- subordinated debt approved in advance by the Facility Agent
- indebtedness up to USD 1 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

Redemption schedules of the TAV İstanbul borrowings according to the original maturities as of 30 September 2007 and 31 December 2006 are as follows;

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	48,616,038	11,947,842
In the second year	53,765,260	20,734,422
In the third year	58,532,383	33,714,974
In the fourth year	57,815,104	43,708,851
In the fifth year	57,895,983	47,729,376
After five years	228,826,873	352,287,979
	<u><b>505,451,641</b></u>	<u><b>510,123,444</b></u>

#### TAV İzmir

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	<b>Presented as</b>	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
EUR	23.07.2013	Euribor+%3.00	13,052,281	70,172,730
EUR	23.07.2013	Euribor+%3.00	2,438,783	13,111,584
			<u><b>15,491,064</b></u>	<u><b>83,284,314</b></u>

TAV İzmir has bank loans in the amount of EUR 98,775,378 under loan agreements. These loans require semi annual principle and interest payments at each 23 January and 23 July according to bank 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

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### 18. BANK LOANS (cont'd)

#### TAV İzmir (cont'd)

Redemption schedules of the TAV İzmir borrowings according to original maturities as of 30 September 2007 and 31 December 2006 are as follows

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	15,491,064	16,323,154
In the second year	17,709,161	9,128,714
In the third year	17,435,465	13,668,396
In the fourth year	16,432,275	15,790,205
In the fifth year	15,979,758	17,171,848
After five years	15,727,655	41,350,599
	<u><b>98,775,378</b></u>	<u><b>113,432,916</b></u>

#### TAV Esenboğa

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	<b>Presented as</b>	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
EUR	30.06.2021	Euribor+%2.35	10,948,018	141,872,229
			<u><b>10,948,018</b></u>	<u><b>141,872,229</b></u>

TAV Esenboğa has a bank loan in the amount of EUR 152,820,247 under loan agreement. These loans require semi annual principal and interest payments at each 30 June and at each 31 December according to bank agreements starting at 31 December 2007 for interest and 30 June 2008 for principal. However, with the consent of the facility agent, TAV Esenboğa has a right to have an additional;

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

Redemption schedules of the TAV Esenboğa borrowings according to original maturities as of 30 September 2007 and 31 December 2006 are as follows

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	10,948,018	6,843,379
In the second year	5,750,625	8,579,065
In the third year	11,444,901	11,596,067
In the fourth year	11,749,166	13,243,550
In the fifth year	12,085,832	16,952,996
After five years	100,841,705	95,840,069
	<u><b>152,820,247</b></u>	<u><b>153,055,126</b></u>

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### 18. BANK LOANS (cont'd)

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 TAV Esenboğa in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, the banks shall cease to be entitled to receive payments made by TAV Esenboğa and to exercise the rights with the assigned receivables and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

c) Pledge over bank accounts : In case of an event of default, the banks have the right to control the bank accounts of the company in order to perform its obligations under the loan documents. Upon the occurrence of event of default TAV Esenboğa 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

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	<b>Presented as</b>	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
EUR	21.12.2015	Euribor+%2.70	1,603,596	7,574,427
EUR	21.12.2015	Euribor+%2.70	1,603,596	7,574,427
			<u>3,207,192</u>	<u>15,148,854</u>

Redemption schedules of the ATÜ borrowings as of 30 September 2007 and 31 December 2006 are as follows;

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	3,207,192	2,233,336
In the second year	2,830,968	2,104,474
In the third year	2,539,223	2,104,474
In the fourth year	2,273,906	2,104,474
In the fifth year	2,030,664	2,104,474
After five years	5,474,093	8,417,894
	<u>18,356,046</u>	<u>19,069,126</u>

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#### 18. BANK LOANS (cont'd)

##### TAV Tbilisi

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	Presented as	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
USD	20.04.2009	Libor+%4.00	4,327,260	6,704,241
USD	02.03.2009	Libor+%4.00	8,915,944	3,890,530
USD	08.05.2009	Libor+%4.00	517,547	800,824
USD	06.03.2009	Libor+%4.00	891,503	388,064
			<u>14,652,254</u>	<u>11,783,659</u>

Redemption schedules of the Georgia borrowings as of 30 September 2007 and 31 December 2006 are as follows;

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	14,652,254	16,619,771
In the second year	11,783,659	-
	<u>26,435,913</u>	<u>16,619,771</u>

##### TAV Holding

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	Presented as	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
EUR	05.05.2008	5.30%	25,565,171	-
EUR	13.07.2009	Euribor+1.10%	6,717,399	11,498,723
			<u>32,282,570</u>	<u>11,498,723</u>

Redemption schedules of the TAV borrowings as of 30 September 2007 and 31 December 2006 are as follows;

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	32,282,570	24,077,033
In the second year	11,498,723	19,062,000
In the third year	-	5,712,000
In the fourth year	-	5,714,000
In the fifth year	-	2,148,000
After five years	-	-
	<u>43,781,293</u>	<u>56,713,033</u>

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### 18. BANK LOANS (cont'd)

#### TAV Tunisie

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	Presented as	
			<u>Current liabilities</u>	<u>Non-current liabilities</u>
EUR	13.12.2007	5.75%	30,081,458	-
			<u>30,081,458</u>	<u>-</u>

Redemption schedules of the Tunisie borrowings as of 30 September 2007 and 31 December 2006 are as follows:

	<u>30 September 2007</u>	<u>31 December 2006</u>
On demand or within one year	30,081,458	-
	<u>30,081,458</u>	<u>-</u>

### 19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of Minimum lease payments	
	<u>30 September 2007</u>	<u>31 December 2006</u>	<u>30 September 2007</u>	<u>31 December 2006</u>
<b>Amounts payable under finance leases</b>				
Within one year	175,123	37,788	172,854	35,630
Between second and fifth years	498,269	-	498,269	-
Less: future finance charges	(2,269)	(2,158)	-	-
<b>Present value of lease obligations</b>	<u>671,123</u>	<u>35,630</u>	<u>671,123</u>	<u>35,630</u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is one year as of 30 September 2007. For the period ended 30 September 2007, the average effective borrowing rate was 5,5% ( 31 December 2006: 7.90%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in US Dollars.

### 20. TRADE PAYABLES

	<u>30 September 2007</u>	<u>31 December 2006</u>
Trade payables	10,400,628	38,620,702
Deposits and guarantees received	318,431	394,556
Notes payable (*)	-	3,051,580
Other trade creditors	48,939	4,232
	<u>10,767,998</u>	<u>42,071,070</u>

(\*) In 2006, the amount consisted of notes payable to IC İçtaş, a related party, arising from construction of İzmir terminal (See Note 9 for other related party transactions). Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.



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### 21. OTHER PAYABLES AND DEFERRED REVENUE

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Current liabilities:</u></b>		
Deferred revenue	6,322,877	4,721,740
Expense accruals	6,212,039	2,981,484
Social security premiums payable	4,885,161	3,703,959
Due to personnel	3,731,438	1,524,557
Taxes and dues payable	3,542,597	3,923,468
Unused vacation	1,466,392	949,545
Advances received	764,591	1,161,845
Other accruals and liabilities	916,259	233,411
	<u>27,841,354</u>	<u>19,200,009</u>
<b><u>Non current liabilities:</u></b>		
Deferred revenue (*)	<u>19,597,155</u>	<u>22,568,298</u>

(\*) EUR 17,215,392 (2006: EUR 19,584,011) of deferred revenue is related with the prepaid concession rent income from ATÜ.

### 22. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and 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.

The amount payable consists of one month's salary limited to a maximum of EUR 1,118 (31 December 2006: EUR 1,003) for each period of service at 31 December 2007.

