

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

**Consolidated Financial Statements
As at and for the Year Ended 31 December 2008
With Independent Auditors' Report**

30 March 2009

This report contains the "Independent Auditors' Report" comprising 2 pages and the "Consolidated financial statements and their explanatory notes" comprising 94 pages.

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

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TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Balance Sheet

As at 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

ASSETS	Notes	31 December 2008	Restated (*) 31 December 2007
Property and equipment	17	81,216,173	66,145,594
Intangible assets	18	32,679,835	30,395,636
Airport operation right	19	454,306,163	295,835,595
Other investments	20	24,238	1,235,348
Goodwill	7	131,564,539	131,564,539
Prepaid concession expenses, non-current portion	21	120,285,515	154,155,439
Non-current trade receivables	25	156,306,856	179,431,221
Non-current due from related parties	40	8,140,329	-
Other non-current assets	24	14,891,066	24,788,454
Deferred tax assets	22	37,366,642	21,157,808
Total non-current assets		1,036,781,356	904,709,634
Inventories	23	9,770,719	9,309,476
Prepaid concession expenses, current portion	21	128,688,749	140,797,438
Trade receivables	25	55,968,143	49,883,346
Due from related parties	40	7,019,918	4,702,897
Derivative financial instruments	36	32,257,634	-
Other receivables and current assets	24	46,732,857	43,579,331
Cash and cash equivalents	26	59,572,792	64,652,433
Restricted bank balances	27	254,097,284	257,520,816
Investments held for trading	20	-	248,683
Total current assets		594,108,096	570,694,420
TOTAL ASSETS		1,630,889,452	1,475,404,054

(*) 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 Balance Sheet

As at 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	31 December 2008	Restated (*) 31 December 2007
EQUITY			
Share capital	28	104,910,267	104,910,267
Share premium		220,182,481	220,182,481
Legal reserves		15,062,069	10,559,039
Revaluation surplus		2,665,932	3,007,539
Purchase of shares of entities under common control		40,063,860	40,063,860
Cash flow hedge reserve		(31,301,803)	-
Translation reserves		(872,551)	343,039
Accumulated losses		(56,688,149)	(56,584,597)
Total equity attributable to equity holders of the Company		294,022,106	322,481,628
Minority interest		15,017,194	14,986,680
Total Equity		309,039,300	337,468,308
LIABILITIES			
Loans and borrowings	30	876,556,773	763,812,573
Reserve for employee severance indemnity	31	3,247,519	4,884,107
Due to related parties	40	9,591,944	-
Deferred income	33	16,659,877	19,068,150
Long term trade payables		75,022	-
Deferred tax liabilities	22	5,752,448	4,581,203
Total non-current liabilities		911,883,583	792,346,033
Bank overdraft	26	1,844,425	1,970,698
Loans and borrowings	30	220,234,320	234,768,093
Trade payables	35	27,543,307	22,007,749
Due to related parties	40	52,428,667	29,298,699
Derivative financial instruments	36	69,699,812	17,144,780
Current tax liabilities		2,488,341	1,487,698
Other payables	32	25,299,953	18,014,081
Provisions	34	3,762,121	11,533,560
Deferred income	33	6,665,623	9,364,355
Total current liabilities		409,966,569	345,589,713
Total Liabilities		1,321,850,152	1,137,935,746
TOTAL EQUITY AND LIABILITIES		1,630,889,452	1,475,404,054

(*) 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 Income Statement For the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

	<u>Notes</u>	<u>2008</u>	<u>Restated (*) 2007</u>
Construction revenue	8	199,235,250	53,914,284
Operating revenue	9	573,779,658	458,723,597
Other operating income	10	23,953,081	20,305,196
Construction expenditure	8	(189,747,858)	(52,941,288)
Cost of catering inventory sold		(13,220,873)	(10,890,429)
Cost of duty free inventory sold		(58,811,314)	(56,040,406)
Cost of services rendered		(36,874,795)	(22,578,695)
Personnel expenses	11	(145,902,809)	(113,294,400)
Concession rent expenses	12	(155,950,811)	(140,789,005)
Depreciation and amortisation expenses	14	(34,891,411)	(30,103,199)
Other operating expenses	13	(75,755,017)	(86,914,049)
Operating profit		85,813,101	19,391,606
Finance income		18,429,841	16,877,867
Finance expenses		(103,010,045)	(84,851,337)
Net finance expense	15	(84,580,204)	(67,973,470)
Profit / (loss) before income tax		1,232,897	(48,581,864)
Income tax benefit	16	3,434,844	4,745,445
Profit / (loss) for the period		4,667,741	(43,836,419)
Attributable to:			
Equity holders of the Company		4,058,822	(43,714,479)
Minority interest		608,919	(121,940)
Profit / (loss) for the period		4,667,741	(43,836,419)
Weighted average number of shares outstanding		242,187,500	240,717,076
Income / (loss) per share – basic	29	0.0193	(0.1821)

(*) 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 Statement of Changes in Equity For the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

	Share Capital	Share Premium	Legal Reserves	Revaluation Surplus	Purchase of Shares of Entities Under Common Control	Cash Flow Hedge Reserve	Translation Reserves	Accumulated Losses	Attributable to Equity Holders of the Parent	Minority Interest	Total
Balance as at 31 December 2006 as previously reported	99,543,528	171,881,833	8,766,287	-	35,589,741	-	(83,244)	(5,131,662)	310,566,483	23,073,806	333,640,289
Effect of purchase of shares from subsidiaries	-	23,676,333	-	-	-	-	-	(2,066,710)	21,609,623	(21,609,623)	-
Correction of an error (Note 43)	-	-	-	-	-	-	-	(6,234,456)	(6,234,456)	-	(6,234,456)
Effect of adoption of IFRIC 12 (Note 43)	-	-	-	-	-	-	-	2,313,489	2,313,489	-	2,313,489
Balance as at 31 December 2006 as restated	99,543,528	195,558,166	8,766,287	-	35,589,741	-	(83,244)	(11,119,339)	328,255,139	1,464,183	329,719,322
Effect of purchase of shares from subsidiaries	-	-	-	-	-	-	-	-	-	13,818,118	13,818,118
Cash injection in share capital	5,366,739	48,300,648	-	-	-	-	-	-	53,667,387	-	53,667,387
Issue of share capital in affiliates	-	-	-	-	-	-	-	-	-	23,696	23,696
Transfers	-	-	1,792,752	-	-	-	-	(1,836,187)	(43,435)	43,435	-
Exchange differences on translation reserves	-	-	-	-	-	-	426,283	-	426,283	129,149	555,432
Effect of group structure change	-	(23,676,333)	-	-	4,474,119	-	-	-	(19,202,214)	-	(19,202,214)
Revaluation surplus	-	-	-	3,007,539	-	-	-	85,408	3,092,947	-	3,092,947
Dividend distributions	-	-	-	-	-	-	-	-	-	(369,961)	(369,961)
Loss for the year	-	-	-	-	-	-	-	(43,714,479)	(43,714,479)	(121,940)	(43,836,419)
Balance as at 31 December 2007	104,910,267	220,182,481	10,559,039	3,007,539	40,063,860	-	343,039	(56,584,597)	322,481,628	14,986,680	337,468,308
Balance as at 31 December 2007 as previously reported	104,910,267	220,182,481	10,559,039	3,007,539	40,063,860	-	343,039	(53,499,998)	325,566,227	14,986,680	340,552,907
Effect of adoption of IFRIC 12 (Note 43)	-	-	-	-	-	-	-	(3,084,599)	(3,084,599)	-	(3,084,599)
Balance as at 31 December 2007 as restated	104,910,267	220,182,481	10,559,039	3,007,539	40,063,860	-	343,039	(56,584,597)	322,481,628	14,986,680	337,468,308
Transfers	-	-	4,503,030	-	-	-	-	(4,572,301)	(69,271)	69,271	-
Issue of share capital in affiliates	-	-	-	-	-	-	-	-	-	58,620	58,620
Exchange differences on translation reserves	-	-	-	-	-	-	(1,215,590)	-	(1,215,590)	72,137	(1,143,453)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(31,301,803)	-	-	(31,301,803)	-	(31,301,803)
Dividend distributions	-	-	-	-	-	-	-	-	-	(778,433)	(778,433)
Depreciation on revaluation surplus	-	-	-	(341,607)	-	-	-	409,927	68,320	-	68,320
Profit for the year	-	-	-	-	-	-	-	4,058,822	4,058,822	608,919	4,667,741
Balance as at 31 December 2008	104,910,267	220,182,481	15,062,069	2,665,932	40,063,860	(31,301,803)	(872,551)	(56,688,149)	294,022,106	15,017,194	309,039,300

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	2008	Restated (*) 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) for the period		4,667,741	(43,836,419)
Adjustments for:			
Amortisation of airport operation right	14-19	19,098,532	18,931,596
Depreciation of property and equipment	14-17	11,673,655	8,588,490
Amortisation of intangible assets	14-18	4,119,224	2,583,113
Amortisation of concession asset	12	151,756,635	140,789,005
Non-recoverable VAT related to concession payments		-	10,135,128
Provision for employment termination benefits	31	532,968	723,817
Provisions set for doubtful receivables	38	736,615	46,458
Reversal of provision for doubtful receivables	38	-	(676,397)
(Reversal of) / provision for tax penalties	34	(2,900,918)	9,248,823
Other provisions set	34	55,195	-
Discount on receivables and payables, net		41,733	112,806
Gain on sale of property and equipment		(448,847)	-
Impairment of property and equipment	14-17	318,277	-
Accrual for unused vacation	34	713,239	1,256,739
Addition / (Reversal) of provision for slow moving inventory	23	135,864	(97,767)
Unrealised foreign exchange differences on balance sheet items		16,828,426	(18,480,348)
Accrued interest expense		(289,393)	-
Accrued interest expense on financial liabilities		69,068,363	55,257,881
Income tax benefit	16	(3,434,844)	(4,745,445)
Marked to market valuation of derivative instruments		-	7,203,279
Cash flows from operating activities		272,672,465	187,040,759
Change in derivative instruments		(14,250,258)	-
Change in trade receivables		(6,756,180)	13,835,281
Change in non-current trade receivables		23,124,365	24,476,033
Change in inventories		(597,107)	2,190,048
Change in due from related parties		(10,457,349)	(108,694)
Change in restricted bank balances		104,994,275	5,056,392
Change in other receivables and current assets		18,453,605	(7,852,633)
Change in trade payables		(5,153,312)	(25,977,895)
Change in due to related parties		32,721,912	(16,023,619)
Change in other payables and provisions		(2,631,291)	1,420,715
Change in other long term assets		28,396,308	(2,093,673)
Additions to prepaid concession expenses	21	(95,196,116)	(107,355,756)
Change in VAT portion of prepaid rent		(38,605,549)	(7,801,633)
Cash generated from operations		306,715,768	66,805,325
Income taxes paid		(7,605,088)	(2,371,559)
Interest paid		(71,603,765)	(50,058,532)
Retirement benefits paid	31	(1,187,169)	(990,213)
Net cash provided from operating activities		226,319,746	13,385,021

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

	Notes	2008	Restated (*) 2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in investments held for trading	20	248,683	(90,954)
Acquisition of subsidiary net of cash acquired		-	(76,446,285)
Proceeds from sale of property and equipment and intangible assets and correction of airport operation right		1,130,525	571,740
Acquisition of property and equipment	17	(30,832,563)	(17,444,906)
Additions to airport operation right	19	(177,959,052)	(101,552,254)
Acquisition of intangible assets	18	(5,821,624)	(1,267,225)
Net cash used in investing activities		(213,234,031)	(196,229,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings raised		766,724,816	233,157,597
Repayment of borrowings		(674,482,682)	(92,224,347)
Change in restricted bank balances		(110,098,414)	60,947,322
Effect of group structure change		-	(34,601,256)
Minority change		30,515	13,522,500
Purchase of shares under common control		-	4,474,119
Dividends paid		-	(369,959)
(Repayment of) / addition to finance lease liabilities		(213,318)	699,089
Increase in share premium		-	48,300,648
Increase in share capital		-	5,366,739
Net cash (used in) / provided from financing activities		(18,039,083)	239,272,452
NET (DECREASE) / INCREASE FROM CASH AND CASH EQUIVALENTS			
		(4,953,368)	56,427,589
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26	62,681,735	6,254,146
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	57,728,367	62,681,735

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 *(Amounts expressed in Euro unless otherwise stated)*

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TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY

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

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

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

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY (continued)

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

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

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

Name of joint venture	Principal activity	Place of operation	31 December 2008		31 December 2007	
			Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ")	Duty free Services	Turkey	49.98	50.00	49.98	50.00
ATÜ Georgia Operation Services LLC ("ATÜ Georgia")	Duty free Services	Georgia	49.98	50.00	49.98	50.00
TAV Urban Georgia LLC ("TAV Tbilisi")	Airport Operator	Georgia	60.00	50.00	60.00	50.00
TAV Gözen Havacılık İşletme ve Ticaret A.Ş. ("TAV Gözen")	Operating Special Hangar	Turkey	32.40	32.40	-	-
Cyprus Airport Services Ltd. ("CAS")	Management and Ground Handling	KKTC	50.00	50.00	50.00	50.00

HAVAŞ, Gözen Havacılık ve Ticaret A.Ş. and Türkmen Havacılık Taşımacılık ve Ticaret A.Ş. formed a joint venture under the name of TAV Gözen Havacılık İşletme ve Ticaret A.Ş. ("TAV Gözen") at 10 June 2008. HAVAŞ has 32.4% ownership in TAV Gözen as at 31 December 2008. TAV Gözen is engaged in management of all operational inventory, machinery and system in the special hangar of İstanbul Atatürk Airport, any construction and investment related to its subject.

