TAV Havalimanları Holding A.Ş.
and its Subsidiaries

Consolidated Interim Financial Statements
As at and for The Period Ended 31 March 2008

06 June 2008
This report contains the "Report of Interim Financial Information" comprising 1 page
and the "Consolidated Interim Financial statements and their explanatory notes" comprising 86
pages.

TAV Havalimanları Holding A.Ş.
and its Subsidiaries

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TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Interim Balance Sheet
As at 31 March 2008
(Amounts expressed in Euro unless otherwise stated)

ASSETS	Notes	(Unaudited) 31 March 2008	Restated (*) 31 December 2007
Property and equipment	17	64,823,752	67,314,856
Intangible assets	18	29,886,577	30,395,636
Airport operation right	19	329,945,023	298,366,424
Other investments	20	1,236,387	1,235,348
Goodwill	7	131,564,539	131,564,539
Prepaid concession expenses, non-current portion	21	221,819,724	154,155,439
Non-current trade receivables	25	173,650,129	179,431,221
Other non-current assets	24	4,597,236	27,309,818
Deferred tax assets	22	22,775,413	21,229,004
Total non-current assets		**980,298,780**	**911,002,285**
Inventories	23	9,202,952	9,442,540
Prepaid concession expenses, current portion	21	133,226,347	140,797,438
Trade receivables	25	54,325,738	49,918,209
Due from related parties	40	12,744,606	4,194,406
Other receivables and current assets	24	24,475,989	43,742,230
Cash and cash equivalents	25	25,362,120	64,652,433
Restricted bank balances	26	112,683,955	257,520,816
Investments held for trading	20	-	248,683
Total current assets		**372,021,707**	**570,516,755**
TOTAL ASSETS		**1,352,320,487**	**1,481,519,040**

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Interim Balance Sheet
As at 31 March 2008
(Amounts expressed in Euro unless otherwise stated)

	Notes	(Unaudited) 31 March 2008	Restated (*) 31 December 2007
EQUITY			
Share capital	28	104,910,267	104,910,267
Premium in excess of par		220,182,481	220,182,481
Legal reserves		11,040,227	10,559,039
Revaluation surplus		2,922,137	3,007,539
Purchase of shares of entities under common control		40,063,860	40,063,860
Cash flow hedge reserve		(14,337,959)	-
Translation reserves		(1,386,880)	343,039
Accumulated losses		(85,179,729)	(53,947,710)
Total equity attributable to equity holders of the Company		**278,214,404**	**325,118,515**
Minority interest		14,665,430	14,986,680
Total Equity		**292,879,834**	**340,105,195**
LIABILITIES			
Loans and borrowings	30	693,461,756	767,503,201
Reserve for employee severence indemnity	31	5,109,714	4,884,107
Deferred income	33	18,800,544	19,068,150
Deferred tax liabilities	22	5,325,290	4,581,203
Total non-current liabilities		**722,697,304**	**796,036,661**
Bank overdraft	26	1,510,999	1,970,698
Loans and borrowings	30	220,562,856	235,064,055
Trade payables	35	55,284,745	22,007,749
Due to related parties	40	1,632,112	28,790,208
Derivative financial instruments	36	20,464,805	17,144,780
Current tax liabilities		2,178,385	1,487,698
Other payables	32	19,214,925	18,014,081
Provisions	34	8,379,593	11,533,560
Deferred income	33	7,514,929	9,364,355
Total current liabilities		**336,743,349**	**345,377,184**
Total Liabilities		**1,059,440,653**	**1,141,413,845**
TOTAL EQUITY AND LIABILITIES		**1,352,320,487**	**1,481,519,040**

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Interim Statement of Operations
For the Three-Month Period Ended 31 March 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	(Unaudited) Three-month period ended 31 March 2008	(Unaudited) Restated (*) Three-month period ended 31 March 2007
Construction revenue	8	36,211,476	15,330,965
Revenue	9	114,526,728	90,313,555
Other operating income	10	5,958,947	4,143,824
Construction expenditure	8	(34,487,120)	(16,359,286)
Cost of catering inventory sold		(3,061,525)	(2,383,417)
Cost of duty free inventory sold		(13,330,466)	(11,477,366)
Cost of services rendered		(6,214,999)	(2,851,882)
Personnel expenses	11	(34,876,807)	(22,685,602)
Concession rent expenses	22	(36,384,235)	(34,715,097)
Depreciation and amortization expense	14	(8,442,574)	(7,482,538)
Other operating expenses	13	(17,660,165)	(21,478,491)
Operating profit		**2,239,260**	**(9,645,335)**
Finance income		3,373,766	4,326,834
Finance expenses		(32,161,132)	(19,493,391)
Net finance expense	15	**(28,787,366)**	**(15,166,557)**
Loss before income tax		**(26,548,106)**	**(24,811,892)**
Income tax expense/(benefit)	16	(3,858,674)	3,310,876
Loss for the period		**(30,406,780)**	**(21,501,016)**
Attributable to:			
Equity holders of the Group		(30,787,685)	(20,540,806)
Minority interest		380,905	(960,210)
Loss for the period		**(30,406,780)**	**(21,501,016)**
Weighted average number of shares outstanding		**240.717.076**	**238.958.333**
Loss per share – basic	29	**(0.13)**	**(0.08)**

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Interim Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2008

(Amounts expressed in Euro unless otherwise stated)

	Share Capital	Share Premium	Legal Reserves	Revaluation Surplus	Cash flow hedge reserve	Translation Reserves	Retained Earnings	Purchase of Shares of Entities Under Common Control	Attributable to Equity Holders of the Parent	Minority Interest	Total
Balance as at 31 December 2006 as previously reported	**99,543,528**	**195,558,166**	**8,766,287**	**-**	**-**	**(83,244)**	**(13,432,822)**	**35,589,741**	**325,941,656**	**1,464,181**	**327,405,837**
Effect of adoption of IFRIC 12 (Note 43)	-	-	-	-	-	-	2,485,284	-	2,485,284	-	2,485,284
Balance as at 31 December 2006 as restated	**99,543,528**	**195,558,166**	**8,766,287**	**-**	**-**	**(83,244)**	**(10,947,538)**	**35,589,741**	**328,426,940**	**1,464,181**	**329,891,121**
Cash injection in share capital	5,366,739	48,300,648	-	-	-	-	-	-	53,667,387	-	**53,667,387**
Transfers	-	-	403,392	-	-	-	(403,392)	-	-	273,837	**273,837**
Exchange differences on translation reserves	-	-	-	-	-	566,519	-	-	566,519	(231,139)	**335,380**
Dividend distributions	-	-	-	-	-	-	-	-	-	(393,350)	**(393,350)**
Loss for the period	-	-	-	-	-	-	(20,540,806)	-	(20,540,806)	(960,210)	**(21,501,016)**
Balance as at 31 March 2007	**104,910,267**	**243,858,814**	**9,169,679**	**-**	**-**	**483,275**	**(31,891,736)**	**35,589,741**	**362,120,040**	**153,319**	**362,273,359**
Balance as at 31 December 2007 as previously reported	**104,910,267**	**220,182,481**	**10,559,039**	**3,007,539**	**-**	**343,039**	**(53,499,993)**	**40,063,860**	**325,566,232**	**14,986,680**	**340,552,912**
Effect of adoption of IFRIC 12 (Note 43)	**-**	**-**	**-**	**-**	**-**	**-**	(447,717)	**-**	(447,717)	**-**	**(447,717)**
Balance as at 31 December 2007 as restated	**104,910,267**	**220,182,481**	**10,559,039**	**3,007,539**	**-**	**343,039**	**(53,947,710)**	**40,063,860**	**325,118,515**	**14,986,680**	**340,105,195**
Change in revaluation surplus	-	-	-	(85,402)	-	-	102,486	-	17,084	-	**17,084**
Transfers	-	-	481,188	-	-	-	(546,820)	-	(65,632)	65,632	**-**
Exchange differences on translation reserves	-	-	-	-	-	(1,729,919)	-	-	(1,729,919)	(171,281)	**(1,901,200)**
Change in cash flow hedge reserve	-	-	-	-	(14,337,959)	-	-	-	(14,337,959)	-	**(14,337,959)**
Dividend distributions	-	-	-	-	-	-	-	-	-	(596,506)	**(596,506)**
Loss for the period	-	-	-	-	-	-	(30,787,685)	-	(30,787,685)	380,905	**(30,406,780)**
Balance as at 31 March 2008	**104,910,267**	**220,182,481**	**11,040,227**	**2,922,137**	**(14,337,959)**	**(1,386,880)**	**(85,179,729)**	**40,063,860**	**278,214,404**	**14,665,430**	**292,879,834**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Interim Statement of Cash Flows
For the Three-Month Period Ended 31 March 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	(Unaudited) Three-month period ended 31 March 2008	(Unaudited) Restated (*) Three-month period ended 31 March 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(30,406,780)**	**(21,501,016)**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Amortisation of airport operation right	14-19	4,719,614	4,718,643
Depreciation of property and equipment	14-17	2,733,629	2,140,501
Amortisation of intangible assets	14-18	989,331	623,394
Amortisation of concession asset	21	36,384,235	34,715,097
Non-recoverable VAT related to concession payments			2,552,789
Provision for employment termination benefits	31	1,205,735	547,778
Provision/(reversal of provision) for doubtful receivables		806,032	(163,887)
Provision released for tax penalties	34	(971,957)	-
Discount on receivables and payables		130,926	302,785
Gain on sale of property and equipment		(268,030)	(21,180)
Unused vacation accrual	34	(434,466)	181,666
Reversal of provision for slow moving inventory		(5,614)	(66,061)
Unrealized foreign exchange differences on loans		(37,706,797)	(11,091,548)
Interest expense on financial liabilities		22,688,514	13,628,483
Income tax expense/(benefit)	16	3,858,674	(3,310,876)
Marked to market valuation of derivative instruments		3,320,025	(1,779,825)
Cash flows (used in)/from operating activities		**7,043,071**	**21,476,743**
Change in trade receivables		615,420	7,956,665
Change in inventories		245,202	(1,489,296)
Change in due from related parties		(8,550,199)	1,111,037
Change in restricted bank balances		22,342,548	45,979,051
Change in advances received		92,154	(472,207)
Change in other receivables and current assets		(1,038,331)	(32,839,454)
Change in trade payables		33,134,790	(17,325,018)
Change in due to related parties		(27,158,096)	(23,393,660)
Change in other payables and provisions		(740,735)	187,349
Change in other long term assets		3,946,054	(38,324)
Additions to prepaid concession expenses		(95,196,117)	(107,355,756)
Change in VAT portion of prepaid rent		38,605,549	16,226,263
Cash generated used in operations		**(26,658,690)**	**(89,976,607)**
Income taxes paid		(3,970,309)	(449,513)
Interest paid		(7,569,738)	(8,272,414)
Retirement benefits paid		(239,088)	(156,657)
Net cash used in operating activities		**(38,437,825)**	**(98,855,191)**

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

Consolidated Interim Statement of Cash Flows
For the Three-Month Period Ended 31 March 2008
(Amounts expressed in Euro unless otherwise stated)

	Notes	(Unaudited) Three-month period ended 31 March 2008	(Unaudited) Restated (*) Three-month period ended 31 March 2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale/(acquisition) of investments held for trading		248,683	(78,325)
Proceeds from sale of property and equipment		882,732	81,631
Acquisition of property and equipment	17	(1,952,647)	(2,238,969)
Additions to airport operation right	19	(36,211,476)	(15,330,967)
Acquisition of intangible assets	18	(547,535)	(117,271)
Net cash used in investing activities		**(37,580,243)**	**(17,683,901)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings raised		440,000,000	20,429,571
Repayment of borrowings		(508,435,883)	(65,318,734)
Change in restricted bank balances		122,494,313	106,692,480
Increase in premium in excess of par		-	48,300,648
Change in revaluation surplus and translation reserves		(2,159,373)	-
Change in cash flow hedge reserve		(14,337,959)	-
Increase of share capital		-	5,366,739
Minority change		(321,250)	(1,310,862)
Addition in/(payments of) finance lease liabilities		(52,394)	57,193
Dividends paid		-	(393,350)
Net cash from financing activities		**37,187,454**	**113,823,685**
NET DECREASE FROM CASH AND CASH EQUIVALENTS		**(38,830,614)**	**(2,715,407)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26	**62,681,735**	**11,672,235**
CASH AND CASH EQUIVALENTS AT 31 MARCH	26	**23,851,121**	**8,956,828**

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

(Amounts expressed in Euro unless otherwise stated)

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(Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY

TAV Havalimanları Holding A.Ş. (formerly known as "TAV Havalimanları 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 Havalimanları Holding A.Ş. The address of the Company's registered office is İstanbul Atatürk Havalimanı Dış Hatlar Terminali 34149 Yeşilköy, İstanbul, Turkey.