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

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

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### 22. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Cont'd)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2007, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at 30 September 2007 have been calculated assuming an annual inflation rate of 5.00% and a discount rate of 11% resulting in a real discount rate of approximately 5.71% (31 December 2006: 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.

	<u>30 September 2007</u>	<u>31 December 2006</u>	<u>30 September 2006</u>
Opening balance	3,685,054	2,359,745	2,359,745
Provision for the period	(815,634)	2,319,265	1,173,578
Paid during the period	(495,419)	(868,627)	(286,674)
Translation (gain)/loss	285,034	(125,329)	(555,987)
<b>Closing balance</b>	<b><u>2,659,035</u></b>	<b><u>3,685,054</u></b>	<b><u>2,690,662</u></b>

### 23. TAXATION ON INCOME

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Current tax liability:</u></b>		
Prior period unpaid corporate tax provision	745,684	-
Current corporate tax provision	4,155,038	4,448,597
Prepaid taxes and funds	(1,784,019)	(2,767,751)
	<b><u>3,116,703</u></b>	<b><u>1,680,846</u></b>

<b>Income tax expense/(benefit):</b>	<b>Nine-month period ended 30 September 2007</b>	<b>Three-month period ended 30 September 2007</b>	<b>Nine-month period ended 30 September 2006</b>	<b>Three-month period ended 30 September 2006</b>
Current tax	4,155,038	1,987,664	3,654,152	2,495,821
Deferred tax charge/(benefit)	(8,706,417)	(3,822,602)	12,905,426	604,226
	<b><u>(4,551,379)</u></b>	<b><u>(1,834,938)</u></b>	<b><u>16,559,578</u></b>	<b><u>3,100,047</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 entity's results for the years and periods.

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

The effective rate of tax at 30 September 2007 is 20% (31 December 2006: 20% , 30 September 2006: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate at 30 September 2007 is 20% (31 December 2006: 20% , 30 September 2006: 20%).

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#### 23. TAXATION ON INCOME (cont'd)

##### Corporate Tax (cont'd):

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

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

##### Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. After the resolution, declared in official journal 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 of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

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

As the management of the Group planned not to use the investment incentives, the consolidated Group companies resident in Turkey have used 20% corporate tax rate as of 30 September 2007. (31 December 2006: 20% , 30 September 2006: 20%)

##### Deferred Tax:

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 2006 :20% , 30 September 2006: 20%) is used.

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### 23. TAXATION ON INCOME (cont'd)

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

Subsidiaries that have deferred tax assets position:

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Deferred tax assets/(liabilities):</u></b>		
Revaluation and depreciation/amortization		
differences of fixed assets	6,860,790	3,130,930
Revaluation of prepaid rent to DHMI	(5,705,697)	(6,977,202)
Provision for employment termination benefits	269,824	288,944
Tax losses carried forward	17,974,877	14,532,000
Change in fair value of derivatives	2,775,108	1,961,535
Discount on receivables, payables and		
borrowings	909,378	1,610
Provision for doubtful receivables	133,576	203,855
Other	(1,595,038)	1,274,876
<b>Net deferred tax assets</b>	<b><u>21,622,819</u></b>	<b><u>14,416,548</u></b>

Subsidiaries that have deferred tax liabilities position:

	<u>30 September 2007</u>	<u>31 December 2006</u>
<b><u>Deferred tax assets/(liabilities):</u></b>		
Revaluation and depreciation/amortization		
differences of fixed assets	(3,185,874)	(4,226,430)
Provision for employment termination benefits	261,983	325,498
Change in fair value of derivatives	-	44,235
Discount on receivables and payables	14,331	4,344
Provision for doubtful receivables	25,678	22,219
Other	270,294	(58,741)
<b>Net deferred tax liabilities</b>	<b><u>(2,613,588)</u></b>	<b><u>(3,888,875)</u></b>
<b>Net deferred tax assets/(liabilities)</b>	<b><u>19,009,231</u></b>	<b><u>10,527,673</u></b>

At the balance sheet date, the Group has unused tax losses of EUR 121,912,342 (31 December 2006: EUR 92,554,593) available for offset against future profits. Tax losses can be carried forward for five years under current tax legislation. The Company management assessed that EUR 32,037,952 (31 December 2006: 19,894,593) of tax losses will not be utilized because it is not probable that future taxable profit will be coverable against. A deferred tax asset at the effective tax rate of 20% has been calculated amounting to EUR 17,974,877 (31 December 2006: at the effective rate of 20% EUR 14,532,000). Unused tax losses will expire as follows:

	<u>30 September 2007</u>	<u>31 December 2006</u>
Expire in 2009	2,528,921	2,333,737
Expire in 2010	31,615,325	5,557,478
Expire in 2011	76,859,502	84,663,378
Expire in 2012	10,908,594	-
<b>Total</b>	<b><u>121,912,342</u></b>	<b><u>92,554,593</u></b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 23. TAXATION ON INCOME (cont'd)

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

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
<b>Balance at 31 December</b>	<b>8,916,667</b>	<b>(16,347,985)</b>
Correction of error (Note 37)	1,611,006	125,744
<b>Restated balance at 1 January</b>	<b>10,527,673</b>	<b>(16,222,241)</b>
Correction of error on current period charge (Note 37)	-	897,127
Recovery of /(charged to) to profit or loss for the period	8,706,417	12,905,426
Translation effect	(224,859)	2,805,819
<b>Closing balance at the end of the period</b>	<b>19,009,231</b>	<b>386,131</b>

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

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

	Nine-month period ended 30 September 2007	Nine-month period ended 30 September 2006
<b><u>Reconciliation of taxation:</u></b>		
<b>Loss before tax</b>	<b>(24,511,507)</b>	<b>(23,999,502)</b>
Tax at the domestic income tax rate of 20%	4,902,302	4,799,900
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(1,225,139)	(296,423)
- tax exempt income	2,301,166	-
- translation of non-monetary items according to IAS21	4,977,485	-
- tax rate change	-	(218,733)
- investment incentives used	647,206	-
- unrecognised deferred tax assets on current year tax losses	(1,655,628)	(3,643,246)
- write off of investment incentives	-	(12,757,032)
- effect of consolidation eliminations and other adjustments	(5,396,012)	(4,444,044)
<b>Tax benefit / (expense) for the period</b>	<b>4,551,379</b>	<b>(16,559,578)</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### Credit risk

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, and TAV Esenboğa use interest rate swap as hedging of fluctuations in Euribor and Libor rates (i.e. 75%, 80% and 100% of floating loans for TAV İstanbul, TAV İzmir and TAV Esenboğa are fixed respectively).

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Group does not have any material risk on collection of receivables or assets which are contracted and subject to guarantees.

#### 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 September 2007</u>	<u>31 December 2006</u>
Cash and cash equivalents	52,751,858	6,254,146
Restricted bank balances	203,541,462	323,524,530
Trade receivables	30,567,305	20,775,578
Due from related parties	13,457,353	15,391,132
Other receivables and current assets (*)	4,327,013	2,209,917
Other non-current assets (*)	392,439	493,887
	<u><b>305,037,430</b></u>	<u><b>368,649,190</b></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.