HAVAŞ and Kıbrıs Türk Havayolları Limited Şirketi ("KTHY") formed a joint venture as 50% + 1 of participation for KTHY under the name of Cyprus Airport Services Ltd. ("CAS") according to the protocol signed on 1 September 2006 to construct an airport terminal and to undertake its management for ground handling operations in the Turkish Republic of Northern Cyprus ("KKTC"). CAS started its operations on 1 August 2008.

On 28 November 2008, HAVAŞ has become preferred bidder for the tender held by the Turkish Airlines ("THY") to participate in the 50% of its share in TGS Yer Hizmetleri A.Ş. ("TGS").

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY (continued)

Description of Operations

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

BOT Agreements

The airport terminals operated by the Group are as follows:

Istanbul Atatürk International Airport

A BOT agreement was executed between TAV İstanbul and DHMI regulating the reconstruction, investment and operations of the Atatürk International Airport International Lines Building (referred to as “Atatürk International Airport Terminal” or “AIAT”) in year 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of the International Lines Building for 3 years, 8 months and 20 days. TAV completed the reconstruction of the International Lines Building in January 2000 and started the operation seven months early, after completion of a significant portion of the construction. Construction of the remaining parts of the project was finalised in August 2000. DHMI 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 year 2004. In return for extending the International Lines Building, the operation period of TAV was extended by 13 months 12 days (approximately 66 months in total) through June 2005. The contract expired in June 2005 and TAV transferred AAT to DHMI. On 3 June 2005, TAV İstanbul signed a concession agreement to operate AIAT and Atatürk Domestic Airport Terminal (referred to as “ADAT”) for 15.5 years until year 2021. The concession agreement requires TAV İstanbul to make annual rent payments totaling US Dollar (“USD”) 2,543,000,000 plus VAT (18%) over the life of the concession agreement, of which USD 584,890,000 plus VAT has been prepaid at the beginning of the concession agreement under the terms of the agreement. In addition, TAV İstanbul is required to make certain enhancements and improvements to the domestic terminal within the first year of the concession agreement and to maintain the facilities through the concession period.

Ankara Esenboğa International Airport

A BOT agreement was executed between TAV Esenboğa and DHMI 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 Esenboğa 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 TAV İzmir and DHMI on 20 May 2005 regulating the reconstruction, investment and operations of the İzmir Adnan Menderes Airport International Terminal. According to the Agreement, TAV İzmir 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 İzmir 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.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 *(Amounts expressed in Euro unless otherwise stated)*

1. REPORTING ENTITY (continued)

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.

Batumi International Airport

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

Tunisie Monastir and Enfidha International Airports

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

Gazipaşa Airport

Relating to the transfer of the operational rights of Antalya-Gazipaşa Airport via a lease, the concession agreement between the new company, named TAV Gazipaşa Yapım, Yatırım ve İşletme A.Ş. and DHMİ was signed on 4 January 2008. The operation period of Antalya-Gazipaşa Airport, which currently has 500,000 annual passenger capacity, 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 an annual 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 DHMİ.

Macedonia Skopje, Ohrid and Shtip Airports

On 24 September 2008, the 20-year Concession Agreement for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport in Shtip airports was signed between TAV Macedonia DOOEL Skopje (a new company founded and registered in order to carry out the Macedonian activities) and the Ministry of Transport and Communication of Macedonia. The operation of the two airports shall cover all airport activities with the exception of air traffic control, and modernisation activities are contemplated to include the technical infrastructure.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

1. REPORTING ENTITY (continued)

Operations Contracts

BOT operations and management contracts include the following:

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

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

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

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

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 optimisation in aviation, particularly terminal, flight management system and software programs and to meet the information systems requirements of group companies and certain third parties.

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

The Group employs approximately 11,235 (average: 11,289) people as at 31 December 2008 (31 December 2007: 10,792 (average: 9,473) people).

Growth of the Group

The Group has experienced major and rapid growth 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, Tunisia Monastir and Enfidha International Airports, Macedonia Skopje, Ohrid and Shtip Airports. In connection with these contracts, the Group constructed the airports or made large prepayments for operational leasing under the terms of concession agreements with airport authorities.

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

2. BASIS OF PREPARATION

a) Statement of compliance

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

The Group’s consolidated financial statements were approved by the Board of Directors on 30 March 2009.

b) Basis of measurement

The consolidated 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 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:

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgements

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

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

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

Note 7 – goodwill

Note 8 – mark-up applied to construction expenditure

Note 18 – valuation of intangible assets

Note 22 – utilisation of tax losses

Note 31 – measurement of reserve for employee severance indemnity

Notes 34 and 39 – provisions and contingencies

Note 38 – valuation of financial instruments

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Basis of consolidation

The consolidated 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 İşletme, TAV Gazipaşa, TAV Batumi, TAV Tunisie and TAV Macedonia are fully consolidated without minority's ownership. After acquisition of the remaining 40% shares of HAVAŞ in November 2007 from independent third party, HAVAŞ is fully consolidated as at 31 December 2007 from the effective date of acquisition whereas it was consolidated proportionally until 30 September 2007. The effects of such change are presented as "effect of change in group structure" in the notes to the consolidated financial statements.
- BTA, BTA Georgia, BTA Tunisie, Cakes & Bakes, TAV İşletme Georgia, 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, ATÜ Georgia, TAV Tbilisi, TAV Gözen and CAS are proportionately consolidated.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation

i) Subsidiaries:

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

ii) Acquisitions from entities under common control:

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

iii) Jointly controlled entities:

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

iv) Transactions eliminated on consolidation:

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

v) Business combinations for independent third party purchases:

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency

i) Foreign currency transactions:

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

ii) Foreign operations:

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

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

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

The financial statements of subsidiaries, namely BTA, TAV İşletme and TAV Güvenlik, 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, by the exchange rate ruling at balance sheet date.

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

	<u>31 December 2008</u>	<u>31 December 2007</u>	<u>31 December 2006</u>
EUR / TRY	2.1408	1.7102	1.8515
EUR / GEL	2.3648	2.3315	2.2562
EUR / Tunisian Dinar	1.8409	1.7971	1.7091
EUR / USD	1.4155	1.4684	1.3172

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

i) Non-derivative financial instruments:

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

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

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

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

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

Financial assets at fair value through profit or loss

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

Other

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

ii) Derivative financial instruments:

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

ii) Derivative financial instruments: (continued)

Cash flow hedges

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

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

iii) Share capital:

Ordinary shares are classified as equity.

d) Property and equipment

i) Recognition and measurement:

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

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

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

ii) Subsequent costs:

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

iii) Depreciation:

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

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

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

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

e) Intangible assets

i) Goodwill:

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

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

Acquisitions of minority interests

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Intangible assets recognised in a business combination:

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

ii) Intangible assets recognised in a 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 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 financial statements prior to the acquisition of the additional 40% shareholding.

iii) Other intangible assets:

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

iv) Subsequent expenditure:

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

v) Amortisation:

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

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

f) Service concession arrangements

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

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Service concession arrangements (continued)

i) Intangible assets

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

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Tbilisi and TAV Tunisie are 0%, 0%, 15% and 5%, respectively. As of 31 December 2008, total cost of airport operation right is EUR 498,306,365 (EUR 111,500,212 for TAV Esenboğa, EUR 80,469,270 for TAV İzmir, EUR 49,948,468 for TAV Tbilisi and EUR 256,388,415 for TAV Tunisie) (31 December 2007: total cost of airport operation right is EUR 321,094,452 (EUR 111,500,212 for TAV Esenboğa, EUR 80,422,360 for TAV İzmir, EUR 50,661,866 for TAV Tbilisi and EUR 78,510,014 for TAV Tunisie)).

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

Amortisation of the airport operation right is calculated on a straight line basis. The calculated amortisation for the year ended 31 December 2008 amounts to EUR 6,733,771 for TAV Esenboğa, EUR 9,791,578 for TAV İzmir and EUR 2,573,183 for TAV Tbilisi. For TAV Tunisie no amortisation has been calculated as the construction of the airport is still in progress. The estimated useful life of an intangible asset in a service concession arrangement is the period from when it is available for use to the end of the concession period.

ii) Financial assets

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

As at 31 December 2008, the short and long term guaranteed passenger fee receivable from DHMİ equals to EUR 179,431,222 (31 December 2007: EUR 203,907,254).

iii) Accounting for operations contract (TAV İstanbul)

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Service concession arrangements (continued)

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

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

g) Leased assets

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

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

h) Inventories

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

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

i) Impairment

i) Financial assets:

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

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

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

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

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment (continued)

ii) Non-financial assets:

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

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

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

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

j) Reserve for employee severance indemnity

In accordance with the existing labor law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TRY 2,173 as at 31 December 2008 (equivalent to EUR 1,015 as at 31 December 2008) (31 December 2007: TRY 2,030 (equivalent to EUR 1,187 as at 31 December 2007)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying consolidated financial statements on a current basis. The management of the Company used some assumptions (detailed in Note 31) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

k) Provisions

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1) Revenue

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

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

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

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

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

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

Area allocation income: Area allocation income is recognised 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 recognised when goods are delivered and title passes.

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

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

Commission: The Group subcontracts the right to operate certain duty free operations and the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is recognised 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 recognised when goods are delivered and title has passed or when services are provided.

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

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Lease payments

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

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

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

n) Finance income and expenses

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

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

o) Income tax

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Income tax (continued)

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

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

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

p) Earnings per share

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

q) Segment reporting

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

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

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

r) New standards and interpretations not yet adopted

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

- *IFRS 8 "Operating Segments"* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6).
- *Revised IAS 23 "Borrowing Costs"* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and the Group is currently assessing the impact of the amended standard on its consolidated financial statements.

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- *Revised IFRS 3 “Business Combinations”* (2008) incorporates the following changes that are likely to be relevant to the Group’s operations:
 - The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
 - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
 - Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

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

- *Amended IAS 27 “Consolidated and Separate Financial Statements”* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group’s 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- *Amendment to IFRS 2 “Share-based Payment - Vesting Conditions and Cancellations”* clarifies the definition of vesting conditions, introduces the concept of non vesting conditions, requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 is effective for annual periods beginning on or after 1 January 2009, will become mandatory for the Group’s 2009 consolidated financial statements, with retrospective application and is not expected to have any effect on the consolidated financial statements.
- *Amendments to IAS 32 “Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation”* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group’s 2009 consolidated financial statements with retrospective application required, are not expected to have any significant impact on the consolidated financial statements.
- *Revised IAS 1 “Presentation of Financial Statements”* (2007) introduces the term “total comprehensive income,” which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group’s 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements as the Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- *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 consolidated financial statements.
- *Amendment to IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items”* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application required and is not expected to have any effect on the consolidated financial statements.
- *IFRIC 15 “Agreements for the Construction of Real Estate”* will standardize accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses before construction is complete. The interpretation is effective for annual periods beginning on or after 1 January 2009 and is not expected to have any effect on the consolidated financial statements.
- *IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”* clarifies that:
 - net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation
 - the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged
 - on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Group's 2009 consolidated financial statements, applies prospectively to the Group's existing hedge relationships and net investments and is not expected to have any effect on the consolidated financial statements.

- *IFRIC 17, “Distributions of Non-cash Assets to Owners”*, requires entities to recognise certain distributions of non-cash assets at fair value, and to recognise in profit or loss the difference between the fair value of the assets distributed and their carrying amounts. IFRIC 17 provides guidance on when and how a liability for certain distributions of non-cash assets is recognised and measured, and how to account for settlement of that liability. Transactions within its scope will need to be measured at fair value. IFRIC 17 is effective for annual periods beginning on or after 1 July 2009; earlier application is permitted only if IFRS 3 Business Combinations (2008), IAS 27 Consolidated and Separate Financial Statements (2008) and the related amendments to IFRS 5 are applied at the same time. Group will assess the effect of this standard on consolidated financials.
- *IFRIC 18 “Transfers of Assets from Customers”* provides guidance on transfers of property, plant and equipment (or cash to acquire it) for entities that receive such contributions from their customers. IFRIC 18 applies prospectively to transfers of assets from customers received on or after July 2009; earlier application is permitted provided that the necessary valuations and other information were obtained at the time that those transfers occurred. The interpretation is not expected to have significant effect on the consolidated financial statements.

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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.

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

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

iii) Investments in equity securities

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

iv) Trade and other receivables

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

v) Derivatives

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

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

vi) Non-derivative financial liabilities

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 *(Amounts expressed in Euro unless otherwise stated)*

5. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising 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 Group as mentioned in Note 36.

i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December 2008, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro, but also USD, GEL, Tunisian Dinar and TRY which are disclosed within the relevant notes to these consolidated financial statements. The Group manages this currency risk by maintaining foreign currency cash balances. The currency risk is managed by using of some financial instruments as mentioned in Note 38.

ii) Interest rate risk

The Group adopts a policy of ensuring that between 80 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 38.