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

TAV, its subsidiaries and its joint ventures are collectively referred to as "the Group" in this report. The Company's subsidiaries as at 31 March are as follows:

			31 March 2008		31 December 2007	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul")	İstanbul Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa")	Ankara Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir")	İzmir Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Tunisia SA (" TAV Tunisia")	Airport Operator	Tunisia	100.00	100.00	100.00	100.00
TAV Batumi Operations LLC ("TAV Batumi")	Airport Management Service Provider	Georgia	60.00	100.00	60.00	100.00
Batumi Airport LLC	Airport Operator	Georgia	-	100.00	-	100.00
TAV Gazipaşa Yapım, Yatırım ve İşletme A.Ş ("TAV Gazipaşa")	Airport Operator	Turkey	100.00	100.00	-	-
HAVAŞ Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ")	Ground Handling Services	Turkey	100.00	100.00	100.00	100.00
BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA")	Food and Beverage Services	Turkey	66.66	66.66	66.66	66.66
BTA Georgia LLC ("BTA Georgia")	Food and Beverage Services	Georgia	66.66	66.66	66.66	66.66
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

(Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY (continued)

BTA, TAV İşletme, TAV İstanbul, ATÜ and insignificant amount of TAV Esenboğa were acquired from parents of the Company on 29 December 2005. Although the Company owned insignificant amount of shares of TAV Esenboğa in 2005, it had the power to appoint and remove the majority of the board of directors and control the entity by the board.

Accordingly, as at 31 December 2005, TAV Esenboğa was reflected as a subsidiary due to a formal protocol signed between TAV and shareholders of TAV Esenboğa which transfers all operational and financial control of TAV Esenboğa to TAV. On 29 December 2006 and 6 July 2007, TAV acquired the majority interest in TAV Esenboğa, increasing ownership interest from 0.01 % to 75% and from 75% to 100%, respectively.

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

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

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

Description of Operations

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

1. REPORTING ENTITY (continued)

BOT Agreements

The airport terminals operated by the Group are as follows:

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 Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

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

Ankara Esenboğa International Airport

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

İzmir Adnan Menderes International Airport

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

Tbilisi International Airport

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

1. REPORTING ENTITY (continued)

Batumi International Airport

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

Tunisia Monastir and Enfidha International Airports

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

Gazipaşa Airport

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

Operations Contracts

BOT operations and management contracts include the following:

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

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

Catering and airport hotel services – The Group has the right to manage all food and beverage operations within the 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 – As a lessor, the Group leases office space in the airport terminal including the offices leased to the airlines for ticket office and banks.

1. REPORTING ENTITY (continued)

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

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

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

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

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

The Group employs approximately 10,855 (average: 10,741) people as at 31 March 2008, 10,792 (average: 9,473) people as at 31 December 2007.

Growth of the Group

The Group has experienced major and rapid growths in the recent years following the award of contracts at İstanbul Atatürk Airport, İzmir Adnan Menderes Airport, Ankara Esenboğa Airport, Tbilisi International Airport, Batumi International Airport, Antalya Gazipaşa Airport and Tunisia Monastir and Enfidha International Airports. In connection with these contracts, the Group constructed the airports or made large prepayments for operational leasing under the terms of concession agreements with airport authorities. 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 2008 as the construction was primarily completed in 2006, except İstanbul Airport that has been in operation since July 2005.

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

The Group's consolidated interim financial statements were approved by the Board of Directors on 06 June 2008.

b) Basis of measurement

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

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

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

c) Functional and presentation currency

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

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

Company	Functional Currency
TAV Holding	EUR
TAV İstanbul	EUR
ATÜ	EUR
HAVAŞ	EUR
BTA	TRY
TAV Esenboğa	EUR
TAV İzmir	EUR
TAV Tunisia	EUR
TAV Gazipaşa	EUR
TAV Tbilisi	Georgian Lari ("GEL")
TAV Batumi	GEL
Batumi Airport LLC	GEL
TAV İşletme	TRY
TAV Bilişim	EUR
TAV Güvenlik	TRY
ATU Georgia	GEL
BTA Georgia	GEL
TAV İşletme Georgia	GEL

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgements

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

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

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

Note 7 – acquisition of subsidiaries and minority interests

Note 18 – valuation of intangible assets

Note 22 – utilisation of tax losses

Note 31 – measurement of reserve for employee severance indemnity

Notes 34 and 39 – provisions and contingencies

Note 38 – valuation of financial instruments

3. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts have been reclassified to conform with the current year's presentation (See note 41).

a) Basis of consolidation

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

Each entity is consolidated based on the following methods:

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

- BTA, TAV İşletme, TAV Bilişim, Batumi Airport LLC and TAV Güvenlik are fully consolidated with the minority's ownership reflected as a minority interest. The share capital of Batumi Airport LLC is fully allocated as minority interest due to the transfer of right on shares to JSC at the end of share management agreement period.

- ATÜ and TAV Tbilisi are proportionally consolidated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Subsidiaries:

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

ii) Acquisitions from entities under common control:

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated interim financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity. The increase in Group's shareholding in TAV Esenboğa from 75% to 100% in 2006 was accounted as described above.

iii) Jointly controlled entities:

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

iv) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture.

v) Business combinations for independent third party purchases:

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

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency

i) Foreign currency transactions:

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

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

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

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

Year:	31 March 2008	31 December 2007	31 March 2007	31 December 2006
TRY/EUR	2.0156	1.7102	1.8383	1.8515
GEL/EUR	2.3271	2.3315	2.2642	2.2562

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.

ii) Foreign operations:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) <u>Financial instruments</u>

i) Non-derivative financial instruments:

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

Accounting for finance income and expense is discussed in note 3(o).

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

Financial assets at fair value through profit or loss

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

Other

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

ii) Derivative financial instruments:

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

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

Economic hedge

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

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 cross currency and interest rate derivative contracts) to manage their risks associated with interest rate fluctuations relating to certain firm commitments and forecasted transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

ii) Derivative financial instruments: (continued)

Cash flow hedge

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge) or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and that are highly effective, are recognised in equity as cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts booked under equity are transferred to the statement of income and classified as revenue or expense in the period in which the hedged firm commitment or forecasted transaction affects the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under "Financial Instruments" ("IAS 39"), any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the statement of income. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Subsidaries, TAV Istanbul, TAV Esenboğa and TAV İzmir enter into swap transactions in order to diminish exposure to foreign currency mismatch relating to DHMI installments and interest rate risk to manage exposure to the floating interest rates relating to loans used. Swap transactions, which are considered as cash flow hedge instruments in accordance with International Accounting Standards (IAS) are recognized in the income statements in accordance with hedge accounting. Such subsidiaries valuate their swap transactions based on fair value and net profit or loss is recognized in "cash flow hedge reserve" under shareholders' equity since 1 January 2008.

iii) Share capital:

Ordinary shares are classified as equity.

d) Property and equipment

i) Recognition and measurement:

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "operating income/(expense), net" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

ii) Subsequent costs:

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

iii) Depreciation:

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

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

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

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

e) Intangible assets

i) Goodwill:

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

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

Acquisitions of minority interests

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Intangibles recognized in business combination:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

ii) Intangibles recognized in business combination: (continued)

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

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

iii) Other intangible assets:

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

iv) Subsequent expenditure:

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

v) Amortisation:

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

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

f) Airport operation right

The right to charge users of an airport for services, provided there is no unconditional right to receive cash, is recognised as an intangible asset.

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

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Airport operation right (continued)

The consideration receivable for the construction services delivered includes direct costs of construction and borrowing and other similar costs that are directly related to the construction of the airport and related infrastructure for TAV Tbilisi and TAV Tunisia and less the receivables for guaranteed passengers from DHMİ for TAV İzmir and TAV Esenboğa.

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

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:

	Restated at 31 December 2007	Previously Reported at 31 December 2007
Airport operation right	298,366,424	-
Trade receivables (net)	229,349,430	25,407,313
Deferred tax assets	21,229,004	21,142,581
Build-operate-transfer ("BOT") Inventory	-	502,842,676

	Restated at 31 March 2007	Previously Reported at 31 March 2007
Contruction revenue	266,467,956	-
Aviation income	20,618,209	24,924,413
Income tax benefit /(expense)	3,683,966	3,145,127
Discount interest (expense)/income-net	88,688	(302,785)
Cost of construction	(267,496,277)	-
Depreciation and amortization expense	(9,347,989)	(11,698,867)

g) Leased assets

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

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

h) Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment

i) Financial assets:

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

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

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

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

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

ii) Non-financial assets:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) <u>Reserve for employee severance indemnity</u>

In accordance with the existing labor law in Turkey, the Group entities operating in Turkey are is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TRY 2,088 as at 31 March 2008 (equivalent to EUR 1,036 as at 31 March 2008) (31 December 2007: TRY 2,030 (equivalent to EUR 1,187 as at 31 December 2007)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying financial statements on a current basis. The management of the Company used some assumptions (detailed in Note 31) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

k) <u>Provisions</u>

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

l) <u>Accounting for operations contract (TAV İstanbul)</u>

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

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

m) <u>Revenue</u>

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Revenue (continued)

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

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

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

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

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

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

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

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

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

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

n) Lease payments

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

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

o) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss1 using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Income tax

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

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

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

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

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

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.

q) Earnings per share

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

r) Segment reporting

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) <u>New standards and interpretations not yet adopted</u>

A number of new standards, amendments to standards and interpretations are not yet effective for the three-month ended 31 March 2008 and have not been applied in preparing these consolidated interim financial statements:

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009. The Group currently capitalizes the borrowing costs and there will be no change in current situation after adaptation of revised IAS 23.

Revised IFRS 3 *Business Combinations* made changes to the scope of IFRS 3, revised the definition of business, made some revisions at recognition principles of acquired assets and enhanced the disclosure requirements. The revised standard is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted for annual periods beginning on or after 30 June 2007 providing that the entity also applies IAS 27 in the same period.

Revised IAS 27 *Consolidated and Separate Financial Statements* mainly changes the accounting for non-controlling interest and the loss of control of a subsidiary. The revised standard is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted providing that the entity also applies IFRS 3 in the same period.

Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of "non vesting conditions", requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 is effective for annual periods beginning on or after 1 January 2009, with early adoption permitted and is not expected to have any effect on the consolidated interim financial statements.

Amendments to "IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation"* improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments will apply for annual periods beginning on or after 1 January 2009, with earlier application is permitted and is not expected to have any effect on the consolidated interim financial statements.

Revised IAS 1 *Presentation of Financial Statements* does not change the recognition measurement or disclosure of transactions and events that are required by other IFRSs. The revised standard introduces as a financial statement the "statement of comprehensive income". The revised standard is effective for annual financial periods beginning on or after 1 January 2009, with early adoption permitted.

IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 consolidated financial statements, is not expected to have any impact on the financial statements

IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's management in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business segments (note 6). Considering the growth of existing operations and new opportunities abroad, the Company plans to present segment information in respect of both its business segments and geographic segments.

4. DETERMINATION OF FAIR VALUES

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

(i) Property and equipment

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

(ii) Intangible assets

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

(iii) Investments in equity securities

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

(iv) Trade and other receivables

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

(v) Derivatives

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

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

(vi) Non-derivative financial liabilities

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

5. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

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

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

The Group is in a process of establishing a Risk Management Department but presently through its training and management standards and procedures, group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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

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

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

Credit risk

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Company as mentioned in Note 34.

i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 March 2008, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro, but also USD and TRY which are disclosed within the relevant notes to these financial statements. The Group manages this currency risk by maintaining foreign currency cash balances. The currency risk is managed by using of some financial intruments as mentioned in note 36.

DHMİ installments Group, have been hedged using cross currency swap contracts that mature on the same dates that DHMİ installments are due for payment.

ii) Interest rate risk

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

Capital management

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

The Board of Directors also monitors the level of dividends to ordinary shareholders.

6. SEGMENT REPORTING

Business Segments:

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

- ***Terminal operations:*** Operating Terminal Buildings, the Car Park and the General Aviation Terminal, the Group companies included in this segment are TAV İstanbul, TAV Esenboğa, TAV İzmir, TAV Gazipaşa, TAV Tunisia, TAV Tbilisi, and TAV Batumi. TAV Tbilisi and TAV Batumi also include the ground handling operations, and parking-apron-taxi ways as they are not outsourced and are run by the airport.