#### Liquidity risk

The Group does not have any liquidity problem according to maturity gap of assets and liabilities as presented below;

<b>30 September 2007</b>	<b>Up to one month</b>	<b>1 -3 months</b>	<b>3 -6 months</b>	<b>6 -12 months</b>	<b>More than one year</b>	<b>Total</b>
Cash and cash equivalents	52,751,858	-	-	-	-	52,751,858
Restricted cash (*)	-	27,205,567	10,187,790	166,148,105	-	203,541,462
Trade receivables	30,018,002	549,303	-	-	-	30,567,305
Due from related parties	-	13,457,353	-	-	-	13,457,353
Other current assets	10,367,467	12,291,587	4,132,146	2,482,046	-	29,273,246
Other non-current assets	-	-	-	-	38,081,829	38,081,829
Deferred tax assets	-	-	-	-	21,622,819	21,622,819
<b>Financial Assets</b>	<u><b>93,137,327</b></u>	<u><b>53,503,810</b></u>	<u><b>14,319,936</b></u>	<u><b>168,630,151</b></u>	<u><b>59,704,648</b></u>	<u><b>389,295,872</b></u>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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

### 24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

#### Liquidity risk (cont'd)

<b>30 September 2007</b>	<b>Up to one month</b>	<b>1 -3 Months</b>	<b>3 -6 months</b>	<b>6 -12 months</b>	<b>More than One year</b>	<b>Total</b>
Bank loans, current portion	643,690	52,581,659	15,488,621	87,662,592	-	156,376,562
Obligations under finance leases, current portion	-	36,854	-	136,000	-	172,854
Due to related parties	-	11,927,322	-	-	-	11,927,322
Trade payables	6,062,211	3,851,607	854,180	-	-	10,767,998
Derivative financial instruments	-	-	-	18,208,800	-	18,208,800
Other payables and deferred revenue	11,300,404	5,627,955	6,290,343	4,622,652	-	27,841,354
Current tax liabilities	353,308	2,061,122	-	702,273	-	3,116,703
Bank loans, long term portion	-	-	-	-	720,714,328	720,714,328
Obligations under finance leases, non current portion	-	-	-	-	498,269	498,269
Provision for employment termination benefits	-	-	-	-	2,659,035	2,659,035
Other non current liabilities	-	-	-	-	19,597,154	19,597,154
Deferred tax liabilities	-	-	-	-	2,613,588	2,613,588
<b>Financial Liabilities</b>	<b>18,359,613</b>	<b>76,086,519</b>	<b>22,633,144</b>	<b>111,332,317</b>	<b>746,082,374</b>	<b>974,493,967</b>
<b>Net Position</b>	<b>74,777,714</b>	<b>(22,582,709)</b>	<b>(8,313,208)</b>	<b>57,297,834</b>	<b>(686,377,726)</b>	<b>(585,198,095)</b>
<b>31 December 2006</b>	<b>Up to one month</b>	<b>1 -3 months</b>	<b>3 -6 months</b>	<b>6 -12 months</b>	<b>More than One year</b>	<b>Total</b>
Cash and cash equivalents	6,254,146	-	-	-	-	6,254,146
Restricted cash (*)	323,524,530	-	-	-	-	323,524,530
Investments held for trading	157,729	-	-	-	-	157,729
Trade receivables	-	20,775,578	-	-	-	20,775,578
Due from related parties	-	15,391,132	-	-	-	15,391,132
Other current assets	1,867,793	3,735,587	18,599,776	11,206,760	-	35,409,916
Other non-current assets	-	-	-	-	27,549,640	27,549,640
Deferred tax assets	-	-	-	-	14,416,548	14,416,548
<b>Financial Assets</b>	<b>331,804,198</b>	<b>39,902,297</b>	<b>18,599,776</b>	<b>11,206,760</b>	<b>41,966,188</b>	<b>443,479,219</b>
<b>31 December 2006</b>	<b>Up to one month</b>	<b>1 -3 months</b>	<b>3 -6 months</b>	<b>6 -12 months</b>	<b>More than One year</b>	<b>Total</b>
Bank loans, current portion	817,399,495	-	3,288,608	-	-	820,688,103
Obligations under finance leases, current portion	-	-	-	35,630	-	35,630
Due to related parties	31,649,753	17,424,166	-	-	-	49,073,919
Trade payables	6,578,989	35,492,081	-	-	-	42,071,070
Derivative financial instruments	-	-	-	9,941,501	-	9,941,501
Other payables and deferred revenue	3,816,887	4,987,830	5,629,765	4,765,527	-	19,200,009
Current tax liabilities	-	-	1,680,846	-	-	1,680,846
Bank loans, long term portion	-	-	-	-	49,739,170	49,739,170
Provision for employment termination benefits	-	-	-	-	3,685,054	3,685,054
Other non current liabilities	-	-	-	-	22,568,298	22,568,298
Deferred tax liabilities	-	-	-	-	3,888,875	3,888,875
<b>Financial Liabilities</b>	<b>859,445,124</b>	<b>57,904,077</b>	<b>10,599,219</b>	<b>14,742,658</b>	<b>79,881,397</b>	<b>1,022,572,475</b>
<b>Net Position</b>	<b>(527,640,926)</b>	<b>(18,001,780)</b>	<b>8,000,557</b>	<b>(3,535,898)</b>	<b>(37,915,209)</b>	<b>(579,093,256)</b>

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

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

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

### **24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)**

#### **Liquidity risk (cont'd)**

(\*) Restricted cash is used without any maturity according to the approval of banks as explained in Note 6. However it is represented in financial assets according to schedule of usage as parallel to related liabilities.

#### **Interest rate risk**

Group has used material amount of bank borrowings from foreign sources and banks. Although most of these loans used have floating interest rates, Group management and banks fixed interest rates by using derivative financial instruments. TAV İstanbul, TAV İzmir, and TAV Esenboğa use interest rate swap as hedging of fluctuations in Euribor and Libor rates (i.e. 75%, 80% and 100% of floating loans for TAV İstanbul, TAV İzmir and TAV Esenboğa are fixed respectively). Based on the Group's current borrowing profile, a 100 basis points increase in Euribor or Libor would have resulted in additional annual interest expense of approximately EUR 8 million on the Group's variable rate debt when ignoring effect of derivative financial instruments.

#### **Effective interest rates and repricing analysis:**

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at 30 September 2007 and 31 December 2006 in which they mature or, if earlier, reprice.



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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		30 September 2007						31 December 2006					
		Effective Interest Rate (%)	Total	Up to 1 year	2-3 years	4-5 years	More than 5 years	Effective interest rate	Total	Up to 1 year	2-3 years	4-5 Years	More than 5 years
Note													
<b>Fixed rate instruments</b>													
<b>Cash and cash equivalents*</b>													
USD	5	4.25-5.35	2,664,365	2,664,365	-	-	-	2.00	18,342	18,342	-	-	-
EUR	5	3.25-4.55	33,451,238	33,451,238	-	-	-	2.40	198,417	198,417	-	-	-
TRY	5	15.00-17.40	1,053,549	1,053,549	-	-	-	11.00	38,381	38,381	-	-	-
TND	5	5.18	1,972,723	1,972,723	-	-	-	-	-	-	-	-	-
GEL	5		-	-	-	-	-	-	-	-	-	-	-
Other	5		-	-	-	-	-	-	-	-	-	-	-
<b>Restricted cash</b>													
USD	6	3.00-5.18	96,105,466	96,105,466	-	-	-	4.27-4.95	199,710,002	199,710,002	-	-	-
EUR	6	2.98-6.99	86,598,495	86,598,495	-	-	-	1.90-7.56	121,977,117	121,977,117	-	-	-
TRY	6	14.79-18.75	20,837,501	20,837,501	-	-	-	16.63	1,837,411	1,837,411	-	-	-
			<b>242,683,337</b>	<b>242,683,337</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>323,779,670</b>	<b>323,779,670</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Variable rate instruments</b>													
<b>Bank loans</b>													
<b>USD floating rate loans</b>	18	5.45-9.56	142,895,187	26,591,253	38,437,520	26,717,258	51,149,156	7.04-8.04	157,191,424	157,191,424	-	-	-
<b>Euro floating rate loans</b>	18	4.40-9.30	734,195,703	129,785,308	155,143,796	149,545,430	299,721,169	5.48-7.78	713,235,849	663,496,679	29,250,327	12,070,947	8,417,896
			<b>877,090,890</b>	<b>156,376,561</b>	<b>193,581,316</b>	<b>176,262,688</b>	<b>350,870,325</b>		<b>870,427,273</b>	<b>820,688,103</b>	<b>29,250,327</b>	<b>12,070,947</b>	<b>8,417,896</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