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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING

Business Segments:

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING (continued)

Business Segments

31 December 2008	Terminal Operations	Catering Operations	Duty Free Operations	Ground Handling and Bus Operations	Other Operations	Consolidation Eliminations	Consolidated
External revenues	242,399,187	40,307,163	148,685,741	119,306,587	23,080,980	-	573,779,658
Inter - segment revenue	87,511,998	9,913,730	-	58,746	13,751,485	(111,235,959)	-
Construction revenue	199,235,250	-	-	-	-	-	199,235,250
Construction expenditure	(189,747,858)	-	-	-	-	-	(189,747,858)
Operating expenses	(231,707,662)	(49,433,583)	(135,255,722)	(89,130,889)	(37,954,822)	97,830,665	(445,652,013)
Other operating income	17,327,279	7,892,114	2,652,335	1,212,349	15,395,398	(20,526,394)	23,953,081
Other operating expenses	(71,872,948)	(7,239,427)	(2,848,172)	(9,270,122)	(20,149,315)	35,624,967	(75,755,017)
Operating profit / (loss)	53,145,246	1,439,997	13,234,182	22,176,671	(5,876,274)	1,693,279	85,813,101
Net finance expense							(84,580,204)
Income tax benefit							3,434,844
Profit for the period							4,667,741
Other information							
Segment assets	1,344,017,155	12,938,002	47,004,142	64,522,572	786,729,531	(624,321,950)	1,630,889,452
Total assets							1,630,889,452
Segment liabilities	(1,006,841,054)	(11,656,718)	(35,474,591)	(15,516,246)	(341,134,893)	88,773,350	(1,321,850,152)
Total liabilities							(1,321,850,152)
Additions to tangible, intangible assets and airport operation right	197,365,596	2,555,146	804,843	12,172,307	1,715,347	-	214,613,239
Tangible, intangible assets and airport operation right depreciation and amortisation	(22,420,039)	(2,059,192)	(582,009)	(7,904,686)	(1,925,485)	-	(34,891,411)
Concession rent expense	(155,950,811)	-	-	-	-	-	(155,950,811)
Additions to prepaid concession expenses	95,196,116	-	-	-	-	-	95,196,116

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(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING (continued)

31 December 2007	Terminal Operations	Catering Operations	Duty Free Operations	Ground Handling and Bus Operations (*)	Other Operations	Consolidation Eliminations	Consolidated
External revenues	193,366,131	35,339,395	135,529,675	73,463,093	21,025,303	-	458,723,597
Inter - segment revenue	80,477,921	7,744,110	-	45,897	19,168,288	(107,436,216)	-
Construction revenue	53,914,284	-	-	-	-	-	53,914,284
Construction expenditure	(52,941,288)	-	-	-	-	-	(52,941,288)
Operating expenses	(202,842,090)	(44,538,319)	(127,376,814)	(56,917,708)	(29,255,938)	87,234,735	(373,696,134)
Other operating income	11,158,114	7,342,526	2,767,177	1,149,028	10,681,981	(12,793,630)	20,305,196
Other operating expenses	(73,011,906)	(7,808,592)	(2,623,354)	(8,944,143)	(29,193,365)	34,667,311	(86,914,049)
Operating profit / (loss)	10,121,166	(1,920,880)	8,296,684	8,796,167	(7,573,731)	1,672,200	19,391,606
Net finance expense							(67,973,470)
Income tax benefit							4,745,445
Loss for the period							(43,836,419)
Other information							
Segment assets	1,198,583,635	14,354,961	34,089,522	56,915,877	646,765,771	(475,305,712)	1,475,404,054
Total assets							1,475,404,054
Segment liabilities	(921,716,329)	(13,467,119)	(26,579,457)	(15,686,388)	(206,364,503)	45,878,050	(1,137,935,746)
Total liabilities							(1,137,935,746)
Additions to tangible, intangible assets and airport operation right	109,907,357	2,337,438	2,834,783	3,453,015	1,731,792	-	120,264,385
Tangible, intangible assets and airport operation right depreciation and amortisation	(21,112,852)	(1,796,853)	(390,115)	(5,331,443)	(1,580,677)	108,741	(30,103,199)
Concession rent expense	(140,789,005)	-	-	-	-	-	(140,789,005)
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 year 2007, whereas it was proportionally consolidated until 30 September 2007.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008

(Amounts expressed in Euro unless otherwise stated)

6. SEGMENT REPORTING (continued)

Geographical segments

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

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

31 December 2008	Turkey	Georgia	Tunisie	Other	Consolidation Eliminations	Consolidated
Operating revenue	525,160,548	9,133,467	39,485,643	-	-	573,779,658
Construction revenue	-	-	199,235,250	-	-	199,235,250
Other information						
Segment assets	1,853,554,413	54,648,282	346,942,745	65,962	(624,321,950)	1,630,889,452
Total assets						1,630,889,452
Additions to tangible, intangible assets and airport operation right	36,207,254	234,300	178,170,470	1,215	-	214,613,239
31 December 2007	Turkey	Georgia	Tunisie	Consolidation Eliminations	Consolidated	
Operating revenue	451,340,503	7,383,094	-	-	458,723,597	
Construction revenue	11,852,145	10,866,437	31,195,702	-	53,914,284	
Other information						
Segment assets	1,765,539,288	60,636,508	124,533,970	(475,305,712)	1,475,404,054	
Total assets					1,475,404,054	
Additions to tangible, intangible assets and airport operation right	26,146,993	12,103,523	82,013,869	-	120,264,385	

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7. GOODWILL

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
Goodwill	131,564,539	131,564,539
	<u>131,564,539</u>	<u>131,564,539</u>

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 81,238,089 at 31 December 2008) with an interest rate of Libor+1.85% and maturity of November 2012 from Türkiye İş Bankası A.Ş. in order to fund this payment. In relation to such loan, HAVAŞ shares with a nominal amount of TRY 44,994,667 corresponding to 99.988% of the capital have been pledged in favour of Türkiye İş Bankası A.Ş. However, the voting right for these shares remains at TAV Holding.

8. CONSTRUCTION REVENUE AND EXPENDITURE

An analysis of the Group's construction revenue and expenditure for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
Construction expenditure	189,747,858	52,941,288
Mark up on construction expenditure	9,487,392	972,996
Construction revenue	<u>199,235,250</u>	<u>53,914,284</u>

Construction revenue and expenditure in year 2008 relate to the development of the new terminals for Enfidha International Airport and the margin on construction works is determined based on a 5% margin rate of construction expenditure. In year 2007, construction revenue and expenditure relate to the development of the terminals for Esenboğa International, Adnan Menderes International, Tbilisi International, Batumi and Enfidha International Airports.

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

9. OPERATING REVENUE

An analysis of the Group's operating revenue for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
Sales of duty free goods	148,685,741	135,529,675
Aviation income (*)	129,108,428	98,902,683
Ground handling income (**)	106,398,709	63,524,905
Commission from sales of duty free goods	72,679,835	60,827,248
Catering services income	36,422,687	31,745,709
Income from car parking operations	21,493,597	20,963,132
Area allocation income	16,908,681	16,784,397
Income from lounge services	16,458,181	10,039,212
Bus services income	14,853,465	11,388,973
Other operating revenue	10,770,334	9,017,663
Total operating revenue	<u>573,779,658</u>	<u>458,723,597</u>

(*) Monastir Airport started its operations in the year 2008.

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

10. OTHER OPERATING INCOME

An analysis of the Group's other operating income for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
Advertising income	8,884,410	9,029,646
Rent income from sublease	8,215,656	8,371,016
Utility and general participation income (*)	1,650,881	877,634
Other	5,202,134	2,026,900
Total other operating income	<u>23,953,081</u>	<u>20,305,196</u>

(*) Utility participation income consists of electricity, water supplies, heat, natural gas expenses which are initially paid by the Group and charged to the tenants of the terminal according to the m² of the areas rented.

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11. PERSONNEL EXPENSES

An analysis of the Group's personnel expenses for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
Wages and salaries	109,694,103	82,767,568
Compulsory social security contributions	18,961,992	15,696,309
Employment termination benefit expenses	532,968	723,817
Other personnel expenses	16,713,746	14,106,706
Total personnel expenses	<u>145,902,809</u>	<u>113,294,400</u>

12. CONCESSION RENT EXPENSES

An analysis of the Group's concession rent expenses for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
TAV İstanbul	141,174,729	140,789,005
TAV Tunisie (*)	14,776,082	-
Total concession rent expenses	<u>155,950,811</u>	<u>140,789,005</u>

(*) According to the concession agreement, TAV Tunisie is obliged to pay 33.7% of total revenue as concession rent expense to Tunisian government for 2008.

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13. OTHER OPERATING EXPENSES

An analysis of the Group's other operating expense for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
VAT non-recoverable	11,911,437	15,080,829
Utility cost	11,892,709	10,132,463
Maintenance expenditures	8,718,015	7,030,975
Consultancy expense (*)	7,217,462	14,342,565
Insurance expense	6,990,086	8,867,163
Cleaning expense	6,799,425	6,977,318
Taxes (**)	5,265,432	6,310,697
Traveling and transportation expenses	2,986,628	2,902,978
Communication and stationary expenses	2,528,837	2,257,630
Rent expense	1,860,968	2,942,801
Advertisement and marketing expenses	1,802,411	2,968,950
Representation expenses	1,353,114	1,669,754
Security cost	481,216	829,023
Provision expense	300,338	148,413
Donations	287,230	410,700
Other operating expenses	5,359,709	4,041,790
Total other operating expenses	<u>75,755,017</u>	<u>86,914,049</u>

(*) Consultancy expense in 2007 included financial advisory services contract of TAV Tunisie and HAVAŞ technical consultancy fee. HAVAŞ was fully consolidated after the acquisition of the remaining 40% shares by TAV in year 2007.

(**) Taxes include tax penalty and other tax expenses. See note 34 for tax penalty expense.

14. DEPRECIATION AND AMORTISATION

An analysis of the Group's depreciation and amortisation expenses for the years ended 31 December is as follows:

	<u>Airport operation right</u>	<u>Property and equipment</u>	<u>Other intangible assets</u>	<u>Total</u>
Balance at 1 January 2007	6,359,641	35,694,200	3,064,906	45,118,747
Correction	-	(2,086,370)	152,746	(1,933,624)
Effect of movements in exchange rates	(32,380)	330,520	64,935	363,075
Effect of change in group structure	-	19,691,633	221,650	19,913,283
Charge for the year	18,931,596	8,588,490	2,583,113	30,103,199
Disposals	-	(5,523,063)	(69)	(5,523,132)
Balance at 31 December 2007	<u>25,258,857</u>	<u>56,695,410</u>	<u>6,087,281</u>	<u>88,041,548</u>
Balance at 1 January 2008	25,258,857	56,695,410	6,087,281	88,041,548
Impairment loss	-	318,277	-	318,277
Effect of movements in exchange rates	(352,374)	(2,971,617)	(120,378)	(3,444,369)
Charge for the year	19,098,532	11,673,655	4,119,224	34,891,411
Disposals	-	(1,635,762)	(5,001)	(1,640,763)
Correction	(4,813)	-	-	(4,813)
Balance at 31 December 2008	<u>44,000,202</u>	<u>64,079,963</u>	<u>10,081,126</u>	<u>118,161,291</u>

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15. FINANCE INCOME AND EXPENSE

Recognised in profit or loss

An analysis of the Group's finance income and expense for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
Interest income on bank deposits and intercompany loans	13,266,971	11,407,177
Fair value of derivatives (*)	-	3,049,235
Discount income (**)	5,035,615	2,279,600
Other finance income	127,255	141,855
Finance income	18,429,841	16,877,867
Interest expense on financial liabilities and intercompany loans	(69,068,363)	(55,257,881)
Foreign exchange loss, net	(23,810,655)	(10,622,742)
Other finance costs (***)	(6,929,080)	(17,253,805)
Fair value of derivatives (*)	(1,759,201)	-
Commission expense	(1,442,746)	(1,716,909)
Finance expense	(103,010,045)	(84,851,337)
Net finance expense	(84,580,204)	(67,973,470)

(*) After 1 January 2008, fair value of derivatives are recognised under equity in order to hedge financial risk exposures. The effect of derivatives realised in year 2008 is recognised under finance expenses as fair value of derivatives.

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

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

Recognised directly in equity

	<u>31 December 2008</u>	<u>31 December 2007</u>
Foreign currency translation differences for foreign operations	(1,215,590)	426,283
Effective portion of changes in fair value of cash flow hedges	(31,301,803)	-
	(32,517,393)	426,283

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16. INCOME TAX BENEFIT

An analysis of the Group's income tax benefit for the years ended 31 December is as follows:

	<u>2008</u>	<u>2007</u>
<u>Current tax expense</u>		
Current year	8,356,892	4,747,310
Adjustments for prior periods	-	(350,991)
	<u>8,356,892</u>	<u>4,396,319</u>
<u>Deferred tax benefit</u>		
Origination and reversal of temporary differences	<u>(11,791,736)</u>	<u>(9,141,764)</u>
Total income tax benefit	<u>(3,434,844)</u>	<u>(4,745,445)</u>

Reconciliation of effective tax rate

The reported income tax expenses for the years ended 31 December 2008 and 2007 are different than the amounts computed by applying the statutory tax rate to profit before income tax of the Group, as shown in the following reconciliation:

	<u>%</u>	<u>2008</u>	<u>%</u>	<u>2007</u>
Profit / (loss) for the period		4,667,741		(43,836,419)
Total income tax benefit		<u>(3,434,844)</u>		<u>(4,745,445)</u>
Profit / (loss) before income tax		1,232,897		(48,581,864)
Income tax using the Company's domestic tax rate	20	246,579	20	(9,716,373)
Tax effects of:				
- not deductible expenses	192	2,372,905	(7)	3,378,573
- translation of non-monetary items according to IAS 21	(392)	(4,838,522)	(2)	1,202,662
- tax exempt income	(538)	(6,629,916)	8	(4,070,578)
- change in tax rate		-	1	(626,746)
- translation effect on carried forward loss	318	3,924,632	4	(1,628,648)
- change in previously recognised tax losses	36	442,659	-	-
- recognition of previously unrecognised tax losses	(621)	(7,655,056)	-	-
- current year losses which no deferred tax asset is recognised	409	5,042,452	(10)	4,753,864
- effect of different tax rates for foreign jurisdictions	195	2,404,499	-	-
- other consolidation adjustments	102	1,254,924	(4)	1,961,801
Income tax benefit	(279)	<u>(3,434,844)</u>	10	<u>(4,745,445)</u>

Corporate tax:

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

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 utilised.