- ***Catering operations:*** Managing all food and beverage operations of the terminal, both for the passengers and the terminal personnel, which is run by BTA.

- ***Duty free operations:*** Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATÜ.

- ***Ground handling and bus operations:*** Providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation license. The Group operates the ground handling services through HAVAŞ, which also provides bus operations.

- ***Other:*** Providing lounge services, IT and Security services, the Group companies included in this segment are TAV Holding, TAV İşletme, TAV Bilişim and TAV Güvenlik.

The operations of the Group comprising 87.8% of total consolidated assets and 98.4% of total revenue are generated from one geographical segment, Turkey. Therefore, segment reporting is presented only for the business segments.

(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING (continued)

31 March 2008	Terminal Operations	Catering Operations	Duty Free Operations	Ground Handling and Bus Operations	Other Operations	Consolidation Eliminations	Consolidated
External revenues	48,882,376	9,185,899	32,999,246	18,749,397	4,709,810	-	114,526,728
Inter –segment revenue	19,788,752	2,267,858	72	11,595	3,215,381	(25,283,658)	-
Construction revenue	36,211,476	-	-	-	-	-	36,211,476
Construction expenditure	(34,487,120)	-	-	-	-	-	(34,487,120)
Operating expenses	(55,897,388)	(11,515,721)	(30,895,680)	(18,848,142)	(6,389,968)	21,236,293	(102,310,606)
Other operating income	3,453,420	1,781,661	659,759	540,102	2,723,019	(3,199,014)	5,958,947
Other operating expenses	(17,675,269)	(1,106,252)	(759,428)	(2,275,909)	(3,055,674)	7,212,367	(17,660,165)
Operating profit	**276,247**	**613,445**	**2,003,969**	**(1,822,957)**	**1,202,568**	**(34,012)**	**2,239,260**
Net finance expense							(28,787,366)
Income tax benefit							(3,858,674)
Loss for the period							**(30,406,780)**
Other information							
Segment assets	1,091,819,896	12,664,965	31,567,991	52,682,631	642,848,465	(479,263,461)	1,352,320,487
Total assets							**1,352,320,487**
Segment liabilities	(859,715,652)	(11,441,870)	(27,166,180)	(14,560,931)	(193,580,156)	47,024,136	(1,059,440,653)
Total liabilities							**(1,059,440,653)**
Additions to tangible, intangible assets and airport operation right	36,784,549	228,580	293,182	1,153,529	251,818	-	38,711,658
Tangible, intangible assets and airport operation right depreciation and amortization	(5,406,414)	(492,485)	(139,060)	(1,832,667)	(571,949)	-	(8,442,575)
Concession rent expense	36,384,235						36,384,235
Additions to prepaid concession expenses	95,196,117						95,196,117

(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING (continued)

31 March 2007	Terminal Operations	Catering Operations	Duty Free Operations	Ground Handling and Bus Operations (*)	Other Operations	Consolidation Eliminations	Consolidated
External revenues	40,468,844	8,295,269	27,774,845	9,455,767	4,318,830	-	90,313,555
Inter –segment revenue	16,585,082	1,636,569	-	6,800	3,855,086	(22,083,537)	-
Construction revenue	15,330,965	-	-	-	-	-	15,330,965
Construction expenditure	(16,359,286)	-	-	-	-	-	(16,359,286)
Operating expenses	(48,789,716)	(9,429,127)	(26,723,210)	(9,694,225)	(4,570,031)	17,610,407	(81,595,902)
Other operating income	3,421,210	277,433	615,317	103,570	960,000	(1,233,706)	4,143,824
Other operating expenses	(18,155,880)	(1,132,469)	(464,279)	(1,598,499)	(6,985,228)	6,857,864	(21,478,491)
Operating profit	**(7,498,781)**	**(352,325)**	**1,202,673**	**(1,726,587)**	**(2,421,343)**	**1,151,028**	**(9,645,335)**
Net finance costs							(15,166,557)
Income tax expense							3,310,876
Loss for the period							**(21,501,016)**
Other information							
Segment assets	1,132,753,374	13,763,826	30,460,621	33,088,341	539,583,505	(447,846,075)	1,301,803,592
Total assets							**1,301,803,592**
Segment liabilities	(914,655,814)	(10,970,236)	(27,465,384)	(14,039,015)	(118,992,853)	136,143,734	(949,979,568)
Total liabilities							**(949,979,568)**
Additions to tangible, intangible assets and airport operation right	15,517,139	577,147	200,327	1,315,024	77,568	-	17,687,205
Tangible, intangible assets and airport operation right depreciation and amortization	(5,193,240)	(404,629)	(73,028)	(1,195,439)	(469,332)	(146,870)	(7,482,538)
Concession rent expense	34,715,097	-	-	-	-	-	34,715,097
Additions to concession expenses	107,355,756	-	-	-	-	-	107,355,756

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

(Amounts expressed in Euro unless otherwise stated)

7. ACQUISITION OF SUBSIDIARIES AND MINORITY INTERESTS

An analysis of goodwill for the period ended 31 March 2008 and the year ended 31 December 2007 is as follows:

	31 March 2008	31 December 2007
Balance at 1 January	131,564,539	72,717,730
Addition during the period/year	-	58,846,809
Balance at period/year end	**131,564,539**	**131,564,539**

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

Park Holding has received EUR 6,531,487 as advance dividend from HAVAŞ in 2007 prior to change in shareholder structure of HAVAŞ. HAVAŞ will net off such amount from the dividend payable to TAV Holding at the year end.

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

Net assets acquired	Acquiree's carrying amount before combination	Fair value adjustments	Recognized values on acquisition
Property and equipment	9,452,617	-	9,452,617
Intangible assets	90,737	10,202,525	10,293,262
Investment	484,459	-	484,459
Inventories	259,947	-	259,947
Trade receivables	5,814,627	-	5,814,627
Cash and cash equivalents	1,987,048	-	1,987,048
Other assets	597,351	-	597,351
Retirement benefit obligation	(748,840)	-	(748,840)
Bank loans	(925,974)	-	(925,974)
Trade payables	(1,648,538)	-	(1,648,538)
Other liabilities and tax payables	(4,094,744)	-	(4,094,744)
Deferred tax liability	(270,096)	(1,614,595)	(1,884,691)
	10,998,594	8,587,930	19,586,524
Goodwill			58,846,809
Total consideration, satisfied by cash			**78,433,333**
Net cash outflow arising on acquisition			
Cash consideration paid			78,433,333
Cash and cash equivalents acquired			(1,987,048)
			76,446,285

(Amounts expressed in Euro unless otherwise stated)

7. ACQUISITION OF SUBSIDIARIES AND MINORITY INTERESTS (continued)

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values). In determining the fair value of patents and trademarks acquired, the Group applied a discount rate of nine percent to the estimated royalty payments avoided.

8. CONSTRUCTION REVENUE AND EXPENDITURE

An analysis of the Group's construction revenue and expenditure for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	**Three-month period ended 31 March 2007**
Construction expenditure	**34,487,120**	**16,359,286**
Mark up on construction expenditure	1,724,356	(1,028,321)
Constuction revenue	**36,211,476**	**15,330,965**

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

In 2006, the Company estimated the construction margin applicable to similar contracts and development work to be 22% in Georgia. Subsequently, during 2007 as a result of increased costs to completion, the actual construction margin achieved has been reduced to 15%. The reduction from 22% to 15% on the total construction expenditure has been recorded as a reduction of construction revenue for the period ended 31 March 2007.

9. OPERATING REVENUE

An analysis of the Group's revenue for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	**Three-month period ended 31 March 2007**
Sales of duty free goods	32,999,318	27,774,845
Aviation income	24,553,337	20,618,209
Ground handling income (*)	15,770,689	7,664,253
Commission from sales of duty free goods	14,553,140	12,951,197
Catering services income	8,805,593	7,456,516
Income from car parking operations	4,901,517	4,247,114
Area allocation income	4,955,716	3,509,811
Bus services income	3,487,142	2,061,261
Income from lounge services	2,710,299	1,222,314
Other operating revenue	1,789,977	2,808,035
Total revenue	**114,526,728**	**90,313,555**

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

10. OTHER OPERATING INCOME

An analysis of the Group's other operating income for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Advertising income	2,283,653	2,191,489
Rent income from sublease	1,905,941	461,325
Utility and general participation income (*)	253,914	1,164,230
Other	1,515,439	326,780
Total other operating income	**5,958,947**	**4,143,824**

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

11. PERSONNEL EXPENSES

An analysis of the Group's personnel expenses for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Wages and salaries and other personal related expenses	33,762,154	22,512,555
Increase in liability for long-service leave	1,114,653	173,047
Total personnel expenses	**34,876,807**	**22,685,602**

12. CONCESSION RENT EXPENSES

An analysis of the Group's concession rent expenses for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
TAV İstanbul	35,102,923	34,715,097
TAV Tunisia (*)	1,281,312	-
Total concession expenses	**36,384,235**	**34,715,097**

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

(Amounts expressed in Euro unless otherwise stated)

13. OTHER OPERATING EXPENSES

An analysis of the Group's other operating expense for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
VAT non-recoverable	3,121,920	3,541,431
Utility cost	2,791,362	3,898,464
Insurance expense	1,953,282	2,490,652
Provision expense	1,932,172	32,161
Cleaning expense	1,809,756	1,410,914
Maintenance expenditures	1,649,887	1,732,434
Consultancy expense	1,238,236	3,881,264
Traveling and transportation expenses	649,526	860,702
Communication and stationary expenses	474,388	532,860
Rent expense	459,955	304,234
Advertisement and marketing expenses	247,584	806,871
Taxes	171,931	483,583
Representation expenses	147,452	264,892
Security cost	97,094	69,088
Other operating expenses	915,620	1,168,941
Total other operating expenses	**17,660,165**	**21,478,491**

14. DEPRECIATION AND AMORTISATION

An analysis of the Group's depreciation and amortisation expenses for the three-month period ended 31 March is as follows:

	Airport Operation Right	Property and equipment	Other intangible assets	Total
Balance at 1 January 2007	**6,343,177**	**35,694,200**	**3,064,906**	**45,102,283**
Foreign currency translation effect	(2,014)	18,226	(30,095)	(13,883)
Current period charges	4,718,643	2,140,501	623,394	7,482,538
Disposals	-	(33,915)	-	(33,915)
Balance at 31 March 2007	**11,059,806**	**37,819,012**	**3,658,205**	**52,537,023**
Balance at 1 January 2008	**25,093,739**	**56,695,410**	**6,087,281**	**87,876,430**
Foreign currency translation effect	9,058	(740,567)	(65,841)	(797,350)
Current period charges	4,719,614	2,733,629	989,331	8,442,574
Disposals	-	(334,318)	-	(334,318)
Balance at 31 March 2008	**29,822,411**	**58,354,154**	**7,010,771**	**95,187,336**

(Amounts expressed in Euro unless otherwise stated)

15. FINANCE INCOME AND EXPENSE

Recognised in profit or loss

An analysis of the Group's finance income and expense for the three-month period ended 31 March is as follows:

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Interest income on bank deposits and intercompany loans	3,000,968	2,675,899
Fair value of derivatives	-	949,564
Discount income	372,625	88,688
Other finance income	173	9,499
Foreign exchange gain, net	-	603,184
Finance income	**3,373,766**	**4,326,834**
Interest expense on financial liabilities and intercompany loans	(17,006,705)	(14,534,182)
Fair value of derivatives	(6,858,247)	-
Commission expense	(316,503)	(451,111)
Bank charges and other finance costs (*)	(3,766,452)	(4,508,098)
Foreign exchange loss, net	(4,213,225)	-
Finance expense	**(32,161,132)**	**(19,493,391)**
Net finance expense	**(28,787,366)**	**(15,166,557)**

(*) Other finance costs include consultancy expenses charged for loans used as project financing facilities. In addition, it includes interest expense amounting to EUR 500,963 on tax penalties mentioned in Note 34.

Recognized directly in equity

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Foreign currency translation differences for foreign operations	(1,729,919)	566,519
	(1,729,919)	**566,519**

16. INCOME TAX EXPENSE

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Current tax expense		
Current period	1,272,344	621,470
	1,272,344	621,470
Deferred tax benefit		
Origination and reversal of temporary differences	2,586,330	(3,932,346)
Total income tax expense/(benefit)	**3,858,674**	**(3,310,876)**

Corporate Tax:

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

16. INCOME TAX EXPENSE (continued)

The effective rate of tax in 31 March 2008 is 3% (31 March 2007: 2%).