#### Fair values

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

	Note	30 September 2007		31 December 2006	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>					
Cash and cash equivalents	5	52,751,858	52,751,858	6,254,146	6,254,146
Restricted bank balances	6	203,541,462	203,541,462	323,524,530	323,524,530
Investments held for trading	7	800,881	800,881	157,729	157,729
Trade receivables (net)	8	30,567,305	30,567,305	20,775,578	20,775,578
Due from related parties	9	13,457,353	13,457,353	15,391,132	15,391,132
Other current assets (*)	11	4,327,013	4,327,013	27,895,112	27,895,112
Other non-current assets (*)	11	4,307,036	4,307,036	27,531,583	27,531,583
<b>Financial liabilities</b>					
Bank loans, current portion	18	156,376,562	156,376,562	820,688,103	820,688,103
Obligations under financial leases, current portion	19	172,854	172,854	35,630	35,630
Due to related parties	9	11,927,322	11,927,322	49,073,919	49,073,919
Trade payables	20	10,767,998	10,767,998	42,071,070	42,071,070
Derivative financial instruments	34	18,208,800	18,208,800	9,941,501	9,941,501
Other payables and deferred revenue (**)	21	17,022,448	17,022,448	13,316,424	13,316,424
Current tax liabilities	23	3,116,703	3,116,703	1,680,846	1,680,846
Bank loans, long term portion	18	720,714,328	720,714,328	49,739,170	49,739,170
Obligations under financial leases, long term portion	19	498,269	498,269		
<b>Net positions</b>		<b>(629,052,376)</b>	<b>(629,052,376)</b>	<b>(565,016,853)</b>	<b>(565,016,853)</b>
Unrecognized gain			-		-

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

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

#### Foreign Currency Positions

	Average Rate		Reporting Date Closing Rate	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
USD	0.8834	0.7952	0.8574	0.7592
TRY	0.5727	0.5562	0.5852	0.5401
GEL	0.4412	0.4483	0.4257	0.4432

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.

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### 24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

#### Foreign Currency Positions (cont'd)

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 percent strengthening of the Euro against other currencies (including net position resulting from foreign currency position and translation to EUR of nonmonetary items recorded in TRY in statutory books) at 30 September 2007 would have decreased profit or loss by approximately EUR 20 million when ignoring the effect of derivative financial instruments. This analysis assumes that all other variables, in particular interest rates, remain constant.

Assets and liabilities denominated in foreign currencies shown below are represented in EUR equivalent of their original currencies.

#### 30 September 2007

<b>Assets</b>	<b>USD</b>	<b>TRY</b>	<b>Other</b>
Cash and cash equivalents	4,000,806	3,662,740	4,481,211
Restricted bank balances	96,046,771	20,917,772	-
Trade receivables and due from related parties	13,143,184	16,013,124	1,364,147
Prepaid concession expenses	330,439,422	-	-
Other current and non-current assets	30,010,132	20,411,972	7,108,177
<b>Total Assets</b>	<b>473,640,315</b>	<b>61,005,608</b>	<b>12,953,534</b>
<b>Liabilities</b>	<b>USD</b>	<b>TRY</b>	<b>Other</b>
Bank loans	142,895,188	-	-
Trade payables and due to related parties	1,823,033	11,504,137	1,137,619
Other current and non-current liabilities	1,562,881	18,150,487	3,664,543
<b>Total Liabilities</b>	<b>146,281,102</b>	<b>29,654,624</b>	<b>4,802,162</b>
<b>Net positions</b>	<b>327,359,213</b>	<b>31,350,984</b>	<b>8,151,373</b>

#### 31 December 2006

<b>Assets</b>	<b>USD</b>	<b>TRY</b>	<b>Other</b>
Cash and cash equivalents	2,188,125	2,544,498	244,855
Restricted bank balances	199,710,002	725,938	-
Trade receivables and due from related parties	11,816,159	14,980,226	146,063
Prepaid concession expenses	328,386,126	-	-
Other current and non-current assets	76,566	72,467,260	742
<b>Total Assets</b>	<b>542,176,978</b>	<b>90,717,922</b>	<b>391,660</b>
<b>Liabilities</b>	<b>USD</b>	<b>TRY</b>	<b>Other</b>
Bank loans	157,191,424	-	-
Trade payables and due to related parties	7,170,082	58,948,912	3,133,413
Other current and non-current liabilities	3,216,490	31,467,741	349,168
<b>Total Liabilities</b>	<b>167,577,996</b>	<b>90,416,653</b>	<b>3,482,581</b>
<b>Net positions</b>	<b>374,598,982</b>	<b>301,269</b>	<b>(3,090,921)</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 25. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

#### Commitments and contingencies

	<u>30 September 2007</u>	<u>31 December 2006</u>
Letters of guarantee given to DHMİ	110,910,018	111,618,378
Letters of guarantee given to third parties	88,645,432	37,097,080
Letters of credit	14,000	3,053,613
	<u>199,569,450</u>	<u>151,769,071</u>

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. 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 letter of credits given for the constructions of Ankara Esenboğa and İzmir Adnan Menderes Airports.

The accounts of TAV Holding for the years ended 2001 through 2004 are under review by the Head Account Specialists of the Ministry of Finance for tax purposes ("Tax Authority"). The Company has received the Tax Authority report for 2001, which has identified certain expenses that were deducted in 2001, 2002, 2003 should have been deducted in 2004 and 2005. The assessment therefore results in a timing of the tax payments, and any resulting impacts. The initial assessment is that TRY 19,060,911, TRY 17,665,143 and TRY 25,518,857 should have been added to tax base for the years 2001, 2002 and 2003 respectively and that there are additional expenses amounting TRY 2,201,345 and TRY 60,585,779 that should be recognised in 2004 and 2005, respectively. Management believes the treatment they adopted is in accordance with Turkish Tax Legislation rules, and on 29 January 2007 the Company has applied to the court to challenge the position of the Tax Authority. Management believes that the case will be settled in its favor based on the present tax legislation, judgement decisions and applications of the Ministry of Finance. Therefore, no provision has been reflected in the financial statements. If the court were to find against the Group, management estimates the late tax payment liability would be TRY 13 million as at 30 September 2007.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

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

#### Contractual obligations

##### TAV İstanbul

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

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

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

Pursuant to the provisions of this agreement, the contractual obligations of the Company 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 the Company as the renter performs a delayed and/or incomplete rent payment to the DHMİ, the Company is charged a penalty of 10% of the rent amount to be paid. The Company is then obliged to perform the payment latest within five days. Otherwise, the DHMİ shall be entitled to terminate the rent agreement. The Company 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 Agreement 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:

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 and temporary acceptance was made accordingly.

Temporary acceptance for BOT investments of TAV Esenboğa was granted by DHMİ during the year as well, final acceptances will be granted when control procedures are completed by DHMİ.

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

All equipments used by the Company must be brand new and under warranty and need to meet the international standards and Turkish Standards as well.