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

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Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2008 (Amounts expressed in Euro unless otherwise stated)

16. INCOME TAX BENEFIT (continued)

Corporate tax (continued):

Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back.

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

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

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

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes 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 years 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 December 2008 (31 December 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.

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(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	Total
Cost								
Balance at 1 January 2007	585,724	433,914	31,106,203	10,094,158	12,244,390	15,030,502	-	69,494,891
Correction (*)	-	(1,752)	(236,063)	(2,134,075)	(33,710)	319,533	-	(2,086,067)
Effect of movements in exchange rates	-	(9,967)	372,171	(79,494)	399,837	407,171	-	1,089,718
Additions	-	12,383	2,243,243	3,981,405	2,834,705	5,066,616	3,306,554	17,444,906
Effect of change in group structure (**)	13,947,587	28,566	18,249,249	3,521,327	1,985,469	5,074,482	185,603	42,992,283
Disposals	-	(210,549)	(1,153,595)	(810,393)	(2,034,867)	(1,885,323)	-	(6,094,727)
Transfers	-	-	-	45,598	243,088	1,992,130	(2,280,816)	-
Balance at 31 December 2007	14,533,311	252,595	50,581,208	14,618,526	15,638,912	26,005,111	1,211,341	122,841,004
Balance at 1 January 2008	14,533,311	252,595	50,581,208	14,618,526	15,638,912	26,005,111	1,211,341	122,841,004
Effect of movements in exchange rates	(196,403)	4,304	(235,179)	(97,369)	(1,459,834)	(3,437,000)	(27,004)	(5,448,485)
Additions	-	24,327	1,571,112	2,748,942	2,388,829	3,200,193	20,899,160	30,832,563
Disposals	-	(186,525)	(666,575)	(666,336)	(443,433)	(280,594)	(28,780)	(2,272,243)
Transfers (***)	-	-	-	-	-	2,656,254	(3,312,957)	(656,703)
Balance at 31 December 2008	14,336,908	94,701	51,250,566	16,603,763	16,124,474	28,143,964	18,741,760	145,296,136

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17. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	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
Correction (*)	-	(139)	(1,153,131)	(1,084,108)	55,722	95,286	-	(2,086,370)
Effect of movements in exchange rates	-	(1,270)	98,267	(14,391)	201,412	46,502	-	330,520
Effect of change in group structure (**)	-	9,046	13,938,155	1,327,977	1,707,032	2,709,423	-	19,691,633
Depreciation for the year	-	37,680	2,269,650	1,552,768	2,183,206	2,545,186	-	8,588,490
Eliminated on disposals	-	(35,778)	(981,170)	(743,611)	(1,908,538)	(1,853,966)	-	(5,523,063)
Balance at 31 December 2007	-	61,760	36,858,002	4,695,449	7,793,590	7,286,609	-	56,695,410
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	-	554	(91,472)	(31,665)	(770,060)	(2,078,974)	-	(2,971,617)
Impairment loss (***)	-	-	308,092	10,185	-	-	-	318,277
Depreciation for the year	-	16,056	2,868,698	2,560,188	2,573,906	3,654,807	-	11,673,655
Eliminated on disposals	-	(53,682)	(561,563)	(579,216)	(378,395)	(62,906)	-	(1,635,762)
Balance at 31 December 2008	-	24,688	39,381,757	6,654,941	9,219,041	8,799,536	-	64,079,963
Carrying amounts								
At 31 December 2007	14,533,311	190,835	13,723,206	9,923,077	7,845,322	18,718,502	1,211,341	66,145,594
At 31 December 2008	14,336,908	70,013	11,868,809	9,948,822	6,905,433	19,344,428	18,741,760	81,216,173

(*) Correction represents differences at fixed asset count results of HAVAŞ as at 31 December 2007.

(**) Effect of consolidation of TAV Batumi, which is the operator company for Batumi Airport, and also effect of acquisition of 40% of HAVAŞ shares in 2007.

(***) The remaining portion of transfer amounting to EUR 656,703 comprises intangible assets.

(****) Due to the expert report obtained from TSKB Gayrimenkul Değerleme A.Ş. for determining fair value of CAS property and equipment on 28 November 2008, impairment losses amounting to EUR 318,277 are recognised as at 31 December 2008.

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18. INTANGIBLE ASSETS

	<u>Purchased software and brandmarks</u>	<u>Customer relationships</u>	<u>DHMI license</u>	<u>Total</u>
<u>Cost</u>				
Balance at 1 January 2007	6,262,980	13,539,909	1,393,814	21,196,703
Correction (*)	(14,435)	-	-	(14,435)
Effect of movements in exchange rates	161,859	-	-	161,859
Revaluation (**)	-	1,615,664	1,800,410	3,416,074
Additions	1,267,225	-	-	1,267,225
Effect of change in group structure (***)	236,933	8,072,977	2,129,547	10,439,457
Disposals	(145)	-	-	(145)
Transfers from CIP	16,179	-	-	16,179
Balance at 31 December 2007	<u>7,930,596</u>	<u>23,228,550</u>	<u>5,323,771</u>	<u>36,482,917</u>
Balance at 1 January 2008	7,930,596	23,228,550	5,323,771	36,482,917
Effect of movements in exchange rates	(179,012)	-	-	(179,012)
Additions	5,821,624	-	-	5,821,624
Disposals	(21,271)	-	-	(21,271)
Transfers from CIP	656,703	-	-	656,703
Balance at 31 December 2008	<u>14,208,640</u>	<u>23,228,550</u>	<u>5,323,771</u>	<u>42,760,961</u>
<u>Amortisation</u>				
Balance at 1 January 2007	1,033,920	2,030,986	-	3,064,906
Correction (*)	152,746	-	-	152,746
Effect of movements in exchange rates	64,935	-	-	64,935
Amortisation for the year	1,063,075	1,520,038	-	2,583,113
Effect of change in group structure (***)	221,650	-	-	221,650
Disposals	(69)	-	-	(69)
Balance at 31 December 2007	<u>2,536,257</u>	<u>3,551,024</u>	-	<u>6,087,281</u>
Balance at 1 January 2008	2,536,257	3,551,024	-	6,087,281
Effect of movements in exchange rates	(120,378)	-	-	(120,378)
Amortisation for the year	2,101,042	2,018,182	-	4,119,224
Disposals	(5,001)	-	-	(5,001)
Balance at 31 December 2008	<u>4,511,920</u>	<u>5,569,206</u>	-	<u>10,081,126</u>
<u>Carrying amounts</u>				
At 31 December 2007	<u>5,394,339</u>	<u>19,677,526</u>	<u>5,323,771</u>	<u>30,395,636</u>
At 31 December 2008	<u>9,696,720</u>	<u>17,659,344</u>	<u>5,323,771</u>	<u>32,679,835</u>

(*) Correction represents differences at intangible assets count results of HAVAŞ as at 31 December 2007. The net effect of these differences amounted to EUR 138,311 and are adjusted in the consolidated income statement for the year ended 31 December 2007.

(**) Effect of fair value difference resulting from HAVAŞ acquisition in 2007. See significant accounting policies note 3(e)(ii).

(***) Effect of acquisition of 40% HAVAŞ shares in 2007. See note 3(a).

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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	70,960,406	40,789,131	-	220,859,557
Effect of movements in exchange rates	-	-	(1,317,359)	-	(1,317,359)
Additions	2,390,192	9,461,954	11,190,094	78,510,014	101,552,254
Balance at 31 December 2007	111,500,212	80,422,360	50,661,866	78,510,014	321,094,452
Balance at 1 January 2008	111,500,212	80,422,360	50,661,866	78,510,014	321,094,452
Effect of movements in exchange rates	-	-	(713,398)	-	(713,398)
Additions	-	80,651	-	177,878,401	177,959,052
Correction	-	(33,741)	-	-	(33,741)
Balance at 31 December 2008	111,500,212	80,469,270	49,948,468	256,388,415	498,306,365

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19. AIRPORT OPERATION RIGHT (continued)

	Ankara Esenboğa International Airport	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Total
<u>Accumulated amortisation</u>					
Balance at 1 January 2007	1,367,925	2,560,768	2,430,948	-	6,359,641
Effect of movements in exchange rates	-	-	(32,380)	-	(32,380)
Amortisation for the year	6,715,394	9,753,353	2,462,849	-	18,931,596
Balance at 31 December 2007	8,083,319	12,314,121	4,861,417	-	25,258,857
Balance at 1 January 2008	8,083,319	12,314,121	4,861,417	-	25,258,857
Effect of movements in exchange rates	-	-	(352,374)	-	(352,374)
Correction	-	(4,813)	-	-	(4,813)
Amortisation for the year	6,733,771	9,791,578	2,573,183	-	19,098,532
Balance at 31 December 2008	14,817,090	22,100,886	7,082,226	-	44,000,202
Carrying amounts					
At 31 December 2007	103,416,893	68,108,239	45,800,449	78,510,014	295,835,595
At 31 December 2008	96,683,122	58,368,384	42,866,242	256,388,415	454,306,163

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20. OTHER INVESTMENTS

Non-current investments

At 31 December, non-current investments comprised the following:

<u>Available-for-sale securities</u>	<u>Ownership %</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
<u>Unlisted entities</u>			
TAV Havacılık A.Ş.	1,00	24,238	24,238
CAS (*)	50,00	-	1,211,110
		<u>24,238</u>	<u>1,235,348</u>

(*) HAVAŞ and Kıbrıs Türk Havayolları Limited Şirketi ("KTHY") formed a joint venture as 50% + 1 of participation for KTHY under the name of CAS according to the protocol signed on 1 September 2006 to construct an airport terminal and to undertake its management for ground handling operations in the Turkish Republic of Northern Cyprus ("KKTC"). CAS started its operations on 1 August 2008 and CAS is proportionately consolidated in the accompanying consolidated financial statement as at 31 December 2008 (CAS is recognised at its cost at 31 December 2007).

Current investments

At 31 December, current investments comprised the following:

Investments held for trading

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

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21. PREPAID CONCESSION EXPENSES

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

<u>31 December 2008</u>	<u>Rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
Balance at 31 December 2007	254,875,995	40,076,882	294,952,877
Rent payments	95,196,116	-	95,196,116
Current year concession expense	(138,087,999)	(3,086,730)	(141,174,729)
Balance at 31 December 2008	211,984,112	36,990,152	248,974,264
Represented as short term prepaid concession expense	125,610,454	3,078,295	128,688,749
Represented as long term prepaid concession expense	86,373,658	33,911,857	120,285,515
<u>31 December 2007</u>	<u>Rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
Balance at 31 December 2006	293,076,406	43,155,178	336,231,584
Correction of error (Note 43)	(7,845,458)	-	(7,845,458)
Restated balance at 31 December 2006	285,230,948	43,155,178	328,386,126
Rent payments	107,355,756	-	107,355,756
Current year concession expense	(137,710,709)	(3,078,296)	(140,789,005)
Balance at 31 December 2007	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

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21. PREPAID CONCESSION EXPENSES (continued)

Rent:

The total rent associated with the concession agreement is USD 2,543,000,000 plus VAT (equivalent to EUR 1,796,421,385 as at 31 December 2008). TAV İstanbul paid 23% of the total amount plus VAT as required by the Concession Agreement. Prepaid VAT amount is disclosed in Note 24. A payment representing 5.5% of the total rent amount will be made within the first five workdays of each rental year following the first rental year. Below is the payment schedule per the Concession Agreement, excluding VAT, as at 31 December 2008:

<u>Year</u>	<u>Amount (US Dollar)</u>	<u>Amount (Euro)</u>
2009	139,865,000	98,803,176
2010	139,865,000	98,803,176
2011	139,865,000	98,803,176
2012	139,865,000	98,803,176
After 2013 to 2020	1,118,920,000	790,425,409
	<u>1,678,380,000</u>	<u>1,185,638,113</u>

Prepaid development expenditures:

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

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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% for subsidiaries and joint ventures in Turkey (31 December 2007: 20%), the rate of 15% for subsidiaries and joint ventures in Georgia (31.12.2007: 20%) and the rate of 30% for subsidiaries in Tunisia (31 December 2007: 30%) is used.