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

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

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

Income withholding tax:

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

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

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

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

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

Transfer pricing regulations:

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

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

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

17. PROPERTY AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Advances given and other PPE	Total
<u>Cost</u>									
Balance at 1 January 2007	**585,724**	**433,914**	**31,106,203**	**10,094,158**	**12,244,390**	**15,030,502**	**-**	**6,266**	**69,501,157**
Effect of movements in exchange rates	-	(1,615)	(28,979)	(10,467)	57,552	29,285	-	43	45,819
Additions	-	-	59,742	1,235,642	508,622	376,781	-	58,182	2,238,969
Disposals	-	-	-	(49,536)	(26,087)	-	-	(6,008)	(81,631)
Balance at 31 March 2007	**585,724**	**432,299**	**31,136,966**	**11,269,797**	**12,784,477**	**15,436,568**	**-**	**58,483**	**71,704,314**
Balance at 1 January 2008	**14,533,311**	**252,595**	**50,581,208**	**14,618,527**	**15,638,912**	**26,005,111**	**1,211,341**	**1,169,261**	**124,010,266**
Effect of movements in exchange rates	26,372	322	(144,909)	(28,275)	(999,284)	(1,026,192)	-	-	(2,171,966)
Additions	-	6,526	379,027	105,036	572,714	274,018	411,180	204,146	1,952,647
Disposals	-	(171,038)	(89,329)	(236,933)	(22,792)	(1,548)	-	(91,401)	(613,041)
Transfers	-	-	-	-	-	10,887	(10,887)	-	-
Balance at 31 March 2008	**14,559,683**	**88,405**	**50,725,997**	**14,458,355**	**15,189,550**	**25,262,276**	**1,611,634**	**1,282,006**	**123,177,906**

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

17. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Advances given and other PPE	Total
Accumulated depreciation									
Balance at 1 January 2007	**-**	**52,221**	**22,686,231**	**3,656,814**	**5,554,756**	**3,744,178**	**-**	**-**	**35,694,200**
Effect of movements in exchange rates	-	(266)	(326)	(2,812)	21,032	598	-	-	18,226
Depreciation for the year	-	9,991	585,862	621,901	463,436	459,311	-	-	2,140,501
Eliminated on disposals	-	-	-	(31,752)	(2,163)	-	-	-	(33,915)
Balance at 31 March 2007	**-**	**61,946**	**23,271,767**	**4,244,151**	**6,037,061**	**4,204,087**	**-**	**-**	**37,819,012**
Balance at 1 January 2008	**-**	**61,760**	**36,858,002**	**4,695,449**	**7,793,590**	**7,286,609**	**-**	**-**	**56,695,410**
Effect of movements in exchange rates	-	70	(46,289)	(10,103)	(505,428)	(178,817)	-	-	(740,567)
Depreciation for the year	-	4,946	689,164	535,591	621,679	882,249	-	-	2,733,629
Eliminated on disposals	-	(47,948)	(49,280)	(228,562)	(8,456)	(72)	-	-	(334,318)
Balance at 31 March 2008	**-**	**18,828**	**37,451,597**	**4,992,375**	**7,901,385**	**7,989,969**	**-**	**-**	**58,354,154**
Carrying amounts									
At 31 March 2007	**585,724**	**370,353**	**7,865,199**	**7,025,646**	**6,747,416**	**11,232,481**	**-**	**58,483**	**33,885,302**
At 31 December 2007	**14,533,311**	**190,835**	**13,723,206**	**9,923,078**	**7,845,322**	**18,718,502**	**1,211,341**	**1,169,261**	**67,314,856**
At 31 March 2008	**14,559,683**	**69,577**	**13,274,400**	**9,465,980**	**7,288,165**	**17,272,307**	**1,611,634**	**1,282,006**	**64,823,752**

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

18. INTANGIBLE ASSETS

	Purchased software	Customer relationships	DHMİ license	Total
Cost				
Balance at 1 January 2007	**6,262,980**	**13,539,909**	**1,393,814**	**21,196,703**
Effect of movements in exchange rates	(315,602)	-	-	(315,602)
Additions	117,271	-	-	117,271
Balance at 31 March 2007	**6,064,649**	**13,539,909**	**1,393,814**	**20,998,372**
Balance at 1 January 2008	**7,930,596**	**23,228,550**	**5,323,771**	**36,482,917**
Effect of movements in exchange rates	(131,443)	-	-	(131,443)
Additions	547,535	-	-	547,535
Disposals	(1,661)	-	-	(1,661)
Balance at 31 March 2008	**8,345,027**	**23,228,550**	**5,323,771**	**36,897,348**
Amortization				
Balance at 1 January 2007	**1,033,920**	**2,030,986**	-	**3,064,906**
Effect of movements in exchange rates	(30,095)	-	-	(30,095)
Amortization for the period	284,896	338,498	-	623,394
Balance at 31 March 2007	**1,288,721**	**2,369,484**	**-**	**3,658,205**
Balance at 1 January 2008	**2,536,257**	**3,551,024**	-	**6,087,281**
Effect of movements in exchange rates	(65,841)	-	-	(65,841)
Amortization for the period	484,785	504,546	-	989,331
Balance at 31 March 2008	**2,955,201**	**4,055,570**	**-**	**7,010,771**
Carrying amounts				
At 31 March 2007	**4,775,928**	**11,170,425**	**1,393,814**	**17,340,167**
At 31 December 2007	**5,394,339**	**19,677,526**	**5,323,771**	**30,395,636**
At 31 March 2008	**5,389,826**	**19,172,980**	**5,323,771**	**29,886,577**

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

19. AIRPORT OPERATION RIGHT

	Ankara Esenboğa International Airport	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Total
Cost					
Balance at 1 January 2007	109,110,020	70,176,233	40,789,131	-	220,075,384
Effect of movements in exchange rates	-	-	784,173	-	784,173
Additions	1,752,757	6,666,296	6,911,914	-	15,330,967
Balance at 31 March2007	**110,862,777**	**76,842,529**	**48,485,218**	**-**	**236,190,524**
Balance at 1 January 2008	111,500,212	80,422,361	50,661,861	80,875,729	323,460,163
Effect of movements in exchange rates	-	-	95,795	-	95,795
Additions	-	-	-	36,211,476	36,211,476
Balance at 31 March 2008	**111,500,212**	**80,422,361**	**50,757,656**	**117,087,205**	**359,767,434**

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

19. AIRPORT OPERATION RIGHT (continued)

	Ankara Esenboğa International Airport	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Total
Accumulated Depreciation					
Balance at 1 January 2007	1,367,925	2,544,304	2,430,948	-	6,343,177
Effect of movements in exchange rates	-	-	(2,014)	-	(2,014)
Depreciation for the year	1,678,846	2,424,556	615,241	-	4,718,643
Balance at 31 March 2007	**3,046,771**	**4,968,860**	**3,044,175**	**-**	**11,059,806**
Balance at 1 January 2008	8,083,308	12,242,527	4,767,904	-	25,093,739
Effect of movements in exchange rates	-	-	9,058	-	9,058
Depreciation for the year	1,683,446	2,431,198	604,970	-	4,719,614
Balance at 31 March 2008	**9,766,754**	**14,673,725**	**5,381,932**	**-**	**29,822,411**
Carrying amounts					
At 31 March 2007	**107,816,006**	**71,873,669**	**45,441,043**	**-**	**225,130,718**
At 31 December 2007	**103,416,904**	**68,179,834**	**45,893,957**	**80,875,729**	**298,366,424**
At 31 March 2008	**101,733,458**	**65,748,636**	**45,375,724**	**117,087,205**	**329,945,023**

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

20. INVESTMENTS

Non-current investments

Available for sale securities

	Ownership %	31 March 2008	31 December 2007
Unlisted entities			
Cyprus Airports Services Ltd ("CAS") (*)	50.00	1,211,110	1,211,110
TAV Havacılık A.Ş.	3.00	25,277	24,238
		1,236,387	**1,235,348**

Current investments

Investments held for trading

	31 March 2008	31 December 2007
Debt securities		
Government bonds	-	248,683
	-	**248,683**

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 Norhern Cyprus.

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

CAS was established in the Turkish Republic of Norhern Cyprus on 29 December 2006. However, it has not started its operations and has not obtained its operating license as of the balance sheet date, therefore, it was not consolidated in the accompanying consolidated interim financial statements and carried at cost as at 31 March 2008.

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

21. PREPAID CONCESSION EXPENSES

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

31 March 2008	Rent	Prepaid development expenditures	Total
Balance at 31 December 2007	**254,875,995**	**40,076,882**	**294,952,877**
Rent payments	95,196,117	-	95,196,117
Current period concession expense	(34,333,355)	(769,568)	(35,102,923)
	315,738,757	39,307,314	355,046,071
Represented as short term prepaid concession expense	**130,139,617**	**3,086,730**	**133,226,347**
Represented as long term prepaid concession expense	**185,599,140**	**36,220,584**	**221,819,724**

31 December 2007	Rent	Prepaid development expenditures	Total
Balance at 31 December 2006	**293,076,406**	**43,155,178**	**336,231,584**
Correction of error (Note 43)	(7,845,458)	-	(7,845,458)
Restated balance at 31 December 2006	**285,230,948**	**43,155,178**	**328,386,126**
Rent payments	107,355,756	-	107,355,756
Current period concession expense	(137,710,709)	(3,078,296)	(140,789,005)
	254,875,995	40,076,882	294,952,877
Represented as short term prepaid concession expense	**137,710,709**	**3,086,729**	**140,797,438**
Represented as long term prepaid concession expense	**117,165,286**	**36,990,153**	**154,155,439**

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

21. PREPAID CONCESSION EXPENSES (continued)

31 March 2007	Rent	Prepaid development expenditures	Total
Balance at 31 December 2006	**293,076,406**	**43,155,178**	**336,231,584**
Correction of error (Note 41)	(7,845,458)	-	(7,845,458)
Restated balance at 31 December 2006	**285,230,948**	**43,155,178**	**328,386,126**
Rent payments	107,355,756	-	107,355,756
Current period concession expense	(33,956,065)	(759,032)	(34,715,097)
	358,630,639	42,396,146	401,026,785
Represented as short term prepaid concession expense	**137,710,709**	**3,086,730**	**140,797,439**
Represented as long term prepaid concession expense	**220,919,930**	**39,309,416**	**260,229,346**

Rent:

The total rent associated with the concession agreement is USD 2,543,000,000 plus VAT (equivalent to EUR 1,610,507,789 as at 31 March 2008). TAV İstanbul paid 23% of the total amount plus VAT as required by the Concession Agreement. Prepaid VAT amount is disclosed in Note 22. 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:

Year	Amount US Dollar	Amount Euro as at 31 March 2008
2008	98,859,742	62,508,881
2009	139,865,000	88,577,928
2010	139,865,000	88,577,928
2011	139,865,000	88,577,928
2012	139,865,000	88,577,928
After 2013 to 2020	1,118,920,000	708,623,427
	1,777,239,742	**1,125,444,020**

Prepaid development expenditures:

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

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

22. DEFERRED TAX ASSETS and LIABILITIES

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

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

In Turkey, 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.