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

All fixed assets covered by the implementation contract will be transferred to DHMİ free of charge.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

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

#### Contractual obligations (cont'd)

##### TAV Esenboğa and TAV İzmir (cont'd)

Transferred items must be in working conditions and should not be damaged. The Company has the responsibility of repair and maintenance of all fixed assets under the investment period.

##### HAVAŞ

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 the several parking areas, land, buildings, offices at the Atatürk, Esenboğa, Adnan Menderes, Dalaman, Adana, Trabzon, Milas, Kapadokya, Antalya, Gaziantep and Kayseri airports; when the rent period ends, DHMİ will have the right to retain the immovable built in the area free of charge.

##### 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. According to the BOT 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 IATA, ICAO or 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.

Management believes that as at 30 September 2007, the Company has complied with the terms of the BOT Agreement.

#### **Legal proceedings**

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for three years.

Management believes that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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

#### 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 annually. Cumulative VAT expense related with DHMİ invoices as at 30 September 2007 is EUR 22,051,490 (31 December 2006: EUR 14,123,510).

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 court still continues as of report date, and the 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. 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 regards 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.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

### As at and for the nine-month period ended 30 September 2007

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#### 26. SHARE CAPITAL AND LEGAL RESERVES

The parent's share capital held as of 30 June 2007 and 31 December 2006 is as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 2007</u>
Tepe İnşaat	18.86	45,672,151
Akfen Holding	15.70	38,022,747
Goldman Sachs International (*)	25.60	62,000,000
Babcock Brown Turkish Airports LLC	5.16	12,496,529
IDB Infrastructure Fund L.P.	4.92	11,924,792
Kuwait Investment Authority	3.20	7,750,000
Sera Yapı Endüstrisi ve Tic. Ltd. Şti. ("Sera Yapı")	3.15	7,621,875
Global Investment House KSCC	3.00	7,265,625
Global Opportunistic Fund II Company BSCC	2.00	4,843,750
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</b>	<b>242,187,500</b>
Paid in capital in EUR (nominal)		141,746,166
Effect of non-cash increases and exchange rates		(36,835,899)
<b>Paid in capital EUR</b>		<b>104,910,267</b>
<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2006</u>
Tepe İnşaat	27.06	62,926,124
Akfen Holding	23.01	53,487,205
Sera Yapı	3.28	7,621,875
Babcock Brown Turkish Airports LLC	6.00	13,950,000
IDB Infrastructure Fund L.P.	4.87	11,322,750
Global Investment House KSCC	3.00	6,975,000
Global Opportunistic Fund II Company BSCC	2.00	4,650,000
Goldman Sachs International (*)	30.00	69,750,000
Akfen İnşaat	0.78	1,817,044
Mehmet Cem Kozlu	<0.01	2
<b>Paid in capital in TRY (nominal)</b>	<b>100.00</b>	<b>232,500,000</b>
Paid in capital in EUR (nominal)		125,573,859
Effect of non-cash increases and exchange rates		(26,030,331)
<b>Paid in capital EUR</b>		<b>99,543,528</b>



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 26. SHARE CAPITAL AND LEGAL RESERVES (cont'd)

(\*) 34,875,000 of the shares owned by Goldman Sachs that correspond to the 14.4% (31 December 2006: 15%) of the share capital of the Company have been provided by Tepe İnşaat Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. 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 Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş. 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 Sanayi A.Ş., Akfen Holding A.Ş. and Sera Yapı Endüstrisi ve Ticaret A.Ş.

TAV Holding's nominal share has been increased from TRY 232,500,000 to TRY 242,187,500 on 20 February 2007. The increased capital has been fully paid on 26 February 2007 by through public offering. The Initial Public Offering of the Company was completed on 23 February 2007. Total nominal amount of shares launched to public was TRY 38,750,000 of which TRY 9,687,500 was via capital injection and TRY 29,062,500 was via sales by shareholders. In addition, Tepe İnşaat Sanayi A.Ş. and Akfen Holding A.Ş. sold additional shares amounting to nominal 5,812,500 TRY (corresponding to 15% of offered shares). Each TAV share with a nominal value of TRY 1 was determined TRY 10 for each IPO share as selling price. After offering of additional shares, nominal amount of IPO was TRY 44,562,500 and IPO share was %18.4. Excess amount of selling price and nominal value for each share was recorded as share premium in equity. Shares have been trading as "TAVHL" at İstanbul Stock Exchange since 23 February 2007.

The Company's share capital consists of 242.187.500 shares amounting to TRY 242,187,500 as of 30 September 2007 (31 December 2006: 232,500,000).

#### 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 CMB regulations explained below:

Based on Section 15, Article 399 of the Comb's Communiqué No: XI/25, the amount of 'accumulated losses' arising from the initial application of the inflation accounting, should be taken into account as a deduction when determining the distributable profit. 'Accumulated losses' should be offset against the following components of shareholders' equity; current year income, if applicable, unappropriated prior year's income, and remaining losses from the incremental effect of the inflation adjustment to extraordinary reserves, legal reserves and share capital, respectively.

In accordance with the Communiqué No: XI/25, companies are required to distribute at least 20% of their distributable profit arising from the 2006's activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as in cash or as in bonus share or as in a combination of a certain percentage of cash and bonus shares. However, if the first dividend amount is less than 5% of paid capital, the related amount could be retained without appropriating within the Group. The profit amount included in calculation of net distributable profit in the consolidated interim financial statements which is also included in the financial statements of subsidiaries, joint ventures and shareholdings are not recognized.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 26. SHARE CAPITAL AND LEGAL RESERVES (cont'd)

#### Legal Reserves (cont'd):

Under the CMB's Communiqué No: XI/25 and Communiqué No: XI/21, if subsidiaries, joint ventures and associates that are included in consolidation have the decision of share distribution in their board meetings, provided that the profit attributable to the parent company which is accounted in the consolidated financial statements is considered as the maximum amount within the context of financial statements prepared in accordance with the recent adjustments relating to such entities, profit amount from the related companies transferred to the parent company is taken into consideration in the parent company's distributable profit depending on the decision of the General Assembly. Additionally, in accordance with the CMB's decision numbered 7/242 on 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 either financial statement prepared in compliance with the CMB or statutory accounts contain net loss for the period.

Pursuant to the profit distribution policy decision of Board of Directors made on 25 May 2007, and the General Assembly division made on 28 May 2007, it has been decided to distribute as shares, minimum 20% of the "net distributable period profit" calculated taking into account the financial tables that are compliant with the IFRS prepared in compliance with the Capital Market Board regulations, either in cash or by adding the amount to the capital, depending on the decision to be made by the General Assembly. One of the basic objectives of the Company is to sustain the mentioned profit distribution policy, excluding the investments and the other fund requirements of the Company or the participations and the affiliates, for the long term growths or the special cases due to extraordinary developments in economic conditions. As the Company has a net period loss as of the end of the 2006 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:

#### GS 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 Turizm ve Ticaret A.Ş. ("Akfen İnşaat") (collectively the "Sellers") regarding the sale and transfer of such number of shares that the Sellers own in TAV Havalimanlari Holding A.Ş. (the "Company") that corresponds to the 10% of then existing share capital of the Company 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 the Company that corresponds to the 5% of then existing share capital of the Company to GS (collectively the "GS SSPAs"), GS has an option to offer selling the shares that GS owns in the Company 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 2007 and ending 10 business days after the first anniversary of Completion (the Completion Date being 21 December 2006).

GS has the right to exercise the second Put Option (the "Second Put Option") during such period commencing on 17 November 2008 and ending 10 (ten) Business Days thereafter.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 26. SHARE CAPITAL AND LEGAL RESERVES (cont'd)

#### GS SSPAs (cont'd):

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.