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

Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
PPE, airport operation right, and other intangible assets	7,684,088	15,092,542	(11,360,710)	(5,887,747)	(3,676,622)	9,204,795
Prepaid concession expenses	-	-	(8,711,900)	(16,095,521)	(8,711,900)	(16,095,521)
Other investments	-	-	(3,396,840)	-	(3,396,840)	-
Inventories	-	36,955	-	-	-	36,955
Derivatives	5,744,933	3,490,406	(1,647,264)	(158,460)	4,097,669	3,331,946
Loans and borrowings	826,003	118,457	(704,793)	(538,510)	121,210	(420,053)
Reserve for employee severance indemnity	397,080	965,098	-	-	397,080	965,098
Provisions	447,062	582,488	-	-	447,062	582,488
Receivables and payables	25,260	144,586	(30,086)	(45,463)	(4,826)	99,123
Other items	695,491	624,878	(81,708)	(97,350)	613,783	527,528
Tax loss carry-forwards	41,727,578	18,344,246	-	-	41,727,578	18,344,246
Deferred tax assets / (liabilities)	57,547,495	39,399,656	(25,933,301)	(22,823,051)	31,614,194	16,576,605
Set off of tax	(20,180,853)	(18,241,848)	20,180,853	18,241,848	-	-
Net deferred tax assets / (liabilities)	37,366,642	21,157,808	(5,752,448)	(4,581,203)	31,614,194	16,576,605

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22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year

	Balance at 1 January 2007	Recognised in profit or loss	Effect of acquisition	Recognised in equity	Balance at 31 December 2007	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2008
PPE, airport operation right and other intangible assets	(3,508,662)	14,651,187	(1,614,595)	(323,135)	9,204,795	(12,738,351)	(143,066)	(3,676,622)
Prepaid concession expenses	(5,366,196)	(10,729,325)	-	-	(16,095,521)	7,383,621	-	(8,711,900)
Other investments	-	-	-	-	-	(3,396,840)	-	(3,396,840)
Inventories	-	36,955	-	-	36,955	(36,955)	-	-
Trade receivables and payables	232,028	(132,905)	-	-	99,123	(103,949)	-	(4,826)
Derivatives	2,005,770	1,326,176	-	-	3,331,946	(2,623,196)	3,388,919	4,097,669
Loans and borrowings	-	(420,053)	-	-	(420,053)	541,263	-	121,210
Reserve for employee severance indemnity	614,442	350,656	-	-	965,098	(568,018)	-	397,080
Provisions	(237,214)	819,702	-	-	582,488	(135,426)	-	447,062
Tax loss carry-forwards	14,532,000	3,812,246	-	-	18,344,246	23,383,332	-	41,727,578
Other items	1,453,349	(572,875)	(352,946)	-	527,528	86,255	-	613,783
Tax liabilities / (assets)	9,725,517	9,141,764	(1,967,541)	(323,135)	16,576,605	11,791,736	3,245,853	31,614,194

Movement in unrecognised temporary differences during the year

	Balance at 1 January 2007	Additions	Balance at 31 December 2007	Additions	Recognised	Balance at 31 December 2008
Tax loss carry forwards	3,978,918	5,520,676	9,499,594	5,042,452	(7,655,056)	6,886,990
Tax liabilities / (assets)	3,978,918	5,520,676	9,499,594	5,042,452	(7,655,056)	6,886,990

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22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

At the balance sheet date, the Group has unused tax losses of EUR 243,381,299 (31 December 2007: EUR 137,891,661) available for offset against future profits. Tax losses can be carried forward for five years under the current tax legislation. The Group management assessed that EUR 34,434,949 (31 December 2007: EUR 47,497,970) of tax losses will not be utilised because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Unutilised tax losses will expire as follows:

	31 December 2008	31 December 2007
Expire in year 2009	10,327,833	2,526,555
Expire in year 2010	20,807,110	27,043,313
Expire in year 2011	56,575,367	82,737,123
Expire in year 2012	20,993,327	25,584,670
Expire in year 2013	134,677,662	-
Total	243,381,299	137,891,661

In accordance with IAS 12 Income Taxes, at 31 December 2008, a deferred tax liability of TRY 20,308,700 related to investments in subsidiaries and joint ventures was not recognized since it is assessed as probable that the temporary difference will not reverse in the foreseeable future.

Movements of deferred tax assets are as follows:

	1 January- 31 December 2008	1 January- 31 December 2007
Balance at 31 December	16,561,378	8,916,667
Correction of error (Note 43)	15,227	1,611,007
Effect of adoption of IFRIC 12 (Note 43)	-	(802,157)
Restated balance at 1 January	16,576,605	9,725,517
Recovery from profit or loss for the year	11,791,736	9,141,764
Recognised in equity	3,245,853	-
Acquisition effect	-	(352,946)
Change in group structure (*)	-	(1,937,730)
Balance at 31 December	31,614,194	16,576,605

(*) Balance represents the deferred tax liability arising from acquisition of 40% shares of HAVAŞ.

23. INVENTORIES

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

	31 December 2008	31 December 2007
Duty free inventories	5,928,455	5,233,940
Spare parts and other inventories	2,716,234	3,089,020
Catering inventories	1,126,030	986,516
	9,770,719	9,309,476

In year 2008, the write-down of inventories to net realizable value amounted to EUR 135,864 (2007: EUR 119,095).

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

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24. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

At 31 December, other receivables and current assets comprised the following:

<u>Other receivables and current assets</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
VAT deductible and carried forward (*)	29,549,216	13,401,447
Advances to suppliers (*****)	7,102,759	874,461
Prepaid insurance (**)	4,764,376	4,288,629
Business advances given	1,846,404	778,085
Prepaid taxes and funds	970,664	987,220
Advances given to personnel	413,891	353,828
Income accruals	289,393	447,728
Advances given to DHMİ for VAT portion (***)	-	20,106,626
Other receivables	1,796,154	2,341,307
	<u>46,732,857</u>	<u>43,579,331</u>

At 31 December, non-current assets comprised the following:

<u>Other non-current assets:</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
Deferred commission cost (****)	6,204,102	-
VAT deductible and carried forward (*)	5,088,941	3,974,305
Non-current prepaid insurance expenses	435,642	1,410,941
Advances given to DHMİ for VAT portion (***)	-	18,498,923
Other non-current receivables (*****)	3,162,381	904,285
	<u>14,891,066</u>	<u>24,788,454</u>

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

(**) EUR 1,704,369 portion of prepaid insurance is related with the insurance expenses of IBS Sigorta Brokerlık Hizmetleri A.Ş. ("IBS Sigorta"), related party of the Group, as at 31 December 2008 (31 December 2007: EUR 1,318,140).

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

According to the VAT Law, the main fact which generates the VAT should be the delivery of goods or the realisation of the service. Therefore, USD 56,686,881 which is calculated by deducting the VAT of concession invoices relating with the years 2005, 2006 and 2007 from the total VAT amount of the advance payment which is USD 105,280,200 was 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.

(****) Deferred commission cost represents the transaction costs and commitment fees for the portion of TAV Tunisie's borrowings which are not utilised yet.

(*****) Other non-current receivables include the advance given to Aeroser International Holding Ltd. for the purchase of 6% of TAV Tbilisi amounting to EUR 2,950,037.

(***** Advances given to suppliers include the advances given to suppliers by TAV Tunisie amounting to EUR 6,566,364.

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25. TRADE RECEIVABLES

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

<u>Trade receivables:</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
Trade receivables	32,194,853	25,221,907
Guaranteed passenger fee receivable from DHMİ (*)	23,124,366	24,476,033
Doubtful receivables	1,846,399	1,389,209
Allowance for doubtful receivables (-)	(1,846,399)	(1,389,209)
Notes receivable	630,223	21,892
Other	18,701	163,514
	<u>55,968,143</u>	<u>49,883,346</u>
 <u>Non-current trade receivables:</u>		
Guaranteed passenger fee receivable from DHMİ (*)	<u>156,306,856</u>	<u>179,431,221</u>
	<u>156,306,856</u>	<u>179,431,221</u>

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

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

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

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26. CASH AND CASH EQUIVALENTS

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

	31 December 2008	31 December 2007
Cash on hand	539,136	397,852
Cash at banks		
- Demand deposits	41,848,135	33,019,722
- Time deposits	16,415,022	30,382,010
- Reverse repurchase agreements	168,609	139,750
Other liquid assets	601,890	713,099
Cash and cash equivalents	59,572,792	64,652,433
Bank overdrafts used for cash management purposes (Note 30)	(1,844,425)	(1,970,698)
Cash and cash equivalents in the statement of cash flows	57,728,367	62,681,735

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

31 December 2008

<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	January 2009	3.00 - 6.75	8,460,833
USD	January 2009	2.00 - 5.00	6,397,473
TRY	January 2009	9.00 - 15.00	1,268,770
Other	January 2009	5.00	287,946
			16,415,022

31 December 2007

<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	January - November 2008	3.25 - 5.20	15,391,978
USD	January - February 2008	4.00 - 4.50	13,981,847
TRY	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.

There is no blockage or restriction on the use of cash and cash equivalents as at 31 December 2008 and 2007.

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27. RESTRICTED BANK BALANCES

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

	31 December 2008	31 December 2007
Project reserve and funding accounts (*)	254,097,284	240,485,700
Cash collaterals (**)	-	17,035,116
	254,097,284	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 based on agreements with their lenders. As a result of pledges regarding the project bank loans as explained in Note 30, all cash except for cash on hand are classified in these accounts. Based on these agreements, the Group can access and use such restricted cash but all withdrawals from the project accounts are upon the lenders’ consent.

Interest rates are in the range of 1.50% - 7.49% (31 December 2007: 2.94% - 3.85%) for EUR reserves, in the range of 0.11% - 1.77% (31 December 2007: 3.86% - 4.14%) for USD reserves, and in the range of 13.75% - 20.50% (31 December 2007: 13.12% - 15.73%) for TRY reserves.

(**) As at 31 December 2007, the Group has deposited cash equivalents of EUR 17,035,116 in respect of the Group’s indebtedness with 5% interest rate.

28. CAPITAL AND RESERVES

At 31 December, the shareholding structure of the Company was as follows:

Shareholders	(%)	31 December 2008
Tepe İnşaat Sanayi A.Ş. (“Tepe İnşaat”)	18.86	45,672,151
Akfen Holding A.Ş. (“Akfen Holding”)	16.02	38,791,328
Goldman Sachs International (*)	14.40	34,875,000
Airports International (**)	8.85	21,443,250
IDB Infrastructure Fund L.P.	4.92	11,924,792
Babcock Brown Turkish Airports LLC	3.46	8,372,535
Sera Yapı Endüstrisi ve Tic. Ltd. Şti. (“Sera Yapı”)	2.83	6,853,294
Akfen İnşaat Turizm ve Ticaret A.Ş. (“Akfen İnşaat”)	<1	27,529
Other Non – Floated	6.41	15,514,505
Free Float	24.24	58,713,116
Paid in capital in TRY (nominal)	100%	242,187,500
Paid in capital in EUR (nominal) as at 31 December 2008		113,129,438
Effect of non-cash increases and exchange rates		(8,219,171)
Paid in capital EUR		104,910,267

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28. CAPITAL AND RESERVES (continued)

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2007</u>
Tepe İnşaat	18.86	45,672,151
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
Sera Yapı	3.15	7,621,875
Global Investment House KSCC	3.00	7,265,625
Global Opportunistic Fund II Company BSCC	2.00	4,843,750
Akfen İnşaat.	0.01	27,529
Mehmet Cem Kozlu	<0.01	2
Other Non – Floated	6.39	15,472,989
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 (“GS”) that correspond to the 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.

(**) In year 2008, the corporate name of Meinl Airports International Ltd. has changed as Airports International.

The Company’s share capital consists of 242,187,500 shares amounting to TRY 242,187,500 as at 31 December 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:

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28. CAPITAL AND RESERVES (continued)

Legal Reserves (continued):

In accordance with the CMB's decision numbered 7/242 dated 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 year 2008 since both the financial statements prepared in compliance with the CMB or regulation and statutory accounts reflect accumulated losses for the year.

Collateral Shares

Tepe İnşaat, 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 Collateralised Stock Borrowing Agreement.

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.

Share premium

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

Revaluation surplus

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

Purchase of shares of entities under common control

The purchase of the shares of entities that are under common control are accounted for at book values. The net amount of consideration paid over the book value of the net assets acquired is recognized directly in equity.

Cash flow hedge reserve

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

Translation reserve

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

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29. EARNINGS PER SHARE

The calculation of basic income per share at 31 December 2008 was based on the income attributable to ordinary shareholders of EUR 4,667,741 (31 December 2007: EUR (43,836,419)) and a weighted average number of ordinary shares outstanding of 242,187,500 (31 December 2007: 240,717,076), calculated as follows:

	<u>2008</u>	<u>2007</u>
Numerator:		
Profit / (loss) for the period	4,667,741	(43,836,419)
Denominator:		
Weighted average number of shares	242,187,500	240,717,076
Basic income / (loss) per share	<u>0.0193</u>	<u>(0.1821)</u>
	<u>2008</u>	<u>2007</u>
Issued ordinary shares at 1 January	242,187,500	232,500,000
Effect of shares issued during the year	-	8,217,076
Weighted average number of ordinary shares	<u>242,187,500</u>	<u>240,717,076</u>

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 amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 38.