Recognised deferred tax assets and liabilities

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

	Assets		**Liabilities**		**Net**	
	31 March 2008	**31 December 2007**	**31 March 2008**	**31 December 2007**	**31 March 2008**	**31 December 2007**
PPE, airport operation right, and other intangible assets	8,372,349	15,163,738	(8,633,144)	(5,887,747)	(260,795)	9,275,991
Prepaid concession expenses	-	-	(18,596,273)	(16,095,521)	(18,596,273)	(16,095,521)
Inventories	-	36,955	-	-	-	36,955
Derivatives	4,084,142	3,331,946	-	-	4,084,142	3,331,946
Loans and borrowings	43,227	118,457	(687,730)	(696,970)	(644,503)	(578,513)
Reserve for employee severance indemnity	994,819	965,098	-	-	994,819	965,098
Provisions	477,405	582,488	-	-	477,405	582,488
Receivables and payables	112,114	144,586	(74,882)	(45,463)	37,232	99,123
Other items	418,753	783,338	(25,751)	(97,350)	393,002	685,988
Tax loss carry-forwards	30,965,094	18,344,246	-	-	30,965,094	18,344,246
Deferred tax assets/(liabilities)	**45,467,903**	**39,470,852**	**(28,017,780)**	**(22,823,051)**	**17,450,123**	**16,647,801**
Set off of tax	(22,692,490)	(18,241,848)	22,692,490	18,241,848	-	-
Net deferred tax assets/(liabilities)	**22,775,413**	**21,229,004**	**(5,325,290)**	**(4,581,203)**	**17,450,123**	**16,647,801**

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

22. DEFERRED TAX ASSETS and LIABILITIES (continued)

Movement in temporary differences during the period

	Balance at 1 January 2007	Recognized in profit or loss	Effect of acquisition	Recognized in equity	Balance at 31 December 2007	Recognized in profit or loss	Recognized in equity	Balance at 31 March 2008
PPE, airport operation right, and other intangible assets	(3,353,332)	14,567,053	(1,614,595)	(323,135)	9,275,991	(12,951,085)	3,414,299	(260,795)
Prepaid concession expenses	(5,366,196)	(10,729,325)	-	-	(16,095,521)	(2,500,752)	-	(18,596,273)
Inventories	-	36,955	-	-	36,955	(36,955)	-	-
Trade receivables and payables	232,028	(132,905)	-	-	99,123	(56,184)	(5,707)	37,232
Derivatives	2,005,770	1,326,176	-	-	3,331,946	752,196	-	4,084,142
Loans and borrowings	-	(578,513)	-	-	(578,513)	(65,990)	-	(644,504)
Reserve for employee severance indemnity	614,442	350,656	-	-	965,098	43,346	(13,625)	994,819
Provisions	(237,214)	819,702	-	-	582,488	(95,646)	(9,437)	477,405
Carry forward losses	14,532,000	3,812,246	-	-	18,344,246	12,620,642	206	30,965,094
Other items	1,453,349	(414,415)	(352,946)	-	685,988	(295,901)	2,915	393,002
Tax (assets) liabilities	**9,880,847**	**9,057,630**	**(1,967,541)**	**(323,135)**	**16,647,801**	**(2,586,329)**	**3,388,651**	**17,450,123**

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

22. DEFERRED TAX ASSETS and LIABILITIES (continued)

At the balance sheet date, the Group has unused tax losses of EUR 198,855,592 (31 December 2007: EUR 137,891,661) 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 44,030,124 (31 December 2007: EUR 47,497,970) of tax losses will not be utilized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. A deferred tax asset at the effective tax rate of 3% has been calculated amounting to EUR 30,965,094 (31 December 2007: at the effective rate of 9% EUR 18,344,246). Unutilized tax losses will expire as follows:

	31 March 2008	31 December 2007
Expire in 2009	2,143,736	2,526,555
Expire in 2010	22,945,759	27,043,313
Expire in 2011	61,479,626	82,737,123
Expire in 2012	16,314,006	25,584,670
Expire in 2013	95,972,465	-
Total	**198,855,592**	**137,891,661**

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

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Balance at 31 December	**16,561,378**	**8,916,667**
Correction of error (Note 43)	-	1,611,006
Effect of adoption of IFRIC 12 (Note 43)	86,423	(646,826)
Restated balance at 1 January	**16,647,801**	**9,880,847**
Correction of error on current period charge (Note 43)	-	(412,730)
Effect of adoption of IFRIC 12 on current perion charge (Note 43)	-	165,749
(Charged to)/recovery from profit or loss for the year	(2,586,329)	4,179,327
Translation effect	-	46,411
Recognised in equity	3,388,651	-
Balance at 31 March	**17,450,123**	**13,859,604**

23. INVENTORIES

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

	31 March 2008	31 December 2007
Duty free inventories	4,859,858	5,233,940
Spare parts and other inventories	2,712,199	3,089,020
Catering inventories	899,330	986,516
Advances given for purchase orders	731,565	133,064
	9,202,952	**9,442,540**

In 2008, the write-down of inventories to net realizable value amounted to EUR 5,614 (2007: EUR 119,095). The reversal of write-downs is nil in 2008 (2007: 216,862). The write-down and reversal are included in cost of sales.

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

24. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

Other receivables and current assets:	31 March 2008	31 December 2007
VAT deductible and carried forward (*)	11,609,926	13,401,447
Prepaid taxes and funds	2,602,691	987,220
Business advances given	2,426,569	778,085
Prepaid insurance	1,210,140	2,970,489
Income accruals	1,084,404	447,728
Advances given to personnel	869,282	353,828
Advances to suppliers	144,460	874,461
Advances given to DHMİ for VAT portion (**)	-	20,106,626
Other receivables and prepaid expenses	4,528,517	3,822,346
	24,475,989	**43,742,230**

Other non-current assets:	31 March 2008	31 December 2007
VAT deductible and carried forward (*)	4,273,349	3,974,305
Non-current prepaid insurance expenses	33,511	1,410,939
Advances given to DHMİ for VAT portion (**)	-	18,498,923
Other non-current receivables	290,376	3,425,651
	4,597,236	**27,309,818**

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

(**) Advances given to DHMİ for VAT portion were recovered in 2008. According to the article 4 of the Concession Agreement Related With the Rental of the Operating Rights of İstanbul Atatürk Airport International and Domestic Terminal Buildings, Multi – Storey Car Park and General Aviation Terminal, the total payment made to DHMİ as advance payment is USD 690,170,200 including VAT. The VAT amount within this total amount is USD 105,280,200.
According to the VAT Law, the main fact which generates the VAT should be the delivery of goods or the realization of the service. So, USD 56,686,881 which is calculated by deducting the VAT of concession invoices relating with the years 2005, 2006 and 2007 from the total VAT amount of the advance payment which is USD 105,280,200, is reimbursed to TAV İstanbul Terminal İşletmeciliği A.Ş. by DHMİ by offsetting the above mentioned amount from the concession payment made in January 2008 concerning the year 2008.

25. TRADE RECEIVABLES

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

Trade receivables:	31 March 2008	31 December 2007
Guaranteed passenger fee receivable from DHMİ (*)	26,672,914	24,510,896
Trade receivables	25,791,162	25,221,907
Notes receivable	1,825,760	21,892
Doubtful receivables	2,158,632	1,389,209
Allowance for doubtful receivables (-)	(2,158,632)	(1,389,209)
Other	35,902	163,514
	54,325,738	**49,918,209**
Non-current trade receivables:		
Guaranteed passenger fee receivable from DHMİ (*)	173,650,129	179,431,221
	173,650,129	**179,431,221**

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

25. TRADE RECEIVABLES (continued)

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

Based on the agreements with the lenders, the Group 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.

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

(*) Guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport and İzmir Adnan Menderes Airport as a result of IFRIC 12 application.

26. CASH AND CASH EQUIVALENTS

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

	31 March 2008	**31 December 2007**
Cash on hand	566,931	397,852
Cash at banks		
-Demand deposits	7,915,990	33,019,722
-Time deposits	16,023,250	30,382,010
-Reverse repurchase agreements	391,566	139,750
Other liquid assets	464,383	713,099
Cash and cash equivalents	25,362,120	64,652,433
Bank overdrafts used for cash management purposes	(1,510,999)	(1,970,698)
Cash and cash equivalents in the statement of cash flows	**23,851,121**	**62,681,735**

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

31 March 2008

Original Currency	**Maturity**	**Interest rate %**	**Balance**
EUR	1 April-21 April 2008	2.98-3.99	8,902,148
USD	1 April-24 April 2008	2.15-4.34	4,806,840
TRY	1 April 2008	15.40	2,314,262
			16,023,250

31 December 2007

Original Currency	**Maturity**	**Interest rate %**	**Balance**
EUR	2 January- 1 November 2008	3.25-5.20	15,391,978
USD	2 January- 8 February 2008	4.00-4.50	13,981,847
TRY	1 January- 2 January 2008	12.94-16.00	1,008,185
			30,382,010

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

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

27. RESTRICTED BANK BALANCES

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

	31 March 2008	31 December 2007
Project reserve and funding accounts (*)	112,683,955	240,485,700
Cash collaterals (**)	-	17,035,116
	112,683,955	**257,520,816**

(*) Some of the subsidiaries, namely TAV İstanbul, TAV Esenboğa, TAV İzmir and ATÜ ("the Borrowers") opened Project Accounts designated mainly in order to reserve required amount of debt services, lease payment to DHMİ and etc as based on agreements with their lenders. As a result of pledges regarding to the project bank loans as explained in note 28, all cash except for cash on hand are classified in these accounts. Based on these agreements, the Group can access and use such restricted cash but all withdrawals from the project accounts are upon the lenders' consent.

Interest rates are in the range of 2.92%-3.97% (31 December 2007: 2.94%-3.85%) for EUR reserves and of 2.22%-2.61% (31 December 2007: 3.28%-4.14%) for USD reserves.

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

28. CAPITAL AND RESERVES

Shareholders	**(%)**	**31 March 2008**
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	18.86	45,672,151
Akfen Holding A.Ş. ("Akfen Holding")	15.70	38,022,747
Goldman Sachs International (*)	14.40	34,875,000
Meinl Airports International Ltd.	8.85	21,443,250
IDB Infrastructure Fund L.P.	4.92	11,924,792
Babcock Brown Turkish Airports LLC	4.32	10,455,290
Kuwait Investment Authority	3.20	7,750,000
Sera Yapı Endüstrisi ve Tic. Ltd. Şti. ("Sera Yapı")	3.15	7,621,875
Global Investment House KSCC	3.00	7,265,625
Old Mutual Life Assurance Company Limited	2.35	5,681,750
Global Opportunistic Fund II Company BSCC	2.00	4,843,750
Tricom Equities Limited	0.84	2,041,239
Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat")	0.01	27,529
Mehmet Cem Kozlu	<0.01	2
Free Float	18.40	44,562,500
Paid in capital in TRY (nominal)		**242,187,500**
Paid in capital in EUR (nominal) as at 31 March 2008		120,156,529
Effect of non-cash increases and exchange rates		(15,246,262)
Paid in capital EUR		**104,910,267**

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

28. CAPITAL AND RESERVES (continued)

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

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

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

Legal Reserves:

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

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

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

28. CAPITAL AND RESERVES (continued)

Legal Reserves (continued):

Based on Section 15, Article 399 of the CMB'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 years' 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 2007'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 bonus share or as 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.

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

Pursuant to the profit distribution policy decision of Board of Directors made on 25 May 2007, and the General Assembly resolution dated 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 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.

28. CAPITAL AND RESERVES (continued)

Goldman Sachs International SSPAs

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

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

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

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

Collateral Shares

Tepe İnsaat, Akfen Holding and Sera Yapı have lent and transferred the title of such number of shares that correspond to the 14,4% of the present share capital of TAV Holding (the "Collateral Shares") under an agreement named Collateralized Stock Borrowing Agreement as a security for the performance of the obligations of the Sellers in connection with the Put Option.

GS has created pledge in favour of Tepe İnşaat, 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 İnşaat, 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.

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

29. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 March 2008 was based on the loss attributable to ordinary shareholders of EUR 49,199,051 (31 March 2007: EUR 21,501,016) and a weighted average number of ordinary shares outstanding of 240.717.076 (31 March 2007: 238.958.333), calculated as follows:

	31 March 2008	31 March 2007
Numerator:		
Net loss for the year	**(30,406,780)**	**(21,501,016)**
Denominator:		
Weighted average number of shares	240.717.076	238.958.333
Basic earnings per share	**(0.13)**	**(0.09)**

Weighted average number of ordinary shares

	31 March 2008	31 March 2007
Issued ordinary shares at 1 January	240.717.076	232.500.000
Effect of shares issued during the year	-	6.458.333
Weighted average number of ordinary shares at 31 March 2008 and 31 December 2007	**240.717.076**	**238.958.333**

30. LOANS AND BORROWINGS

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

	31 March 2008	31 December 2007
Non-current liabilities		
Secured bank loans	692,111,200	744,201,855
Unsecured bank loans	15,956,409	22,686,731
Transaction costs netted	(15,151,579)	-
Finance lease liabilities	545,726	614,615
	693,461,756	**767,503,201**
Current liabilities		
Current portion of secured bank loans	105,072,510	124,139,050
Current portion of unsecured bank loans	116,648,953	110,804,901
Transaction costs netted	(1,295,205)	-
Current portion of finance lease liabilities	136,598	120,104
	220,562,856	**235,064,055**

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

30. LOANS AND BORROWINGS (continued)

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

	31 March 2008	31 December 2007
Bank loans	913,342,288	1,001,832,537
Finance lease liabilities	682,324	734,719
Total	**914,024,612**	**1,002,567,256**

The Group's bank loans as at 31 March 2008 are as follows:

	Presented as		
	Current liabilities	Non-current liabilities	Total
TAV İstanbul	39,820,785	388,131,209	427,951,994
TAV İzmir	18,687,699	73,509,531	92,197,230
TAV Esenboğa	11,074,796	138,305,257	149,380,053
ATÜ	3,221,201	14,087,325	17,308,526
TAV Tbilisi	19,821,527	-	19,821,527
TAV Holding	56,234,784	78,812,395	135,047,179
TAV Tunisia	70,526,679	-	70,526,679
Others	1,038,787	70,313	1,109,100
	220,426,258	**692,916,030**	**913,342,288**

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

	Presented as		
	Current liabilities	Non-current liabilities	Total
TAV Tunisia	70,333,078	-	70,333,078
TAV İstanbul	52,966,710	433,362,937	486,329,647
TAV Holding	52,102,025	88,328,232	140,430,257
TAV Tbilisi	28,097,203	7,785,002	35,882,205
TAV İzmir	16,052,732	84,316,990	100,369,722
TAV Esenboğa	10,896,888	139,000,774	149,897,662
ATÜ	3,142,076	13,815,512	16,957,588
Other	1,353,239	279,139	1,632,378
	234,943,951	**766,888,586**	**1,001,832,537**

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

30. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group bank loans according to original maturities as at 31 December are as follows:

	31 March 2008	31 December 2007
On demand or within one year	220,426,255	234,943,951
In the second year	106,447,572	136,213,078
In the third year	93,812,636	110,247,132
In the fourth year	86,378,416	101,129,322
In the fifth year	86,492,979	98,234,023
After five years	319,784,430	321,065,031
	913,342,288	**1,001,832,537**

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spread for EUR and USD denominated loans as at 31 March 2008 is between 1.00% – 3.00% and 1.20% – 4.00% respectively (31 December 2007: 1.00% – 5.00%; 1.20% – 4.00% respectively).