#### 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 the Company (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.

In addition to this SSPAs, each respective put option disclosed in 31 December 2006 report under

\* the share sale and purchase agreement between the Sellers, the Company and IDB Infrastructure Fund L.P. ("IDB") dated 14 March 2006 novated on 24 April 2006 ("IDB SSPA");

\* the share sale and purchase agreement between the Sellers, the Company and Global Opportunistic Fund II Company BSCC and Global Investment House KSCC ("GIH") dated 7 August 2006 ("GIH SSPA");

\* the share sale and purchase agreement between the Sellers, Tepe Emlak Yatirim Infaat ve Ticaret A.S. and Babcock & Brown Turkish Airports LLC ("B&B") dated 14 December 2006 ("B&B SSPA")

elapsed as pursuant to those share sale and purchase agreements each respective put option was conditioned upon failure in the occurrence of IPO before a date specified in each share sale and purchase agreement (the "Specified Date") and IPO occurred before the Specified Dates stipulated therein.

All conditions that would trigger the enforcement of Collateral Shares by GS stipulated in the GS SSPA, other than the Put Option explained above have been satisfied.

Adjustments referred to in the IDB SSPA, GIH SSPA, B&B SSPA and GS SSPA have been implemented.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 27. REVENUE

An analysis of the Group's revenue for three-month and nine-month period ended is as follows:

	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
<b><u>Continuing operations</u></b>				
Sales of duty free goods	99,367,988	36,454,291	77,197,016	25,817,903
Aviation income	96,048,830	39,743,551	69,987,929	27,804,612
Concession fee- duty free	44,894,419	16,447,517	36,423,178	12,360,183
Ground handling income	44,396,354	21,620,458	40,753,207	20,825,085
Catering services income	23,016,219	8,784,330	15,525,173	5,615,405
Income from car parking operations	14,220,856	5,357,377	10,113,176	5,153,610
Area allocation income	12,653,741	3,898,387	8,471,408	3,040,175
Bus services income	7,561,007	2,751,766	10,822,989	5,107,959
Income from lounge services	6,884,897	2,798,819	3,970,557	1,678,809
Income from hotel operation	3,308,952	1,241,478	2,940,579	1,058,904
Software sales income	1,847,623	750,823	1,315,461	221,139
Prime valet services income	1,325,839	581,069	411,198	110,091
Ticket sales income	643,220	265,193	254,567	82,471
Security services income	484,054	120,037	366,949	190,612
Prime class income	523,469	197,360	253,532	96,093
Baggage transfer system income	394,780	195,918	-	-
<b>Operating income</b>	<b>357,572,248</b>	<b>141,208,374</b>	<b>278,806,919</b>	<b>109,163,051</b>

### 28. OTHER OPERATING INCOME

An analysis of the Group's other operating income for three-month and nine-month period ended is as follows:

	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Rent income	6,364,076	2,538,383	4,343,481	2,072,436
Advertising income	6,404,291	2,602,616	4,527,880	1,404,576
Utility and general participation income (*)	789,255	515,122	2,851,876	1,010,860
Other	1,457,592	687,448	725,406	(736,186)
<b>Total other operating income</b>	<b>15,015,214</b>	<b>6,343,569</b>	<b>12,448,643</b>	<b>3,751,686</b>

(\*) Utility and general participation income was not eliminated from utility cost in 2006 since it was impractical.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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

### 29. OTHER OPERATING EXPENSE

An analysis of the Group's other operating expense for three-month and nine-month period ended is as follows:

	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Consultancy expense	12,093,593	1,354,403	6,118,403	2,630,837
VAT non-recoverable	10,936,550	3,541,448	10,048,473	3,145,288
Utility cost	7,259,275	2,837,452	5,368,080	1,756,223
Insurance expense	6,685,465	2,224,489	3,791,911	1,356,432
Maintenance expenditures	5,498,112	1,401,220	7,729,263	2,143,091
Cleaning expense	5,105,179	1,879,801	2,937,947	895,781
Advertisement and marketing expenses	2,032,458	514,622	484,757	262,998
Traveling and transportation expenses	2,023,145	748,451	335,744	115,434
Communication and stationary expenses	1,597,765	523,349	889,055	551,503
Representation expenses	1,184,400	502,976	353,377	183,428
Taxes	1,073,996	406,801	368,071	29,211
Rent expense	955,917	327,098	1,016,252	802,060
Security cost	282,779	151,833	1,488,056	32,802
Management consultancy fee	-	-	8,160,575	773,593
Other operating expenses	4,595,532	2,165,202	5,057,363	2,320,748
<b>Total other operating expense</b>	<b>61,324,166</b>	<b>18,579,145</b>	<b>54,147,327</b>	<b>16,999,429</b>

### 30. DEPRECIATION AND AMORTISATION EXPENSE

An analysis of the Group's depreciation and amortization expense for three-month and nine-month period ended is as follows:

	BOT investment	Property, plant and equipment	Other intangible assets	Total
<b>Balance at 31 December 2005</b>	-	<b>31,463,169</b>	<b>998,231</b>	<b>32,461,400</b>
Foreign currency translation effect	-	(307,844)	(27,914)	(335,758)
Effect of change in group structure	-	61,209	15,089	76,298
Current period charges	794,074	3,822,103	1,683,490	6,299,667
Disposals	-	(282,864)	-	(282,864)
<b>Balance at 30 September 2006</b>	<b>794,074</b>	<b>34,755,773</b>	<b>2,668,896</b>	<b>38,218,743</b>
Foreign currency translation effect	-	25,063	(17,622)	7,441
Effect of change in group structure	-	1,147	1,065	2,212
Current period charges	7,884,711	1,873,099	412,567	10,170,377
Disposals	-	(960,882)	-	(960,882)
<b>Balance at 31 December 2006</b>	<b>8,678,785</b>	<b>35,694,200</b>	<b>3,064,906</b>	<b>47,437,891</b>
Foreign currency translation effect	(44,796)	304,745	64,987	324,936
Effect of change in group structure	-	-	-	-
Current period charges	28,050,051	6,775,910	1,886,757	36,712,718
Disposals	-	(2,475,860)	-	(2,475,860)
<b>Balance at 30 September 2007</b>	<b>36,684,040</b>	<b>40,298,995</b>	<b>5,016,650</b>	<b>81,999,685</b>

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

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### 31. FINANCE INCOME

An analysis of the Group's finance income for three-month and nine-month period ended is as follows:

	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Interest on bank deposits and intercompany loans	7,687,926	2,746,974	12,673,524	4,447,858
Other	70,767	52,746	8,449	1,803
<b>Total finance income</b>	<b><u>7,758,693</u></b>	<b><u>2,799,720</u></b>	<b><u>12,681,973</u></b>	<b><u>4,449,661</u></b>

### 32. FINANCE EXPENSES

An analysis of the Group's finance expense for three-month and nine-month period ended is as follows:

	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Interest on loans	(45,512,080)	(17,647,158)	(39,417,693)	(10,557,319)
Fair value of derivatives (*)	2,240,352	(7,555,103)	930,289	307,117
Bank charges	(6,006,247)	(1,929,736)	(2,692,060)	(1,800,112)
Commission for letter of guarantees	(1,254,150)	(345,851)	(1,995,078)	(674,871)
Discount interest (expense)/income – net	(426,045)	(87,429)	62,937	86,339
Other finance costs (**)	(5,533,650)	(1,607,766)	(192,840)	919,708
<b>Total finance expenses</b>	<b><u>(56,491,820)</u></b>	<b><u>(29,173,043)</u></b>	<b><u>(43,304,445)</u></b>	<b><u>(11,719,138)</u></b>

(\*) See Note 34

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

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

**As at and for the nine-month period ended 30 September 2007**

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

### 33. ACQUISITION OF SUBSIDIARY

On 1 July 2005, the Group acquired 60% of the issued share capital of HAVAŞ Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ") for cash consideration of USD 125,000,000 (EUR 103,357,493). At the date of this acquisition, the Group or HAVAŞ had right to acquire the remaining shares of TAV İzmir without any additional consideration. According to the conditions of the agreement, TAV İzmir's other shareholder has committed to transfer the rest of TAV İzmir shares based on the conditions those will be set by the Group, and accordingly transferred all rights and liabilities on TAV İzmir to the Group. In 2006, remaining 35% of TAV İzmir shares have been transferred to the Group. Therefore, at the time of acquisition of HAVAŞ, it was considered that, 100% of TAV İzmir shares have also been purchased with the consideration paid amounting to USD 125,000,000. This transaction has been accounted for by the purchase method of accounting.