	<u>31 December 2008</u>	<u>31 December 2007</u>
Non-current liabilities		
Secured bank loans (*)	870,190,669	740,511,227
Unsecured bank loans	6,028,750	22,686,731
Finance lease liabilities	337,354	614,615
	<u>876,556,773</u>	<u>763,812,573</u>
Current liabilities		
Current portion of secured bank loans (*)	118,427,572	123,843,088
Current portion of unsecured bank loans	101,622,701	110,804,901
Current portion of finance lease liabilities	184,047	120,104
	<u>220,234,320</u>	<u>234,768,093</u>

(*) Secured bank loans mainly consist of project finance loans that have been secured by pledges.

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30. LOANS AND BORROWINGS (continued)

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

	31 December 2008	31 December 2007
Bank loans	1,096,269,692	997,845,947
Finance lease liabilities	521,401	734,719
Total	1,096,791,093	998,580,666

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

	Presented as		Total
	Current liabilities	Non-current liabilities	
TAV İstanbul	30,137,220	399,061,134	429,198,354
TAV Holding	142,402,369	67,707,090	210,109,459
TAV Tunisie	8,273,103	161,985,258	170,258,361
TAV Esenboğa	9,342,966	136,604,226	145,947,192
TAV İzmir	19,194,739	71,244,697	90,439,436
ATÜ	3,474,037	21,480,932	24,954,969
TAV Tbilisi	3,508,323	17,820,686	21,329,009
Others	3,717,516	315,396	4,032,912
	220,050,273	876,219,419	1,096,269,692

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

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

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30. LOANS AND BORROWINGS (continued)

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	220,050,273	234,647,989
In the second year	117,407,773	135,917,924
In the third year	104,649,809	109,951,978
In the fourth year	108,136,742	100,834,168
In the fifth year	92,630,677	97,938,061
After five years	453,394,418	318,555,827
	<u>1,096,269,692</u>	<u>997,845,947</u>

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spread for EUR and USD denominated loans as at 31 December 2008 is between 1.10% – 4.75% and 1.20% – 9.00%, respectively (31 December 2007: 1.00% – 5.00%; 1.20% – 4.00%, respectively).

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

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

TAV İstanbul

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loans (*)	EUR	2018	Euribor + 2.50%	433,840,000	422,936,015
Secured bank loans (**)	EUR	2019	Euribor + 2.50%	5,392,997	5,259,085
Secured bank loans (**)	EUR	2019	Euribor + 2.50%	1,028,801	1,003,254
				<u>440,261,798</u>	<u>429,198,354</u>

TAV İstanbul has bank loan in the amount of EUR 422,936,015 under the 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 from which EUR 6,421,798 has already been utilised.

(*) Interest rate is Euribor+2.50% until 4 January 2013, Euribor+2.65% between the period of 4 January 2013 and 4 January 2016 and Euribor+2.75% between the period of 4 January 2016 and 4 July 2018.

(**) Interest rate is Euribor+2.50% until 4 January 2013, Euribor+2.65% between the period of 4 January 2013 and 4 January 2016 and Euribor+2.75% between the period of 4 January 2016 and 4 January 2019.

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30. LOANS AND BORROWINGS (continued)

TAV İstanbul (continued)

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

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

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

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

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	30,137,220	52,966,710
In the second year	39,768,340	53,292,710
In the third year	40,599,391	58,369,907
In the fourth year	42,763,429	55,947,749
In the fifth year	45,536,116	61,090,443
After five years	230,393,858	204,662,128
	429,198,354	486,329,647

TAV Holding

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2012	Libor + 1.85%	72,211,634	72,590,029
Secured bank loan	EUR	2010	Euribor + 4.00%	30,000,000	30,866,610
Unsecured bank loan	USD	2009	Libor + 4.00%	27,832,876	29,028,308
Unsecured bank loan	EUR	2009	Euribor + 3.00%	25,000,000	25,579,244
Unsecured bank loan	EUR	2009	Euribor + 2.00%	20,000,000	20,843,874
Unsecured bank loan	USD	2010	Libor + 1.20%	11,773,636	11,810,997
Unsecured bank loan	EUR	2009	Euribor + 1.10%	12,000,000	12,313,832
Unsecured bank loan	USD	2009	Libor + 9.00%	7,064,182	7,076,565
				205,882,328	210,109,459

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30. LOANS AND BORROWINGS (continued)

TAV Holding (continued)

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	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 December 2008 and 2007 are as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	142,402,369	52,102,025
In the second year	34,045,658	44,843,309
In the third year	17,426,517	21,658,292
In the fourth year	16,234,915	14,948,920
In the fifth year	-	6,877,711
	210,109,459	140,430,257

TAV Tunisie

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2022	Euribor+2.00%	113,843,360	110,446,126
Secured bank loan	EUR	2028	Euribor+2.28%	47,310,342	46,282,604
Secured bank loan	EUR	2028	Euribor+4.75%	13,846,298	13,529,631
				175,000,000	170,258,361

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

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

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70,000,000	70,333,078
70,000,000	70,333,078

30. LOANS AND BORROWINGS (continued)

TAV Tunisie (continued)

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

	31 December 2008	31 December 2007
On demand or within one year	8,273,103	70,333,078
In the second year	8,543,071	-
In the third year	10,713,388	-
In the fourth year	12,761,229	-
In the fifth year	10,662,760	-
After five years	119,304,810	-
	170,258,361	70,333,078

TAV Esenboğa

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loans	EUR	2021	Euribor + 2.35%	149,175,000	145,947,192
				149,175,000	145,947,192

TAV Esenboğa has a bank loan in the amount of EUR 145,947,192 under loan agreement. The terms of the loan semi annual principal and interest payments at each 30 June and 31 December according to the loan agreements starting from 31 December 2007 for interest and 30 June 2008 for principal.

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

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

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30. LOANS AND BORROWINGS (continued)

TAV Esenboğa (continued)

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	9,342,966	10,600,926
In the second year	9,916,117	9,273,835
In the third year	11,219,471	10,140,498
In the fourth year	11,987,061	11,092,911
In the fifth year	12,518,658	11,691,447
After five years	90,962,919	93,111,455
	<u>145,947,192</u>	<u>145,911,072</u>

TAV İzmir

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2013	Euribor + 3.00%	87,981,049	90,439,436
				<u>87,981,049</u>	<u>90,439,436</u>

TAV İzmir has bank loans in the amount of EUR 90,439,436 under loan agreements. The terms of the loan require semi annual principal 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:

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

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30. LOANS AND BORROWINGS (continued)

TAV İzmir (continued)

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	19,194,739	16,052,732
In the second year	18,301,326	17,959,590
In the third year	17,742,754	17,306,992
In the fourth year	17,586,602	16,639,792
In the fifth year	17,614,015	16,302,989
After five years	-	16,107,627
	<u>90,439,436</u>	<u>100,369,722</u>

Pledges regarding the project bank loans of TAV İstanbul, TAV İzmir and TAV Esenboğa:

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

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

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

With the consent of the facility agent, TAV İstanbul, TAV İzmir and TAV Esenboğa have a right to have an additional;

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

Similar to above, TAV Tunisie has granted share pledge, account pledge and pledge of rights from the Concession Agreement to the lenders.

- TAV Tunisie has a right to have additional indebtedness; with a maturity of less than one year for an aggregate amount not exceeding EUR 3,000,000 (up to 1 January 2020) and not exceeding EUR 5,000,000 (thereafter),
- under finance or capital leases of equipment if the aggregate capital value of the equipment leased does not exceed EUR 5,000,000,
- incurred by, or committed in favour of, the Company under an Equity Subordinated Loan Agreement,
- disclosed in writing by the Company to the Intercreditor Agent and in respect of which it has given its prior written consent.

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30. LOANS AND BORROWINGS (continued)

ATÜ

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	EUR	2018	7.00%	9,996,250	10,277,071
Secured bank loan	EUR	2015	Euribor + 2.70%	7,585,434	7,338,949
Secured bank loan	EUR	2015	Euribor + 2.70%	7,585,434	7,338,949
				25,167,118	24,954,969

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

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

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
On demand or within one year	3,474,037	3,142,076
In the second year	3,301,553	2,484,340
In the third year	3,601,976	2,476,289
In the fourth year	3,577,281	2,204,797
In the fifth year	3,164,670	1,975,469
After five years	7,835,452	4,674,617
	24,954,969	16,957,588

TAV Tbilisi

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

	<u>Original Currency</u>	<u>Year of Maturity</u>	<u>Nominal Interest Rate</u>	<u>Face Value</u>	<u>Carrying Amount</u>
Secured bank loan	USD	2015	Libor+4.50%	10,512,791	10,666,319
Secured bank loan	USD	2015	Libor+4.50%	10,512,791	10,662,690
				21,025,582	21,329,009

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30. LOANS AND BORROWINGS (continued)

TAV Tbilisi (continued)

Pledges regarding the bank loans

- a) Share pledge - to take control of 75 percent plus one share of the charter capital of the Company;
- b) Revenue pledge - to take control of the revenues derived from Tbilisi International Airport operations as stipulated in the BOT Agreement;
- c) Pledge over bank accounts – to take control the Company’s bank accounts in JSC Bank of Georgia, JSC Bank Republic and JSC TBC Bank and 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;

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

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

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30. LOANS AND BORROWINGS (continued)

TAV Tbilisi (continued)

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

	31 December 2008	31 December 2007
On demand or within one year	3,508,323	28,097,203
In the second year	3,216,312	7,785,002
In the third year	3,346,312	-
In the fourth year	3,226,225	-
In the fifth year	3,134,458	-
After five years	4,897,379	-
	21,329,009	35,882,205

Finance lease liabilities

	Minimum lease payments	
	31 December 2008	31 December 2007
Amounts payable under finance leases		
Less than one year	184,047	614,615
Between one and five years	337,354	120,104
Present value of lease obligations	521,401	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 December 2008. For the year ended 31 December 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.

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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 2,173 as at 31 December 2008 (equivalent to EUR 1,015 as at 31 December 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 and its Turkish subsidiaries and joint ventures 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 financial statements as at 31 December 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 December 2008 have been calculated assuming an annual inflation rate of 5.40% and a discount rate of 12.00% resulting in a real discount rate of approximately 6.26% (31 December 2007: 5.71%). It is planned that retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

	<u>2008</u>	<u>2007</u>
Balance at 1 January	4,884,107	3,685,054
Provisions set during the year	532,968	723,817
Payment made during the year	(1,187,169)	(990,213)
Effects of change in foreign exchange rate	(982,387)	380,450
Effect of group structure change	-	1,084,999
Balance at 31 December	<u><u>3,247,519</u></u>	<u><u>4,884,107</u></u>

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32. OTHER PAYABLES

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
Taxes and duties payable	5,814,954	5,690,968
VAT penalty (*)	4,885,194	-
Due to personnel	4,813,399	4,612,340
TAV Tunisie concession payable (**)	4,194,176	-
Social security premiums payable	3,576,364	4,002,446
Expense accruals	1,046,766	2,720,806
Advances received	847,252	604,537
Other accruals and liabilities	121,848	382,984
	<u>25,299,953</u>	<u>18,014,081</u>

(*) Includes the tax penalty for TAV Holding and BTA amounting to EUR 1,924,985 and EUR 2,960,209, respectively.

(**) According to the concession agreement, TAV Tunisie is obliged to pay 33.7% of total revenue as concession rent expense to Tunisian government for 2008.

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 December 2008 and 2007 is as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Deferred income		
Short-term deferred income	6,665,623	9,364,355
Long-term deferred income	16,659,877	19,068,150
	<u>23,325,500</u>	<u>28,432,505</u>

EUR 17,271,354 (31 December 2007: EUR 18,713,681) of deferred income is related with the unearned concession rent income from ATÜ.

34. PROVISIONS

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
Unused vacation provision	2,538,425	2,284,737
Tax penalty (*)	1,168,501	9,248,823
Other provisions	55,195	-
	<u>3,762,121</u>	<u>11,533,560</u>

(*) TAV İstanbul did not calculate value added taxes for the sales pursuant to the tax-free sales of stores, and the lease of independent units such as depots and warehouses for these stores, between July 2005 and December 2007. Taking into consideration the similar outcomes of possible examinations in the relevant sector carried by tax authorities, as well as the general assessments carried out by TAV İstanbul management, a provision of TRY 2,501,524 (equivalent of EUR 1,168,501 at 31 December 2008) has been allocated by TAV İstanbul in 31 December 2008 financial statements (31 December 2007: a provision of TRY 2,501,524 (equivalent of EUR 1,462,709) has been allocated).

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34. PROVISIONS (continued)

Following the audits carried out by the Financial Auditors of the Ministry of Finance, on the 2001-2004 accounts of the TAV Holding, a settlement has been reached on 23 March 2008, with the Revenues Administration Directorate of the Ministry of Finance, for the taxes and penalties set forth in the reports notified regarding the 2001-2005 period, and subsequently settlement has been reached for an income tax withholding of TRY 2,790,637 (equivalent of EUR 1,631,404) and a value added tax of TRY 623,282 (equivalent of EUR 364,806) had been settled. A delay interest payment of TRY 4,603,610 (equivalent of EUR 2,691,855) is made for these penalties. A provision of TRY 8,017,529 (equivalent of EUR 4,688,065) had been allocated in the 31 December 2007 consolidated financial statements of the Company. As at 31 December 2008, tax review for TAV Holding has been finalised and tax penalty amounting to TRY 4,121,010 (equivalent of EUR 1,924,986) has been recorded to short term other payables.