100%, 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

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loans (*)	EUR	2018	Euribor + 2,50%	440,000,000	441,156,188
Transaction cost					(13,204,194)
				440,000,000	**427,951,994**

TAV İstanbul has bank loan in the amount of EUR 441,156,188 under facility agreement. The terms of the loan requires semi annual principal and interest payments on 4 July and 4 January of each year according to the loan agreements. TAV İstanbul also has additional borrowing right which is a maximum amount of EUR 65,000,000 related to facility agreement.

(*) Interest rate is Euribor+2.65% between the period of 04 January 2013 and 04 January 2016, and Euribor+2.75% between the period of 04 January 2016 and 04 July 2018.

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

30. LOANS AND BORROWINGS (continued)

TAV İstanbul (continued)

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

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

(*) Interest rate is Euribor + 2.85 % between the period of 31.12.2009 and 31.12.2015
(**) Interest rate is Libor + 2.85 % between the period of 31.12.2009 and 31.12.2015

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

	31 March 2008	31 December 2007
On demand or within one year	39,820,785	52,966,710
In the second year	45,207,569	53,292,710
In the third year	41,713,292	58,369,907
In the fourth year	40,830,057	55,947,749
In the fifth year	42,202,603	61,090,443
After five years	218,177,688	204,662,128
	427,951,994	**486,329,647**

TAV İzmir

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	EUR	2013	Euribor+3.00%	90,497,613	92,197,230
				90,497,613	**92,197,230**

TAV İzmir has bank loans in the amount of EUR 92,197,230 under loan agreements. The terms of the loan require semi annual principle and interest payments at each 23 January and 23 July according to the loan agreements.

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

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	EUR	2013	Euribor+3.00%	97,109,761	100,369,722
				97,109,761	**100,369,722**

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

30. LOANS AND BORROWINGS (continued)

TAV İzmir (continued)

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

	31 March 2008	31 December 2007
On demand or within one year	18,687,699	16,052,732
In the second year	18,246,040	17,959,590
In the third year	17,286,548	17,306,992
In the fourth year	16,577,472	16,639,792
In the fifth year	16,507,117	16,302,989
After five years	4,892,354	16,107,627
	92,197,230	**100,369,722**

TAV Esenboğa

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loans	EUR	2021	Euribor+2.35%	150,000,000	152,530,302
Transaction cost					(3,150,249)
				150,000,000	**149,380,053**

TAV Esenboğa has a bank loan in the amount of EUR 152,530,302 under loan agreement. The terms of the loan semi annual principal and interest payments at each 30 June and at each 31 December according to the loan agreements starting at 31 December 2007 for interest and 30 June 2008 for principal.

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

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loans	EUR	2021	Euribor+2.35%	150,000,000	149,897,662
				150,000,000	**149,897,662**

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

30. LOANS AND BORROWINGS (continued)

TAV Esenboğa (continued)

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

	31 March 2008	31 December 2007
On demand or within one year	11,074,796	10,896,888
In the second year	11,376,876	9,568,989
In the third year	11,207,129	10,435,652
In the fourth year	11,653,795	11,388,065
In the fifth year	11,960,387	11,987,409
After five years	92,107,070	95,620,659
	149,380,053	**149,897,662**

Pledges regarding the project bank loans:

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

b) Receivable pledge : In case of an event of default, the banks have the right to take control of the receivables of project companies (disclosed as the Borrowers in Note 25) in order to perform its obligations under the loan documents. Immediately upon the occurrence of default,; and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

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

ATÜ

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	EUR	2015	Euribor+2.70%	8,736,733	8,700,433
Secured bank loan	EUR	2015	Euribor+2.70%	8,736,733	8,700,433
Transaction cost					(92,340)
				17,473,466	**17,308,526**

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

30. LOANS AND BORROWINGS (continued)

ATÜ (continued)

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

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	EUR	2015	Euribor+2.70%	8,417,895	8,478,794
Secured bank loan	EUR	2015	Euribor+2.70%	8,417,895	8,478,794
				16,835,790	**16,957,588**

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

	31 March 2008	31 December 2007
On demand or within one year	3,221,201	3,142,076
In the second year	2,789,244	2,484,340
In the third year	2,505,104	2,476,289
In the fourth year	2,219,764	2,204,797
In the fifth year	1,965,894	1,975,469
After five years	4,607,319	4,674,617
	17,308,526	**16,957,588**

TAV Tbilisi

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	USD	2008	Libor+4.00%	11,416,785	11,475,891
Secured bank loan	USD	2008	Libor+4.00%	6,012,840	6,006,729
Secured bank loan	USD	2008	Libor+4.00%	1,141,678	1,146,015
Secured bank loan	USD	2008	Libor+4.00%	1,141,678	1,172,685
Unsecured bank loan	USD	2008	13%	20,044	20,207
				19,733,025	**19,821,527**

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

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

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

30. LOANS AND BORROWINGS (continued)

TAV Tbilisi (continued)

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

	31 March 2008	31 December 2007
On demand or within one year	19,821,527	28,097,203
In the second year	-	7,785,002
	19,821,527	**35,882,205**

TAV Holding

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Secured bank loan	USD	2012	Libor + 1.85%	72,830,671	74,097,804
Unsecured bank loan	EUR	2008	5.30%	25,000,000	26,026,828
Unsecured bank loan	EUR	2009	Euribor+1.10%	18,000,000	18,756,414
Unsecured bank loan	USD	2010	Libor + 1.20%	15,832,755	16,166,133
				131,663,426	**135,047,179**

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

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

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

	31 March 2008	31 December 2007
On demand or within one year	56,234,784	52,102,025
In the second year	28,757,526	44,843,309
In the third year	21,100,563	21,658,292
In the fourth year	15,097,328	14,948,920
In the fifth year	13,856,978	6,877,711
After five years	-	-
	135,047,179	**140,430,257**

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

30. LOANS AND BORROWINGS (continued)

TAV Tunisia

The breakdown of bank loans as at 31 March 2008 is as follows:

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Unsecured bank loan	EUR	2008	Euribor+1.00%	70,000,000	70,526,679
				70,000,000	**70,526,679**

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

	Original Currency	Year of Maturity	Nominal Interest rate	Face Value	Carrying Amount
Unsecured bank loan	EUR	2008	Euribor+1.00%	70,000,000	70,333,078
				70,000,000	**70,333,078**

Redemption schedules of the Tunisia bank loans as at 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	31 December 2007
On demand or within one year	70,526,679	70,333,078
	70,526,679	**70,333,078**

Finance lease liabilities

	Minimum lease payments	
	31 March 2008	**31 December 2007**
Amounts payable under finance leases		
Less than one year	136,598	614,615
Between one and five years	545,726	120,104
Present value of lease obligations	**682,324**	**734,719**

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

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

31. RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

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

Such payments are calculated on the basis of 30 days' pay maximum full TRY 2,088 as at 31 March 2008 (equivalent to EUR 1,036 as at 31 March 2008) (31 December 2007: TRY 2,030 (equivalent to EUR 1,187 as at 31 December 2007)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated interim financial statements as at 31 March 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at 31 March 2008 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 2007: 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.

	31 March 2008	**31 December 2007**
Provision as at 1 January	4,884,107	3,685,054
Provisions set during the year	1,205,735	723,817
Payment made during the year	(239,088)	(990,213)
Effects of change in foreign exchange rate	(741,040)	380,450
Effect of group structure change (note 3(a)(ii))	-	1,084,999
Provision as at period/year end	**5,109,714**	**4,884,107**

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

32. OTHER PAYABLES

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

	31 March 2008	31 December 2007
Due to personnel	4,053,624	4,612,340
Tax payable to tax office for tax penalties	3,986,667	-
Social security premiums payable	3,606,500	4,002,446
Taxes and duties payable	3,481,903	5,690,968
Expense accruals	2,186,706	2,720,806
Advances received	1,069,691	604,537
Other accruals and liabilities	829,835	382,984
	19,214,926	**18,014,081**

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

33. DEFERRED INCOME

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

	31 March 2008	31 December 2007
Deferred income:		
Short-term deferred income	7,514,929	9,364,355
Long-term deferred income	18,800,544	19,068,150
	26,315,473	**28,432,505**

EUR 18,390,747 (31 December 2007: EUR 18,713,681) of deferred income is related with the prepaid concession rent income from ATÜ.

34. PROVISIONS

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

	31 March 2008	31 December 2007
Unused vacation accruals	2,719,203	2,284,737
Tax penalty (*)	5,660,390	9,248,823
	8,379,593	**11,533,560**

(*) Following the audits carried out by the Financial Auditors of the Ministry of Finance, on the 2001-2004 accounts of the Company, a settlement has been reached on 27 March 2008, with the Revenues Administration Directorate of the Ministry of Finance, for the taxes and penalties set forth in the reports notified regarding the 2001-2005 period, and subsequently settlement has been reached for an income tax withholding of TRY 2,790,637 (equivalent of EUR 1,631,404) and a value added tax of TRY 623,282 (equivalent of EUR 364,806) had been settled. A delay interest of TRY 4,603,610 (equivalent of EUR 2,691,855) is made for these penalties. A provision of TRY 8,017,529 (equivalent of EUR 3,977,738) had been allocated in the 31 December 2007 financial statements of the Company. This sum will be paid in equal installments in 18 months.

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

34. PROVISIONS (continued)

The tax audits carried out by the Financial Auditors of the Ministry of Finance, on the January 2004 - September 2007 accounts of BTA have been completed. Following the inspections carried out, it has been notified to BTA that food and beverage sales at the customs areas at the airports (air side) must not be exempt from value added tax, together with the relevant tax/penalty notifications. Together with this notification, a value added tax of TRY 15,480,954 and a corporate tax of TRY 288,647 have been calculated, and a tax loss penalty for the same amounts has been calculated. BTA has requested a settlement as a response to this notification, and the date of settlement has been determined as 23 May 2008. There are similar ongoing cases regarding the VAT liability at the air side stores operated at various airports in Turkey. The settlement results for these cases have been taken into consideration for a general assessment, and BTA allocated a payable to Government amounting to a total of TRY 8,925,554 (equivalent of EUR 4,428,237) in its 31 March 2008 financial statements, i.e., TRY 5,967,978 (equivalent of EUR 2,960,894) tax and TRY 2,957,576 (equivalent of EUR 1,467,342) delay interest.

TAV İstanbul did not calculate a value added taxes for the sales pursuant to the tax-free sales of stores, and the lease of independent units such as depots and warehouses for these stores, between July 2005 and December 2007. Although there are no official tax audits for TAV İstanbul, TAV İstanbul believes that in parallel with the issues explained above for BTA, a possible examination may be initiated for TAV İstanbul as well. Taking into consideration the similar outcomes of possible examinations in the relevant sector, as well as the general assessments carried out by TAV İstanbul management, a provision of TRY 2,483,524 (equivalent of EUR 1,232,151) has been allocated by TAV İstanbul in 31 March 2008 and 31 December 2007 financial statements, i.e., TRY 1,863,006 (equivalent of EUR 924,294) tax and TRY 620,518 (equivalent of EUR 307,857) delay interest.

A total reserve of TRY 11,409,078 (equivalent of EUR 5,660,388) has been made in the consolidated interim financial statements for the above mentioned issues.