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

<b>Net assets acquired</b>	<b>Acquiree's carrying amount before combination</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
Property, plant and equipment	11,463,365	-	11,463,365
Intangible assets	-	14,933,724	14,933,724
Deferred tax assets	533,184	-	533,184
Inventories	396,720	-	396,720
Trade receivables	1,566,893	-	1,566,893
Cash and cash equivalents	7,196,216	-	7,196,216
Other assets	5,218,600	-	5,218,600
Retirement benefit obligation	(1,258,894)	-	(1,258,894)
Trade payables	(4,329,313)	-	(4,329,313)
Deferred tax liability	(1,018,759)	(4,061,973)	(5,080,732)
	<u>19,768,012</u>	<u>10,871,751</u>	<u>30,639,763</u>
<b>Goodwill</b>			<u>72,717,730</u>
Total consideration, satisfied by cash			<u><b>103,357,493</b></u>
Net cash outflow arising on acquisition			103,357,493
Cash consideration paid			(7,196,216)
Cash and cash equivalents acquired			(7,196,216)
			<u><b>96,161,277</b></u>

The goodwill arising on the acquisition of HAVAŞ is attributable to the anticipated profitability of the distribution of the Group's services and the anticipated future operating synergies from the combination.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 34. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2007		
	Assets	Liabilities	Net Amount
Interest rate swap	-	(1,465,200)	(1,465,200)
Cross currency swap	-	(16,743,600)	(16,743,600)
	<u>-</u>	<u>(18,208,800)</u>	<u>(18,208,800)</u>

  

	31 December 2006		
	Assets	Liabilities	Net Amount
Interest rate cap	179,228	-	179,228
Interest rate swap	1,656,952	(1,745,781)	(88,829)
Cross currency swap	-	(10,031,900)	(10,031,900)
	<u>1,836,180</u>	<u>(11,777,681)</u>	<u>(9,941,501)</u>

#### Interest rate derivatives

TAV Esenboğa uses interest rate derivatives to manage its exposure to interest rate movements on its bank borrowings. Contract 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 and cross currency derivatives to manage its exposure to interest rate and foreign currency exchange rates on its bank borrowings and concession fees that will be paid to DHMİ.

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.

#### Cross currency swap:

A derivative contract was concluded for the period of the term matches with the terms of finance facilities that fixes the respective exchange rate between USD and EUR. The contract term matches with the terms of the rent payments made to DHMİ which is the end of each December until 2014. The notional amount of the contract is US Dollar 225,532,411 (equivalent to EUR 176,749,538).

#### Interest rate swap:

A derivative contract has been signed between HVB and TAV İstanbul on 17 January 2006 for the 50% of junior facility (in total EUR 33,961,623). At 21 December 2006 two other hedging contracts has been signed between TAV İstanbul and HVB consisting of interest rate swap Transactions for the Tranche A and Tranche B Loans and notional amount of this contracts are amortizing by the years in parallel with repayments of loans and total notional amount is US Dollar 119,951,607 and EUR 269,417,957 respectively.

The fair value of derivatives entered into at 30 September 2007 is estimated at EUR 18,208,800 (2006: EUR 9,941,501). These amounts are based on market values of equivalent instruments at the balance sheet date. Changes in the fair value of these interest rate derivatives and cross currency swaps are reflected to financing costs as gain and foreign currency transaction gain amounting to EUR 2,240,352 (30 September 2006: EUR 930,289) and EUR 6,711,700 (30 September 2006: EUR 5,951,700) respectively.



# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 35. BUSINESS SEGMENTS

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

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

The operations of the Group comprising the 91.3% of total consolidated assets and 98.4% of total revenue is generated from one geographical segment, Turkey. Therefore, segment reporting is presented only for the business segments.

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

### Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

#### 35. BUSINESS SEGMENTS (cont'd)

<b>30 September 2007</b>	<b>Terminal Services</b>	<b>Catering Service</b>	<b>Duty Free Service</b>	<b>Ground handling service</b>	<b>Other</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
Operating income	224,492,433	31,130,262	99,367,988	51,054,309	32,388,864	(80,861,608)	357,572,248
Operating expenses	(164,527,447)	(31,347,877)	(93,654,724)	(35,312,916)	(19,806,246)	62,708,100	(281,941,110)
Other operating income	7,873,060	5,516,246	2,152,797	290,687	4,141,392	(4,958,968)	15,015,214
Other operating expenses	(53,651,254)	(3,825,882)	(2,020,101)	(5,722,657)	(18,805,579)	22,701,305	(61,324,168)
<b>Operating profit</b>	<b>14,186,792</b>	<b>1,472,749</b>	<b>5,845,960</b>	<b>10,309,423</b>	<b>(2,081,569)</b>	<b>(411,171)</b>	<b>29,322,184</b>
<b>Other information</b>							
- Assets	1,160,467,240	13,564,292	36,163,688	37,826,169	554,395,784	(485,955,146)	1,316,462,027
- Liabilities	(885,056,563)	(9,274,087)	(30,158,668)	(11,531,910)	(104,219,385)	65,746,643	(974,493,970)
Tangible, intangible assets and BOT purchases	48,629,178	2,334,283	1,940,366	3,064,458	1,359,768	373,629	57,701,682
Tangible, intangible assets and BOT depreciation and amortization	29,788,043	1,297,278	258,817	2,952,958	1,138,508	1,277,114	36,712,718
Concession rent expense	105,302,460	-	-	-	-	-	105,302,460
Additions to concession expenses	107,355,756	-	-	-	-	-	107,355,756

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

### Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

#### 35. BUSINESS SEGMENTS (cont'd)

<b>30 September 2006</b>	<b>Terminal Services</b>	<b>Catering Service</b>	<b>Duty Free Service</b>	<b>Ground handling service</b>	<b>Other (*)</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
Operating income	167,464,215	21,058,148	77,197,016	48,967,335	22,919,332	(58,799,127)	278,806,919
Operating expenses	(121,855,391)	(20,111,044)	(39,467,741)	(42,932,433)	(12,311,768)	19,665,143	(217,013,234)
Other operating income	8,719,629	3,256,273	1,464,854	-	385,573	(1,377,686)	12,448,643
Other operating expenses	(45,807,525)	(1,598,072)	(36,385,073)	(4,136,535)	(7,496,819)	41,276,697	(54,147,327)
<b>Operating profit</b>	<b>8,520,928</b>	<b>2,605,305</b>	<b>2,809,056</b>	<b>1,898,367</b>	<b>3,496,318</b>	<b>765,027</b>	<b>20,095,001</b>

#### Other information

##### 31 December 2006 (\*)

- Assets	1,172,679,473	13,919,577	31,588,400	28,116,840	506,263,556	(402,589,536)	1,349,978,310
- Liabilities	(986,964,722)	(10,891,388)	(26,234,589)	(8,882,027)	(130,649,524)	141,049,775	(1,022,572,475)

##### 30 September 2006

Tangible, intangible assets and BOT purchases	279,915,776	7,002,157	894,511	2,363,469	3,833,090	-	294,009,003
Tangible, intangible assets and BOT depreciation and amortization	1,379,644	267,840	131,862	2,810,657	907,186	802,488	6,299,677
Concession rent expense	105,291,996	-	-	-	-	-	105,291,996
Additions to concession expenses	-	-	-	-	-	-	-

(\*) TAV Holding is classified in "Other" at 30 September 2007. In order to be comparable, TAV Holding was reclassified to "Other" from "Terminal Services" at 31 December 2006 and 30 September 2006 accordingly.