The tax audits carried out by the Financial Auditors of the Ministry of Finance, on the January 2004 - September 2007 accounts of BTA have been completed. Following the inspections carried out, it has been notified to BTA that food and beverage sales at the customs areas at the airports (air side) must not be exempt from value added tax, together with the relevant tax/penalty notifications. Together with this notification, a value added tax of TRY 15,480,954 and a corporate tax of TRY 288,647 were calculated, and a tax loss penalty for the same amounts was calculated. BTA requested a settlement as a response to this notification, and in its financial statements as at 31 December 2007. BTA allocated a provision amounting to a total of TRY 5,298,286 (equivalent of EUR 3,098,049), i.e., TRY 3,238,286 (equivalent of EUR 1,893,513) tax and TRY 2,060,000 (equivalent of EUR 1,204,535) delay interest. As at 31 December 2008, tax review has been finalised for BTA and tax penalty amounting TRY 6,337,215 (equivalent of EUR 2,960,209) has been recorded to short term other payables.

Tax penalty

	<u>2008</u>	<u>2007</u>
Balance at 1 January	9,248,823	-
Provision (released) / set during the year, net	(2,900,918)	9,248,823
Reclassification of tax penalty to other payables	(4,885,195)	-
Effects of change in foreign exchange rate	(294,209)	-
Balance at 31 December	<u>1,168,501</u>	<u>9,248,823</u>

Unused vacation

	<u>2008</u>	<u>2007</u>
Balance at 1 January	2,284,737	949,545
Provision set during the year, net	713,239	1,256,739
Effects of change in foreign exchange rate	(459,551)	78,453
Balance at 31 December	<u>2,538,425</u>	<u>2,284,737</u>

35. TRADE PAYABLES

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
Trade payables	27,103,474	21,557,591
Deposits and guarantees received	439,195	422,547
Other	638	27,611
	<u>27,543,307</u>	<u>22,007,749</u>

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.

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36. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December, derivative financial instruments comprised the following:

	2008		
	Assets	Liabilities	Net Amount
Interest rate swap	-	(69,699,812)	(69,699,812)
Cross currency swap	32,257,634	-	32,257,634
	32,257,634	(69,699,812)	(37,442,178)
	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 fluctuations on its bank borrowings. Approximately 100% of project finance loan is hedged through Interest Rate Swap (“IRS”) contract during the life of the loan with an amortising schedule depending on repayment of the loan.

TAV İstanbul uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. Approximately 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan.

TAV Tunisie uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. Approximately 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan.

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

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

Cross currency swap

TAV İstanbul has signed a derivative contract to manage and fix its exposure to foreign currency exchange rates between USD and EUR on the concession installments that will be paid to DHMİ. The contract term matches with the terms of the rent payments made to DHMİ which is the end of each December until year 2018. The total notional amount of the contract is EUR 349,947,316 (equivalent of USD 518,971,869) as at 31 December 2008 (31 December 2007: EUR 143,444,854 (equivalent of USD 183,035,634)).

Interest rate swap

Two derivative contracts have been signed between Dexia Credit Local (DCL) and TAV İstanbul on 12 March 2008 for the project finance facility (in total EUR 472,387,663). The notional amount of these contracts is being amortised by the years in parallel with repayments of loans. As at 31 December 2008, total notional amount has increased to EUR 498,614,443 due to additional drawings.

The fair value of derivatives at 31 December 2008 is estimated at EUR 37,442,178 (31 December 2007: EUR 17,144,780). This amount is based on market values of equivalent instruments at the balance sheet date since the Company applied hedge accounting as at 31 December 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 31,301,803, net of tax. 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 3,049,235 and foreign currency transaction gain amounting to EUR 6,711,700.

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37. OPERATING LEASES

The Group entered into various operating lease agreements (excluding concession agreement for TAV İstanbul and TAV Tunisie). For the year ended 31 December 2008, total rent expenses for operating leases amounted to EUR 1,860,968 (31 December 2007: EUR 2,942,801).

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 cross currency swaps. In addition to hedging of the currency risk, TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie use interest rate swaps as hedging the fluctuations in Euribor and Libor rates (i.e.100%, 80%, 100% and 100% of floating loans for TAV İstanbul, TAV İzmir, TAV Esenboğa and TAV Tunisie, respectively are fixed).

Credit risk

Exposure to credit risk

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

	Note	31 December 2008	31 December 2007
Other non-current assets (*)	24	-	811,514
Non-current trade receivables	25	156,306,856	179,431,221
Trade receivables	25	55,968,143	49,883,346
Due from related parties	40	15,160,247	4,702,897
Other receivables and current assets (*)	24	1,363,095	2,789,035
Investments held for trading	20	-	248,683
Restricted bank balances	27	254,097,284	257,520,816
Cash and cash equivalents (**)	26	59,033,656	64,254,581
Interest rate and cross currency swaps used for hedging	36	32,257,634	2,327,826
		574,186,915	561,969,919

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

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

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38. FINANCIAL INSTRUMENTS (continued)

Impairment losses

The movements in the allowance for impairment in respect of trade receivables during the years ended 31 December were as follows:

	<u>2008</u>	<u>2007</u>
Balance at 1 January	(1,389,209)	(1,409,983)
Effect of group structure change	-	(533,377)
Collections during the year	-	78,957
Impairment loss recognised	(736,615)	(46,458)
Released during the year	-	676,397
Effect of change in foreign exchange rates	279,425	(154,745)
Balance at 31 December	<u>(1,846,399)</u>	<u>(1,389,209)</u>

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

Liquidity risk

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

31 December 2008

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
Non-derivative financial liabilities						
Secured bank loans	988,618,241	(1,366,335,772)	(71,281,517)	(50,278,228)	(122,502,035)	(1,122,273,992)
Unsecured bank loans	107,651,451	(110,400,109)	(86,704,467)	(17,244,879)	(6,450,763)	-
Financial lease liabilities	521,401	(571,373)	(213,453)	(213,453)	(144,467)	-
Trade payables (*)	27,179,134	(27,414,028)	(27,331,577)	-	(82,451)	-
Due to related parties	62,020,611	(62,020,611)	(51,458,569)	(970,097)	(1,291,847)	(8,300,098)
Other payables (*)	24,452,701	(24,452,701)	(24,452,701)	-	-	-
Bank overdraft	1,844,425	(1,844,425)	(1,844,425)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging	69,699,812	(86,995,370)	(7,253,113)	(5,811,152)	(16,250,430)	(57,680,675)
Currency swaps						
Outflow	-	(349,947,316)	(15,092,999)	(17,379,649)	(36,629,413)	(280,845,255)
Inflow	(32,257,634)	407,412,180	17,351,099	19,674,824	42,438,609	327,947,648
	<u>1,249,730,142</u>	<u>(1,622,569,525)</u>	<u>(268,281,722)</u>	<u>(72,222,634)</u>	<u>(140,912,797)</u>	<u>(1,141,152,372)</u>

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38. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

31 December 2007

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
Non-derivative financial liabilities						
Secured bank loans	864,354,315	(1,172,276,702)	(70,807,490)	(57,984,643)	(121,959,865)	(921,524,704)
Unsecured bank loans	133,491,632	(137,634,899)	(102,716,462)	(10,186,458)	(18,864,315)	(5,867,664)
Financial lease liabilities	734,719	(851,904)	(7,893)	(150,751)	(87,519)	(605,741)
Trade payables (*)	21,585,202	(21,927,060)	(21,927,060)	-	-	-
Due to related parties	29,298,699	(29,298,699)	(29,298,699)	-	-	-
Other payables (*)	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
	1,085,423,574	(1,400,055,668)	(239,873,707)	(71,177,083)	(144,986,497)	(944,018,381)

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

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

31 December 2008

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6 -12 months</u>	<u>1-2 years</u>	<u>More than two years</u>
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	(69,699,812)	(86,995,370)	(7,253,113)	(5,811,152)	(16,250,430)	(57,680,675)
Cross currency swaps						
Assets	32,257,634	57,464,864	2,258,100	2,295,175	5,809,196	47,102,393
Liabilities	-	-	-	-	-	-

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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 December 2008

Foreign currency denominated monetary assets

	<u>USD</u>	<u>EUR (*)</u>	<u>TRY</u>	<u>Other</u>	<u>Total</u>
Other non-current assets	2,969,675	-	162,264	383	3,132,322
Trade receivables	6,900,910	978,606	3,544,097	3,996,713	15,420,326
Due from related parties	9,508,701	7,214	1,378,354	272,299	11,166,568
Derivative financial instruments	32,257,634	-	-	-	32,257,634
Other receivables and current assets	81,579	1,687	2,725,659	28,139,356	30,948,281
Restricted bank balances	102,494,804	-	52,991,337	-	155,486,141
Cash and cash equivalents	10,155,923	1,197,666	1,822,354	1,539,109	14,715,052
	<u>164,369,226</u>	<u>2,185,173</u>	<u>62,624,065</u>	<u>33,947,860</u>	<u>263,126,324</u>

Foreign currency denominated monetary liabilities

Loans and borrowings	(141,834,909)	-	-	-	(141,834,909)
Bank overdraft	-	-	(1,504,978)	-	(1,504,978)
Trade payables	(4,270,514)	(127,354)	(7,361,363)	(3,817,822)	(15,577,053)
Due to related parties	(37,000,386)	-	(43,689)	-	(37,044,075)
Other payables	(534,425)	(22,290)	(11,587,679)	(4,812,174)	(16,956,568)
	<u>(183,640,234)</u>	<u>(149,644)</u>	<u>(20,497,709)</u>	<u>(8,629,996)</u>	<u>(212,917,583)</u>
Net exposure	<u>(19,271,008)</u>	<u>2,035,529</u>	<u>42,126,356</u>	<u>25,317,864</u>	<u>50,208,741</u>

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38. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

Exposure to currency risk (continued)

31 December 2007

Foreign currency

denominated monetary

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

Foreign currency

denominated monetary

liabilities	USD	EUR (*)	TRY	Other	Total
Loans and borrowings	(241,356,087)	-	(7,895)	-	(241,363,982)
Bank overdraft	-	-	(461,984)	-	(461,984)
Trade payables	(2,147,754)	(209,862)	(4,343,087)	(2,355,624)	(9,056,327)
Due to related parties	(3,132,882)	-	(3,637,854)	(164,408)	(6,935,144)
Derivative financial instruments	(15,443,800)	-	-	-	(15,443,800)
Other payables	(2,169,735)	(13,253)	(5,557,068)	(1,731,178)	(9,471,234)
	(264,250,258)	(223,115)	(14,007,888)	(4,251,210)	(282,732,471)
Net exposure	(40,857,490)	2,936,001	34,346,288	8,318,334	4,743,133

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

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38. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Closing Rate	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
USD	0.6841	0.7316	0.7064	0.6810
TRY	0.5272	0.5627	0.4671	0.5847
GEL	0.4569	0.4373	0.4229	0.4289

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the Euro relative to TRY and the USD. 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 percent strengthening of the EUR against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007

	Equity	Profit or loss
31 December 2008		
USD	33,310,535	(5,152,864)
TRY	-	4,212,636
Other	-	2,531,786
Total	33,310,535	1,591,558
31 December 2007		
USD	-	(4,085,749)
TRY	-	3,434,629
Other	-	831,833
Total	-	180,713

10 percent weakening of the EUR against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

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38. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Profile

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

	Carrying amount	
	31 December 2008	31 December 2007
Fixed rate instruments		
Financial assets	268,297,889	265,061,812
Financial liabilities	(132,324,186)	(38,570,236)
	135,973,703	226,491,576
	Carrying amount	
	31 December 2008	31 December 2007
Variable rate instruments		
Financial assets	11,937,503	2,327,826
Financial liabilities	(1,081,959,709)	(968,045,973)
	(1,070,022,206)	(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, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

Based on the Group's current borrowing profile, a 50 basis points increase in Euribor or Libor would have resulted in additional annual interest expense of approximately EUR 1 million on the Group's variable rate debt when ignoring effect of derivative financial instruments. EUR 0.6 million of the exposure is hedged through IRS contracts. Therefore, the net exposure on income statement would be EUR 0.4 million. A 50 basis points increase in Euribor or Libor would have resulted a decrease in hedging reserve in equity approximately by EUR 21 million.

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38. FINANCIAL INSTRUMENTS (continued)

Fair values

Fair values versus carrying amounts

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

	Note	31 December 2008		31 December 2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Other non-current assets (*)	24	-	-	811,514	811,514
Non-current trade receivables	25	156,306,856	156,306,856	179,431,221	179,431,221
Trade receivables	25	55,968,143	55,968,143	49,883,346	49,883,346
Due from related parties	40	15,160,247	15,160,247	4,702,897	4,702,897
Other receivables and current assets (*)	24	1,363,095	1,363,095	2,789,035	2,789,035
Investments held for trading	20	-	-	248,683	248,683
Restricted bank balances	27	254,097,284	254,097,284	257,520,816	257,520,816
Cash and cash equivalents	26	59,572,792	59,572,792	64,652,433	64,652,433
Derivative financial instruments	36	32,257,634	32,257,634	2,327,826	2,327,826
Financial liabilities					
Bank overdraft	26	(1,844,425)	(1,844,425)	(1,970,698)	(1,970,698)
Loans and borrowings	30	(1,096,791,093)	(1,096,791,093)	(998,580,666)	(998,580,666)
Trade payables (**)	35	(27,179,134)	(27,179,134)	(21,585,202)	(21,585,202)
Due to related parties	40	(62,020,611)	(62,020,611)	(29,298,699)	(29,298,699)
Derivative financial instruments	36	(69,699,812)	(69,699,812)	(19,472,606)	(19,472,606)
Other payables (**)	32	(24,452,701)	(24,452,701)	(16,843,529)	(16,843,529)
		(707,261,725)	(707,261,725)	(525,383,629)	(525,383,629)

(*) 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 December 2008	31 December 2007
Letters of guarantee given to DHMI	113,807,149	109,376,794
Letters of guarantee given to third parties	69,186,805	32,600,749
Letters of guarantee given to Tunisia government	68,881,100	68,881,100
Letters of guarantee given to Macedonia government	6,000,000	-
	257,875,054	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 DHMI. The total obligation has been provided by the Group.