	31 March 2008	**31 December 2007**
Balance at 1 January	**11,533,560**	**949,545**
Provision (released)/set during the period/year , net	(1,406,423)	10,505,562
Effects of change in foreign exchange rate	(1,747,544)	78,453
Balance at period/year end	**8,379,593**	**11,533,560**

35. TRADE PAYABLES

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

	31 March 2008	**31 December 2007**
Trade payables	54,410,000	21,557,591
Deposits and guarantees received	437,558	422,547
Notes payable	337,557	-
Other trade creditors	99,630	27,611
	55,284,745	**22,007,749**

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

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

36. DERIVATIVE FINANCIAL INSTRUMENTS

		2008	
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	-	(9,749,270)	(9,749,270)
Cross currency swap	-	(10,715,535)	(10,715,535)
	-	**(20,464,805)**	**(20,464,805)**

		2007	
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	2,327,826	(4,028,806)	(1,700,980)
Cross currency swap	**-**	(15,443,800)	(15,443,800)
	2,327,826	**(19,472,606)**	**(17,144,780)**

Derivative Contracts

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

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

TAV 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 Interest Rate Swap ("IRS") contract during the life of the loan.

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

Cross currency swap

TAV İstanbul has signed a derivative contract to manage and fix its exposure to foreign currency exchange rates between USD and EUR on the concession installments that will be paid to DHMİ. The contract term matches with the terms of the rent payments made to DHMİ which is the end of each December until 2018. The total notional amount of the contract is EUR 368,090,548 (equivalent of USD 545,878,284) as at 31 March 2008.

Interest rate swap

Two derivative contracts have been signed by and between Dexia Credit Local (DCL) and TAV İstanbul on 12 March 2008 for the project finance facility (in total EUR 472,387,663).The notional amount of these contracts is being amortized by the years in parallel with repayments of loans. As at 31 March 2008 total notional amount is EUR 472,387,664.

The fair value of derivatives at 31 March 2008 is estimated at EUR 20,464,805 (31 December 2007: EUR 17,144,780). This amount is based on market values of equivalent instruments at the balance sheet date. At 31 December 2007, changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to finance expense as gain amounting to EUR 2,240,352 and foreign currency transaction gain amounting to EUR 6,711,700. Since the Company applied hedge accounting as at 31 March 2008 changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to equity in cash flow hedge reserve as loss amounting to EUR 14,337,959.

37. OPERATING LEASES

The Group entered into various operating lease agreements (excluding concession agreement for TAV İstanbul). For the period ended 31 March 2008, total rent expenses for operating leases amounted to EUR 1,741,267 (31 March 2007: EUR 304,234).

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

38. FINANCIAL INSTRUMENTS

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

Credit risk

Exposure to credit risk:

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

	31 March 2008	**31 December 2007**
Other non-current assets (*)	20,223	3,332,882
Non-current trade receivables	173,650,129	179,431,221
Trade receivables	54,325,738	49,918,209
Due from related parties	12,744,606	4,194,406
Other receivables and current assets (*)	205,659	3,345,105
Investments held for trading	-	248,683
Restricted bank balances	112,683,955	257,520,816
Cash and cash equivalents	25,362,120	64,652,433
Interest rate swaps used for hedging	-	2,327,826
	378,992,430	**564,971,581**

(*) 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.

Impairment losses

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 March 2008	**31 December 2007**
Balance at 1 January	**(1,389,209)**	**(1,409,983)**
Impairment loss recognized	-	(46,458)
Effect of group structure change (note 3)	-	(533,377)
Collections during the year	120,650	78,957
(Provided)/Released during the year	(926,682)	676,397
Effect of change in foreign exchange rate	36,609	(154,745)
Balance at 31 December	**(2,158,632)**	**(1,389,209)**

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

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

38. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

31 March 2008

	Carrying Amount	Contractual cash flows	6 months or less	6 -12 months	1-2 years	More than two year
Non-derivative financial liabilities						
Secured bank loans	780,736,926	(1,114,603,712)	(44,287,396)	(63,583,039)	(106,405,149)	(900,328,128)
Unsecured bank loans	132,605,362	(134,432,116)	(107,008,717)	(9,844,715)	(12,082,981)	(5,495,703)
Financial lease liabilities	682,324	(682,324)	(136,598)	-	(192,125)	(353,601)
Trade payables (*)	54,847,187	(55,046,840)	(55,046,840)	-	-	-
Due to related parties	1,632,113	(1,632,113)	(1,632,113)	-	-	-
Other payables (*)	17,661,909	(17,631,388)	(17,039,691)	(591,697)	-	-
Bank overdraft	1,510,999	(1,321,908)	(1,321,908)	-	-	-
Derivative financial liabilities						
Interest rate swaps						
Outflow	9,749,270	(750,128,990)	(10,567,395)	(34,578,741)	(63,585,936)	(641,396,918)
Inflow		845,615,211	15,233,433	43,241,634	78,333,704	708,806,440
Cross currency swaps						
Outflow	10,715,535	(110,549,665)	(1,015,288)	(1,149,333)	(1,110,525)	(107,274,519)
Inflow		346,530,317	22,308,134	25,253,374	24,400,689	274,568,120
	1,010,141,625	**(993,883,528)**	**(200,514,379)**	**(41,252,517)**	**(80,642,323)**	**(671,474,309)**

31 December 2007

	Carrying amount	Contractual cash flows	6 months or less	6 -12 months	1-2 years	More than two year
Non-derivative financial liabilities						
Secured bank loans	868,340,905	(1,172,276,702)	(70,807,490)	(57,984,643)	(121,959,865)	(921,524,704)
Unsecured bank loans	133,491,632	(137,634,899)	(102,716,462)	(10,186,458)	(18,864,315)	(5,867,664)
Financial lease liabilities	734,719	(734,720)	(307,308)	(307,308)	(120,104)	-
Trade payables (*)	21,585,202	(21,927,060)	(21,927,060)	-	-	-
Other payables (*)	28,790,208	(28,790,208)	(28,790,208)	-	-	-
Due to related parties	16,843,529	(16,843,529)	(16,843,529)	-	-	-
Bank overdraft	1,970,698	(1,970,698)	(1,970,698)	-	-	-
Derivative financial liabilities						
Interest rate swaps						
Outflow	4,028,806	(9,849,881)	(159,883)	(386,773)	(2,482,225)	(6,821,000)
Inflow	(2,327,826)	9,389,533	3,858,007	1,322,339	1,872,145	2,337,042
Cross currency swaps						
Outflow	15,443,800	(143,444,854)	-	(28,936,531)	(26,447,449)	(88,060,874)
Inflow	-	124,653,025	-	25,145,734	22,982,731	76,524,560
	1,088,901,673	**(1,399,429,993)**	**(239,664,631)**	**(71,333,640)**	**(145,019,082)**	**(943,412,640)**

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

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

38. FINANCIAL INSTRUMENTS (continued)

Currency risk

Exposure to currency risk

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

31 March 2008

Foreign currency denominated monetary assets	**USD**	**TRY**	**Other**	**Total**
Other non-current assets	17,606	174,890	4,273,805	4,466,301
Trade receivables, (net)	6,739,564	7,369,644	3,450,508	17,559,716
Due from related parties	9,165,037	1,965,574	331,426	11,462,037
Other receivables and current assets	1,368,344	3,529,575	13,169,361	18,067,280
Restricted bank balances	20,309,111	24,914,281	-	45,223,392
Cash and cash equivalents	5,346,244	3,871,744	821,693	10,039,681
	42,945,906	41,825,708	22,046,793	106,818,407
Foreign currency denominated monetary liabilities				
Loans and borrowings	(110,085,464)	-	-	(110,085,464)
Bank overdraft	-	(1,510,999)	-	(1,510,999)
Trade payables	(1,198,939)	(5,911,203)	(42,133,005)	(49,243,147)
Due to related parties	(1,083,406)	(238,005)	(69,749)	(1,391,160)
Derivative financial instruments	(6,853,596)	-	-	(6,853,596)
Other payables	(261,904)	(15,089,344)	(2,876,650)	(18,227,898)
	(119,483,309)	(22,749,551)	(45,079,404)	(187,312,264)
Net exposure	**(76,537,403)**	**19,076,157**	**(23,032,611)**	**(80,493,857)**

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

38. FINANCIAL INSTRUMENTS (continued)
Currency risk (cont'd)
Exposure to currency risk (cont'd)

31 December 2007

Foreign currency denominated monetary assets	**USD**	**TRY**	**Other**	**Total**
Other current and non-current assets	18,606,730	136,681	2,384,583	21,127,994
Trade receivables, (net)	5,395,617	8,712,317	940,865	15,048,799
Due from related parties	682,228	737,623	134,722	1,554,573
Other receivables and current assets	20,211,831	5,169,071	15,708,566	41,089,468
Restricted bank balances	163,330,499	36,609,606	-	199,940,105
Cash and cash equivalents	15,165,863	3,052,674	2,441,498	20,660,035
Investments held for trading	-	44,508	204,175	248,683
	223,392,768	54,462,480	21,814,409	299,669,657
Foreign currency denominated monetary liabilities				
Loans and borrowings	(241,356,087)	(7,895)	-	(241,363,982)
Bank overdraft	-	(1,282,256)	-	(1,282,256)
Trade payables	(2,147,754)	(7,585,606)	(2,897,975)	(12,631,335)
Due to related parties	(3,132,882)	(3,840,466)	(164,408)	(7,137,756)
Derivative financial instruments	(3,236,507)	-	-	(3,236,507)
Other payables	(2,169,735)	(9,264,605)	(5,431,695)	(16,866,035)
	(252,042,965)	(21,980,828)	(8,494,078)	(282,517,871)
Net exposure	**(28,650,197)**	**32,481,652**	**13,320,331**	**17,151,786**

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

38. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates are applied during the period:

	Average Rate		Reporting Date Closing Rate	
	31 March 2008	**31 December 2007**	**31 March 2008**	**31 December 2007**
USD	0.6676	0.7316	0.6333	0.6810
TRY	0.5581	0.5627	0.4961	0.5847
GEL	0.4297	0.4373	0.4297	0.4289

Sensitivity analysis

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

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

A 10% strengthening of the Euro against other currencies (assuming that other currencies are constant) at 31 March 2008 would have increased profit or loss by approximately EUR 8 milllion (31 December 2007: EUR 1.7 million) when ignoring the effect of derivative financial instruments. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the Euro against other currencies (assuming that other currencies are constant) at 31 March 2008 would have had the equal but opposite effect on the above currencies to the amount on the basis that all other variables remain constant.

Interest rate risk

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

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

38. FINANCIAL INSTRUMENTS (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 March 2008	**31 December 2007**
Fixed rate instruments		
Financial assets	16,023,250	262,898,604
Financial liabilities	(27,156,136)	(37,815,372)
	(11,132,886)	**225,083,232**

	Carrying amount	
	31 March 2008	**31 December 2007**
Variable rate instruments		
Financial assets	-	2,327,826
Financial liabilities	(913,333,761)	(968,045,973)
	(913,333,761)	**(965,718,147)**

Fair Value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

Based on the Group's current borrowing profile, a 100 basis points increase in Euribor or Libor would have resulted in additional annual interest expense of approximately EUR 1.5 million on the Group's variable rate debt when ignoring effect of derivative financial instruments.

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

38. FINANCIAL INSTRUMENTS (continued)

Fair values

Fair values versus carrying amounts

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

		31 March 2008		31 December 2007	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Other non-current assets (*)	22	20,223	20,223	3,332,882	3,332,882
Non-current trade receivables	23	173,650,129	173,650,129	179,431,221	179,431,221
Trade receivables	23	54,325,738	54,325,738	49,918,209	49,918,209
Due from related parties	38	12,744,606	12,744,606	4,194,406	4,194,406
Other receivables and current assets (*)	22	205,659	205,659	3,345,105	3,345,105
Investments held for trading	18	-	-	248,683	248,683
Restricted bank balances	25	112,683,955	112,683,955	257,520,816	257,520,816
Cash and cash equivalents	24	25,362,120	25,362,120	64,652,433	64,652,433
Financial liabilities					
Bank overdraft	24	(1,510,999)	(1,510,999)	(1,970,698)	(1,970,698)
Loans and borrowings	28	(914,024,612)	(914,024,612)	(1,002,567,256)	(1,002,567,256)
Trade payables (**)	33	(54,847,187)	(54,847,187)	(21,585,202)	(21,585,202)
Due to related parties	38	(1,632,113)	(1,632,113)	(28,790,208)	(28,790,208)
Derivative financial instruments	34	(20,464,805)	(20,464,805)	(17,144,780)	(17,144,780)
Other payables (**)	30	(17,661,909)	(17,661,909)	(16,843,529)	(16,843,529)
		(631,149,195)	**(631,149,195)**	**(526,257,918)**	**(526,257,918)**

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

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

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

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Commitments and contingencies

	31 March 2008	31 December 2007
Letters of guarantee given to DHMİ	102,673,269	109,376,794
Letters of guarantee given to Tunisia government	68,881,100	68,881,100
Letters of guarantee given to third parties	29,818,018	32,600,749
	201,372,387	**210,858,643**

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.