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

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

### **As at and for the nine-month period ended 30 September 2007**

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

#### **36. ADDITIONAL EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to 30 September 2007;

- TAV Holding has given bid alone for the Management Services Provider Tender held on October 2, 2007, by the General Authority of Civil Aviation of the Kingdom of Saudi Arabia (GACA), for Riyadh King Khaled International Airport, Dammam King Fahad International Airport and Jeddah King Abdulaziz International Airport.
- Following the negotiations announced on July 18, 2007, TAV Holding has agreed to purchase 40% of the capital of Havaş for 17,999,990 B group registered shares with 1 YTL nominal value each, in return for US\$ 114,999,936.11, from Park Investment Holding (Park Energy Investment Holding, with its former name), one of the shareholders of Havaş; and TAV IT, has agreed to purchase 10 B group registered shares in return for US\$ 63.89. 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 Standard Unlu Securities Inc. Payment regarding to purchasing to Park Investment Holding was made in cash. TAV Holding used bank loan amounting to USD 115,000,000 with the interest rate for Libor+1.85% and maturity of November 2012 used from Türkiye İşbankası A.Ş. in order to fund this payment. In relation with such loan, HAVAŞ shares with a nominal amount of YTL 44,994,667 corresponding to 99.988% of the capital has been pledged by Türkiye İşbankası A.Ş. However, the voting right for these shares remains in Tav Holding.

Following the transfer of shares, the share of our company in Havaş will increase from 60% to 100%. The transfer of the shares was approved by Directorate General of Civil Aviation and the Competition Board, and the definite transfer of shares has occurred.

- TAV Holding has started negotiations with Babcock & Brown European Investments, S.a.r.l to form a joint venture for the operation of the Pilsen Airport in Czech Republic. Pilsen Airport is operated by PlaneStation Pilsen s.r.o., which is wholly owned by Babcock & Brown European Investments, S.a.r.l.
- For the Value Added Tax (VAT) liability for the food and beverage sales in the customs zone (air side) of BTA, a protocol has been issued setting forth the sales of BTA during January 2004 and September 2007, and the VAT statements. Investigations has been continuing as of report date.
- It has been announced on 12 November 2007 that Goldman Sachs International, one of the Company's strategic partners, agreed to sell 24,460,938 shares of TAV Holding, which correspond to 10.1% of the company capital as of the present, with a nominal value of 24,460,938 YTL to Meinl Airports International Ltd.
- At 23 November 2007, TAV Holding has raised a loan amounting to USD 25,000,000 from Akbank with an interest rate of LIBOR+1.20% and a maturity of 23 November 2010. The loan will be repaid as capital and interest payments in 6 months' periods.

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

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

**As at and for the nine-month period ended 30 September 2007**

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### **36. ADDITIONAL EVENTS AFTER THE BALANCE SHEET DATE (cont'd)**

- TAV Holding has signed a preliminary agreement with the Indian IL&FS Transport Network Ltd ve Parsvnath Developers Ltd companies to bid for the Greater Noida Airport Project, India, planned to be tendered.
- TAV Istanbul had filed a lawsuit against the Ministry of Finance with the assessment that the rents paid to the State Airports Authority General Directorate have to be exempt from VAT, and the Tax Court has decided to reject the case; and upon the appeal application made, the Court of Appeals 4th Department has decided to accept the appeal request of TAV Istanbul, and to annul the decision made by the Tax Court. Therefore, the case has been conveyed to the Tax Court again, and the Tax Court has rejected the case with the decision notified to us on 29 November 2007.

TAV Istanbul will apply for an appeal at the Court of Appeals, with the justification that there are no formality shortcomings in the case and that the transaction has to be exempt from VAT.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

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### 37. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS

The financial statements as of 31 December 2005, 2006 and 30 September 2006 have been restated for the following:

	<u>Retained earnings/ (Accumulated losses)</u>
<b>Balance at 31 December 2005, as previously reported</b>	<b>54,871,460</b>
Correction of error in concession expense	(419,146)
Deferred tax effect on correction of error in concession expense	125,744
Effect of group structure change (change in consolidation of TAV Esenboğa)	3,255,008
<b>Balance at 31 December 2005, as restated</b>	<b>57,833,066</b>
	<u>Retained earnings/ (Accumulated losses)</u>
<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	(7,426,312)
Deferred tax effect on correction of error in concession expense	1,485,262
Effect of group structure change (change in consolidation of TAV Esenboğa)	(2,066,708)
<b>Balance at 31 December 2006, as restated</b>	<b>(13,432,822)</b>
	<u>Net loss for the period</u>
<b>Balance at 30 September 2006, as previously reported</b>	<b>(24,851,723)</b>
Correction of error in concession expense	(4,485,632)
Deferred tax effect on correction of error in concession expense	897,127
Effect of group structure change (change in consolidation of TAV Esenboğa)	(13,063,709)
<b>Balance at 30 September 2006, as restated</b>	<b>(41,503,937)</b>

#### a) Correction of error in concession expense:

The Company has made miscomputation in concession expense erroneously. The effects of these errors were reflected to related periods retrospectively in accordance with IAS 8 "Changes in Accounting Estimates and Errors".

#### b) Effect of group structure change:( Effect of group structure change)

As explained in Note 4-A, TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75%. Then, on July 2007, TAV acquired the remaining 25% of interest in TAV Esenboğa, increasing ownership interest from 75% to 100% accordingly. The effect of change in consolidation of TAV Esenboğa was reflected to financial statements, retrospectively.

# TAV Havalimanlari Holding A.Ş. and Its Subsidiaries

## Notes to Consolidated Interim Financial Statements

As at and for the nine-month period ended 30 September 2007

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

### 37. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS (cont'd)

#### c) Change in classification of certain income statement items:

The Company has changed the classification of certain income statement 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 30 September 2006</b>	<b>Previously Reported at 30 September 2006</b>
Aviation income	69,987,929	70,696,299
Ground handling income	40,753,207	43,084,610
Catering services income	15,525,173	18,387,645
Rent income	4,343,481	1,588,878
Employee benefit expense	(48,027,798)	(48,027,798)
Cost of services rendered	(19,828,565)	(22,159,968)
Translation gain and losses	(13,242,508)	(7,290,808)
Provision expense	(716,348)	(1,423,710)
Sales returns and discounts	-	(816,239)
Derivative financial instruments	-	(5,951,700)
Collection from insurance companies	-	707,362

#### d) 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 2006</b>	<b>Previously Reported at 31 December 2006</b>
Cash and cash equivalents	6,254,146	11,672,235
Restricted bank balances	323,524,530	318,106,441
Inventories	11,513,064	7,882,551
Built-operate-transfer (BOT) Inventory	-	3,630,513