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39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Commitments and contingencies (continued)

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 52,600,000 (Tunisian Dinar "TND" 96,831,340) to the Ministry of Transport and EUR 16,281,100 to OACA according to the BOT agreement signed with OACA in Tunisia. The total obligation has been provided by the Group.

Majority of letters of guarantee given to third parties includes the guarantees given to customs and some customers.

Contractual obligations

TAV İstanbul

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

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

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

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

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

TAV Esenboğa and TAV İzmir

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

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

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

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

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39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Esenboğa and TAV İzmir (continued)

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

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

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

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

HAVAS

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

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

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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 BOT Agreement, TAV Tbilisi is required to;

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

TAV Batumi

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

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

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

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39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Tunisie

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

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

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

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

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

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

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

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.

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39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Gazipaşa (continued)

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

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

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

Management believes that as at 31 December 2008, the Group has complied with the terms of the contingencies mentioned above.

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 December 2008 is EUR 33,532,119 (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 privatisations are exempt from VAT. The resolution of the İstanbul First Tax Court has been declared to TAV İstanbul on 9 April 2007. The resolution sets forth that the administrative transaction is not a tax error in the manner prescribed in the Tax Procedures Law, and that no legal inappropriateness had been observed in the transaction that had been formed via the rejection of the application made upon complaint. The decision does not assess whether there is an exemption from the VAT or not; and it is judged that the application does involve a legal shortcoming; TAV İstanbul had submitted the case to the Court of Appeals. With regard to the mentioned case, the Company had submitted a letter to the 4th Department of the Court of Appeals on 28 May 2007 and required a motion for stay. TAV İstanbul has brought a tax case against Ministry of Finance and Maltepe Tax Administration, with the claim that the rent amounts paid to the State Airports Authority General Directorate are exempt from value added tax; and the Tax Court dismissed the case on the grounds of incompetence. TAV İstanbul had applied against the dismissal decision of the Tax Court. The award of the 4th Chamber of the Council of State (“Danistay”) had been declared to TAV İstanbul on 25 July 2007. Accordingly, the Council of State approved the application of TAV İstanbul and decided to reverse the judgement of the Tax Court. The case reverted to the Tax Court according to the Code of Administrative Procedures and the Tax Court rejected the case with the decision notified to TAV İstanbul on 29 November 2007. An application for appeal has been made, and the process is continuing as of the date of this report. Group management believes that this court will be finalised in Group’s favor, paid VAT will be reimbursed to the Group, and the Group will not pay VAT on concession rent anymore.

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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 year comprised the following:

	<u>2008</u>	<u>2007</u>
Short-term benefits (salaries, bonuses etc.)	6,387,130	5,502,025
	<u>6,387,130</u>	<u>5,502,025</u>

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

The details of the transactions between the Group and any other related parties are disclosed below:

Other related party transactions:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Due from related parties	4,068,907	2,539,689
Loan to related parties	2,951,011	2,163,208
Non-current loan to related parties	8,140,329	-
	<u>15,160,247</u>	<u>4,702,897</u>
Due from related parties	<u>31 December 2008</u>	<u>31 December 2007</u>
ATÜ	2,815,542	1,523,163
Other related parties	1,253,365	1,016,526
	<u>4,068,907</u>	<u>2,539,689</u>
Loan to related parties	<u>31 December 2008</u>	<u>31 December 2007</u>
TAV Havacılık A.Ş.	897,041	1,713,016
Other related parties	2,053,970	450,192
	<u>2,951,011</u>	<u>2,163,208</u>

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40. RELATED PARTY TRANSACTIONS (continued)

	31 December 2008	31 December 2007
Non-current loan to related parties		
TAV Urban Georgia LLC	8,140,329	-
	8,140,329	-

	31 December 2008	31 December 2007
Due to related parties	14,227,623	28,543,835
Loan from related parties, short term	38,201,044	754,864
Loan from related parties, long term	9,591,944	-
	62,020,611	29,298,699

	31 December 2008	31 December 2007
Due to related parties		
Tav Tepe Akfen Yat. İnş ve İşl.A.Ş. ("TAV İnşaat") (*)	9,793,089	25,064,519
Other related parties	4,434,534	3,479,316
	14,227,623	28,543,835

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

	31 December 2008	31 December 2007
Loan from related parties, short term		
Tepe İnşaat	31,906,472	751,336
ATÜ	3,318,119	-
TAV İnşaat	2,976,453	-
Other	-	3,528
	38,201,044	754,864

	31 December 2008	31 December 2007
Loan from related parties, long term		
ATÜ	9,591,944	-
	9,591,944	-

	2008	2007
Services rendered to related parties		
ATÜ	66,963,440	61,695,109
HAVAŞ	-	2,506,164
Other related parties	2,740,191	1,560,776
	69,703,631	65,762,049

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40. RELATED PARTY TRANSACTIONS (continued)

	<u>2008</u>	<u>2007</u>
Services rendered by related parties		
Tepe İnşaat	1,615,416	-
TAV İnşaat	502,478	-
Tepe Prefabrik İnş. San. Tic. A.Ş.	342,913	-
TAV Yatırım Holding	-	95,494
Other related parties	952,006	1,857,928
	<u>3,412,813</u>	<u>1,953,422</u>

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

	<u>2008</u>	<u>2007</u>
Interest (expense) / income from related parties (net)		
TAV İnşaat	(2,084,257)	-
Tepe İnşaat	(140,952)	84,998
TAV Havacılık A.Ş.	106,139	213,298
Other related parties (net)	186,549	287,400
	<u>(1,932,521)</u>	<u>585,696</u>

The average interest rate used within the Group is 6,96% per annum (31 December 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.

	<u>2008</u>	<u>2007</u>
Construction work rendered by related parties		
TAV İnşaat	198,543,472	33,966,653
	<u>198,543,472</u>	<u>33,966,653</u>

As at 31 December 2008, TAV İnşaat provided services to renovation of Monastır Airport and construction of Enfidha Airport.

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41. JOINT VENTURES

The Group has the following significant interests in joint ventures:

- 49.98% equity shareholding with 50% voting power in ATÜ, a jointly controlled entity established in Turkey. Summary of financial information of ATÜ, not adjusted for the percentage ownership held by the Group is as follows:

	31 December 2008	31 December 2007
Balance Sheet		
Current assets	36,100,704	60,234,452
Non-current assets	57,942,847	7,970,169
Current liabilities	(26,725,396)	(23,627,746)
Non-current liabilities	(44,250,402)	(29,551,110)
Income Statement	2008	2007
Total revenues	303,825,727	277,365,832
Total expenses	(287,825,601)	(267,428,374)
Profit for the year	16,000,126	9,937,459

- 60.00% equity shareholding with 50% voting power, in TAV Tbilisi, a joint venture established in Georgia. Summary of financial information of TAV Tbilisi, not adjusted for the percentage ownership held by the Group is as follows:

	31 December 2008	31 December 2007
Balance Sheet		
Current assets	4,307,985	10,869,793
Non-current assets	86,467,903	96,349,033
Current liabilities	(13,111,527)	(54,478,752)
Non-current liabilities	(50,007,903)	(14,232,925)
Income Statement	2008	2007
Total revenues	17,345,233	17,584,563
Total expenses	(23,152,692)	(18,630,335)
Loss for the year	(5,807,458)	(1,045,772)

TAV Havalimanları Holding A.Ş. and Its Subsidiaries

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41. JOINT VENTURES (continued)

- 50.00% equity shareholding with 50% voting power, in CAS, a joint venture established in KKTC. Summary of financial information of CAS, not adjusted for the percentage ownership held by the Group is as follows:

Balance Sheet	31 December 2008	31 December 2007
Current assets	1,252,664	-
Non-current assets	728,736	-
Current liabilities	(1,334,388)	-
Income Statement	2008	2007
Total revenues	1,599,965	-
Total expenses	(2,913,807)	-
Loss for the year	(1,313,842)	-

- 32.40% equity shareholding with 32.40% voting power, in TAV Gözen, a joint venture established in Turkey. Summary of financial information of TAV Gözen, not adjusted for the percentage ownership held by the Group is as follows:

Balance Sheet	31 December 2008	31 December 2007
Current assets	180,914	-
Non-current assets	2,896,750	-
Current liabilities	(2,402,855)	-
Non-current liabilities	(15,485)	-
Statement of Operations	2008	2007
Total revenues	28,980	-
Total expenses	(214,446)	-
Loss for the year	(185,466)	-

42. EVENTS AFTER THE BALANCE SHEET DATE

- On 20 February 2009, TAV Holding has increased its capital to TRY 363,281,250 from TRY 242,187,500 within the Company's TRY 1.5 billion maximum registered capital limit and the amount is fully paid in February 2009,
- TAV Tunisie syndication was completed on 27 February 2009. The following financial institutions signed Loan Agreements with TAV Tunisie and joined the syndication as parallel lenders with a total commitment amount of EUR 190,000,000 (replacing current lenders' commitments in the same amount).

European Investment Bank (EIB)	: EUR 70,000,000
African Development Bank (AfDB)	: EUR 70,000,000
Proparco	: EUR 30,000,000
OPEC Fund for International Development (OFID)	: EUR 20,000,000

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42. EVENTS AFTER THE BALANCE SHEET DATE (continued)

- On 3 March 2009, joint venture of TAV Holding and Skonto Buve LTD, a construction company headquartered in Latvia with a shareholding structure of 50% - 50% has been selected to operate SJSC Riga International Airport (for the infrastructure development and the operation of the airport). In year 2008, SJSC Riga International Airport served 3.7 million passengers, while the number of passengers that the Airport has been serving had registered a 39% CAGR growth between the years 2003-2008.
- On 4 February and 4 March 2009, TAV İstanbul has drawn additional bank loan for trigeneration project. The total amount of the new portion is EUR 5 million with an average interest rate of Euribor+2.50% and final maturity of 4 January 2019.
- According to the decree of the Council of Ministers numbered 2007/11963 and dated 4 April 2007, for the currency unit of the Republic of Turkey, the term "New" in the name of the national currency has been removed effective from 1 January 2009.

43. RESTATEMENT OF PRIOR PERIODS' FINANCIAL STATEMENTS

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

	Accumulated losses
Balance at 31 December 2007, as previously reported	(53,499,998)
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,115,646
Effect of adoption for IFRIC 12 (a)	(6,215,472)
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(802,157)
Deferred tax effect of adoption for IFRIC 12 (a)	817,384
Balance at 31 December 2007, as restated	<u>(56,584,597)</u>

	Accumulated losses
Balance at 31 December 2006, as previously reported	(5,131,662)
Correction of error in concession expense as at 31 December 2005	(419,142)
Correction of error in concession expense in 2006	(7,426,316)
Deferred tax effect on correction of error in concession expense as at 31 December 2005	125,740
Deferred tax effect on correction of error in concession expense	1,485,262
Effect of group structure change as at 31 December 2005	3,255,008
Effect of group structure change	(5,321,718)
Effect of adoption for IFRIC 12 as at 31 December 2006 (a)	3,115,646
Deferred tax effect of adoption for IFRIC 12 as at 31 December 2006 (a)	(802,157)
Balance at 31 December 2006, as restated	<u>(11,119,339)</u>

TAV Havalimanları Holding A.Ş. and Its Subsidiaries

Notes to Consolidated Financial Statements

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

a) Effect of adoption of IFRIC 12:

The Company adopted IFRIC 12 and reflected the effect of adoption retrospectively:

	Restated at 31 December 2007	Previously Reported at 31 December 2007
Airport operation right	295,835,595	-
Trade receivables	49,883,346	25,407,313
Non-current trade receivables	179,431,221	-
Deferred tax assets	21,157,808	21,142,581
Build-operate-transfer ("BOT") Inventory	-	502,842,676
	Restated at 1 January- 31 December 2007	Previously Reported at 1 January- 31 December 2007
Construction revenue	53,914,284	-
Aviation income	98,902,683	127,402,683
Income tax benefit	4,745,445	3,878,116
Discount interest income from IFRIC 12	2,411,345	-
Cost of construction	(52,941,288)	-
Depreciation and amortisation expense	(30,103,199)	(48,955,917)

b) Change in classification of certain balance sheet items:

The Company has changed the classification of certain balance sheet items in order to achieve a more appropriate presentation in the current period. The comparatives are restated unless impracticable as presented below:

	Restated at 31 December 2007	Previously Reported at 31 December 2007
Loans and borrowings, short- term	234,768,093	235,064,055
Loans and borrowings, long- term	763,812,573	767,503,201
Inventories (advances received)	9,309,476	9,442,540
Other receivables and current assets	43,579,331	43,742,231
Other non-current assets	24,788,454	27,309,817
Property and equipment	66,145,594	67,314,856