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 52,600,000 (Tunusian Dinar "TND" 91,136,065) to the Ministry of Transport and EUR 16,281,100 to OACA according to the BOT agreement signed with OACA in Tunisia. 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 in 2007.

Contractual obligations

TAV İstanbul

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

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

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

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

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

TAV Esenboğa and TAV İzmir

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

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

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

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 in 2008.

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Esenboğa and TAV İzmir (continued)

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

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

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

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

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.

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Tbilisi

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

With regards to the Agreement, TAV Tbilis is required to

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

TAV Batumi

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

With regards to the Agreement, TAV Batumi is required to

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

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations(continued)

TAV Tbilisi

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 Companies' in Georgia profit, currency and customs positions will be sustained.

TAV Tunisia

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

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

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the Land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on October 1st 2009, unless the cases provided for by the Terms and Specifications of the Agreement ;
- finance up to 30% of the Project by Equity.

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

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

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

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

Management believes that as at 31 December 2007, the the Group has complied with the terms of the contingincies mentioned above.

39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Antalya Gazipaşa Airport.
If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.
The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

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

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

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

Contingent asset

TAV İstanbul is able to expense VAT on concession rent payments upon the issuance of the related invoice, and DHMİ issues the invoice monthly. Cumulative VAT expense related with DHMİ invoices as at 31 March 2008 is EUR 26,818,079 (31 December 2007: EUR 24,258,638).

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

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

40. RELATED PARTY TRANSACTIONS

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

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

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

Key management personnel compensation:
The remuneration of directors and other members of key management during the period/year comprised the following:

	31 March 2008	31 March 2007
Short-term employee benefits (salaries, bonuses etc.)	1,231,143	914,610

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

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

Other related party transactions:

Due from related parties	**31 March 2008**	**31 December 2007**
TAV Urban Georgia LLC	7,362,409	-
ATÜ	1,632,985	1,349,757
TAV Havacılık A.Ş.	1,575,793	1,776,014
TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş.("TAV İnşaat")	1,063,848	-
Other related parties	1,109,571	1,068,635
	12,744,606	**4,194,406**

Due to related parties	**31 March 2008**	**31 December 2007**
IBS Sigorta Brokerlık Hizmetleri A.Ş.	1,506,494	3,034,226
TAV İnşaat (*)	-	24,793,853
Tepe İnşaat	-	513,510
TAV Urban Georgia LLC	-	318,722
Other related parties	125,618	129,897
	1,632,112	**28,790,208**

(*) Payable to TAV İnşaat represents the trade payables related with the construction and renovation of Enfidha and Monastir Airports, respectively.

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

40. RELATED PARTY TRANSACTIONS (continued)

Services rendered to related parties	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
ATÜ	15,257,741	13,086,284
Artı Döviz Ticaret A.Ş.	261,972	217,919
TAV Tepe Akfen Yat.İnşaat ve İşl.A.Ş. ("TAV İnşaat")	126,722	108,822
Meteksan Sistem ve Bilgisayar Tekn.A.Ş.	-	755,263
HAVAŞ	-	591,083
Other related parties	214,992	150,725
	15,861,427	**14,910,096**

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) in 2007. Since HAVAŞ was proportionally consolidated until the last quarter of 2007, the amount of charged represents remaining portion after elimination of intergroup transactions.

Service rendered to ATÜ consists of concession fee-duty free, not eliminated portion due to proportionate consolidation.

Due to ownership change of Meteksan Group Companies, they are not treated as related parties since 31 December 2007.

Services rendered by related parties	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
IBS Brokerlik ve Sigorta Hizmetleri A.Ş.	1,633,760	44,185
TAV Havacılık A.Ş.	149,192	183,518
Akınısı-Ekin Ortak Girişimi	-	221,123
Other related parties	314,839	275,764
	2,097,791	**724,590**

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

Interest income from related parties	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
TAV Havacılık A.Ş.	33,609	40,428
TAV Tepe Akfen Yat. İnş. Ve İşl. A.Ş.	32,858	-
TAV Yatırım Holding A.Ş	-	19,868
Tepe İnşaat Sanayi A.Ş.	-	17,251
Other related parties	1,696	25,139
	68,163	**102,686**

The average interest rate used within the Group is 6.90% per annum (31 March 2007: 6.84%). The Group converts related party TRY loan receivable and payable balances to USD at month end using the Central Bank's announced exchange rates and then charges interest on the USD balances.

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

40. RELATED PARTY TRANSACTIONS (continued)

Construction work rendered by related parties	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
TAV İnşaat	46,867,301	-
	46,867,301	**-**

In 2008, Tav İnşaat provided services to either renovation of Monastır Airport or construction of Enfidha Airport.

41. 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:

Balance Sheet	31 March 2008	31 December 2007
Current assets	10,536,783	30,105,932
Non-current assets	21,031,208	3,983,590
Current liabilities	12,167,007	(11,809,443)
Non-current liabilities	14,999,173	(14,770,014)

Statement of operations	31 March 2008	31 March 2007
Total revenue	33,659,078	1,638,195
Total cost of revenue	(31,655,108)	(2,104,470)
Profit/(loss) for the period	975,225	(466,275)

- A 60.00% equity shareholding with 50% voting power, in TAV Tbilisi, a joint venture included in the consolidated interim financial statements in 2007 and 2006. The following amounts are included in the Group's consolidated interim financial statements as a result of the proportionate consolidation of TAV Tbilisi:

Balance Sheet	31 March 2008	31 December 2007
Current assets	3,667,172	6,521,876
Non-current assets	54,303,034	57,902,939
Current liabilities	35,862,020	(32,687,251)
Non-current liabilities	-	(8,468,559)

Statement of operations	31 March 2008	31 March 2007
Total revenue	2,123,983	5,130,064
Total cost of revenue	(2,267,222)	(6,281,876)
Profit /(loss) for the period	1,924,962	(1,151,811)

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

42. EVENTS AFTER THE BALANCE SHEET DATE

- As explained in the prior period reports and Note 32 that tax inspections of the BTA, between the period January 2004 and September 2007 carried out by the Auditors of the Ministry of Finance has been completed and following the inspections, the tax review reports and the tax/penalty notices for the period of June 2006-September 2007 issued pursuant to the assessment that the food and beverage sales of BTA carried out at the customs zones of the airports (also known as "airside") must not be exempt from value added tax. Within the context of the same tax inspections carried out by the Auditors of the Ministry of Finance, the tax review reports and the tax/penalty notices for the period of January 2004-May 2006 issued. Through this notice, TRY 15,480,954 (EUR 7,680,568) vaule added tax and TRY 288,647 (EUR 143,206) corporate tax; and also a tax loss penalty has been calculated for the same amounts. Reconciliation period continiues as at report date.
- A Ground Handling Contract was concluded between HAVAŞ and Turkish Airlines with respect to rendering traffic and ramp handling services by HAVAŞ at Bodrum, Dalaman, Gaziantep, Kayseri, Ş.Urfa, Adıyaman, Batman, Elazığ, Konya, Muş and Sivas Airports for 3 years on 13.05.2008. Number of airports at which HAVAŞ performs ground handling in Turkey has increased up to 18 along with Istanbul Atatürk, Izmir, Dalaman, Bodrum, Antalya, Adana, Trabzon, Ankara, Kayseri, Nevşehir and Gaziantep Airports at which HAVAŞ has been performing ground handling at present.
- The Company had announced with the clarification of 14 March 2008, that the Company bid, on its own, for the first stage of two-tier assessment process for the Abu Dhabi International Airport Public Private Sector Partnership (PPP) development project that the Company was invited by Abu Dhabi Airports Company (ADAC) to bid, as well as other bidders. The first stage bid which was given by te Company for the foregoing project has been considered by ADAC as one of three adequate bids and the Company has been invited to bid for the second stage (the last stage).
- TAV Tunisia has signed on 24 April 2008, a project financing agreement for the biggest private infrastructure investment in Tunisia with IFC (International Finance Cooperation), and creditor banks under IFC. The credit line for the such loan is amounting to 392.5 million Euro with the interest rate of Euribor + 215 base points. It has a grace period of until December 31, 2010; and the final term is 20 years with an average term of 12.5 years.
- The Company has been awarded the prequalification for the tender of the Build Operate Transfer construction and the 20-year operation of Alexander the Great Airport in Skopje, and the St. Apostle Paul Airport in Ohrid, as well as the construction of a new cargo airport in Shtip, held by the Ministry of Transportation, Macedonia.
- TAV Urban Georgia LLC has used a project financing loan for the financing of Tbilisi Interantional Airport through IFC and EBRD total amount of 51.8 million USD. The interest rate of the loan is Libor + 450 basis points and maturity date is 17 April 2015.
- BTA and tax office started negotiating for reconciliation for the period between January 2004 and May 2005 at 26 May 2008 and reached to a reconciliation of VAT amounting to TRY 3,148,285 for 2004, VAT amounting to TRY 3,633,015 for 2005, VAT amounting to TRY 1,405,822 for 2006. Also, for the same amount of tax loss penalty parties reached to a reconciliation of VAT amounting to TRY 2,948,056, default interest amounting to TRY 2,127,556 and interest to be paid according to the Code no:5736 related with conciliation procedure and collection of public receivables amounting to TRY 96,437.
- After reporting date the Company has used loans for capital reqirements of TAV Tunisia with details given below:

Creditor	Amount	Interest Rate	Utilization	Maturity
Akbank N.V.	EUR 20,000,000	Euribor+2.00%	13 May 2008	20 May 2009
Garanti Bank Luxembourg	USD 39,400,000	Libor+4.00%	23 May 2008	1 June 2009
ABN Amro Bank N.V.(*)	EUR 25,000,000	Euribor+3.00%	26 May 2008	2 June 2009
Demir-Halk Bank (Nederland) N.V.	EUR 30,000,000	Euribor+4.00%	30 May 2008	31 May 2010

(*) Interest rate is Euribor + 3.50 % between the period of 26 November 2008 and 26 February 2009, Euribor + 3.75 % between the period of 26 February 2009 and 02 June 2009.

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

43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2006 and 2007 and consolidated interim financial statement as of 31 March 2007 have been restated for the following:

	Accumulated losses
Balance at 31 December 2006, as previously reported	**(13,432,822)**
Effect of adoption for IFRIC 12 (a)	3,132,110
Deferred tax effect of adoption for IFRIC 12 (a)	(646,826)
Balance at 31 December 2006, as restated	**(10,947,538)**

	Retained earnings
Balance at 31 December 2007, as previously reported	**(53,499,993)**
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,132,115
Effect of adoption for IFRIC 12 (a)	(3,666,250)
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(646,831)
Deferred tax effect of adoption for IFRIC 12 (a)	733,249
Balance at 31 December 2007, as restated	**(53,947,710)**

	Net loss for the period
Balance at 31 March 2007, as previously reported	**(21,421,177)**
Correction of error in concession expense (b)	1,854,076
Deferred tax effect on correction of error in concession expense (b)	(412,730)
Effect of adoption for IFRIC 12 (a)	(726,723)
Deferred tax effect of adoption for IFRIC 12 (a)	165,748
Balance at 31 March 2007, as restated	**(20,540,806)**

a) Effect of adoption of IFRIC 12:

The Company adopted IFRIC 12 "Service Concession Arrangements" and reflected the effect of adoption retrospectively.

b) 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".

c) Effect of group structure change:

As explained in Note 3, TAV acquired the majority interest in TAV Esenboğa on 29 December 2006, increasing its ownership interest from 0.01 % to 75%. Then, on July 2007, TAV acquired the remaining 25% of interest in TAV Esenboğa, increasing its ownership interest from 75% to 100% accordingly. The effect of change in consolidation of TAV Esenboğa was reflected to the financial statements, retrospectively.

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

43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS (continued)

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:

	Restated at 31 March 2007	**Previously Reported at 31 March 2007**
Ground handling income	7,664,253	8,117,477
Cost of services rendered	(2,851,882)	(3,305,106)
Other operating expenses	(21,478,491)	(21,407,553)
Other income	326,780	191,808
Other gains and losses	-	64,034
Fair value of derivatives	949,564	1,779,825
Translation gain and losses	(60,093)	(890,354)