

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2008**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.1.4**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2008**

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CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2008 AND 31 DECEMBER 2007

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

	Notes	31 March 2008	31 December 2007
ASSETS			
Current assets			
Cash and cash equivalents	5	46.960.390	45.968.249
Trade receivables	7	20.269.401	18.166.289
Due from related parties	24	4.331.223	284.609
Other receivables	8	362.715	311.544
Inventories	9	4.622.188	4.359.374
Other current assets	15	5.213.829	5.177.901
Total current assets		81.759.746	74.267.966
Non-current assets			
Goodwill	12	18.157.528	15.830.639
Property, plant and equipment -net	10	97.961.448	98.869.546
Intangible assets - net	11	54.916.249	58.427.621
Deferred tax assets	22	4.508.777	2.960.914
Other non-current assets	15	99.708	52.109
Total non-current assets		175.643.710	176.140.829
TOTAL ASSETS		257.403.456	250.408.795

These consolidated interim financial statements as at and for the period ended 31 March 2008 have been approved for issue by the Board of Directors (“BOD”) on 06 June 2008 and signed on its behalf of BOD by S. Samim Aydın, General Manager and by H. Tanzer Gücüm, Finance Director.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.1.4**

ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2008 AND 31 DECEMBER 2007

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

	Notes	31 March 2008	31 December 2007
LIABILITIES			
Current Liabilities			
Financial liabilities	6	51.513.296	33.225.569
Trade payables	7	5.929.348	10.880.008
Due to related parties	24	7.202.092	1.740.927
Provisions	13	3.743.355	3.191.791
Other current liabilities	15	9.970.258	8.996.493
Total current liabilities		78.358.349	58.034.788
Non-current Liabilities			
Financial liabilities	6	61.305.797	48.946.861
Other liabilities	8	2.553	2.329
Provisions	13	8.720.501	7.559.094
Deferred tax liability	22	5.254.967	5.098.855
Provision for employment termination benefits	14	4.001.566	3.543.901
Other non-current liabilities	15	7.672.638	4.129.823
Total non-current liabilities		86.958.022	69.280.863
Total liabilities		165.316.371	127.315.651
SHAREHOLDERS' EQUITY			
	16		
Parent Company Shareholders' Equity			
Share capital		24.300.000	24.300.000
Translation reserves		862.479	355.326
Restricted reserves		15.358.025	11.351.163
Net income for the period		(4.708.966)	26.141.069
Retained earning		54.526.957	57.782.206
Minority Interest		1.748.590	3.163.380
Shareholders' equity		92.087.085	123.093.144
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		257.403.456	250.408.795
Provisions, contingent assets and liabilities	13		

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

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CONSOLIDATED STATEMENTS OF INCOME
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	31 March 2008	31 March 2007
Net sales	17	51.999.462	46.277.296
Cost of sales (-)	17	(46.209.853)	(42.307.080)
GROSS PROFIT		5.789.609	3.970.216
Operating expenses (-)	18	(10.279.192)	(9.483.932)
Other income and profits	19	3.623.639	2.376.150
Other expenses and losses (-)	19	(194.416)	(185.574)
OPERATING LOSS		(1.060.360)	(3.323.140)
Financial income	20	6.109.983	2.514.938
Financial expenses (-)	21	(11.907.408)	(2.410.394)
LOSS BEFORE TAXATION		(6.857.785)	(3.218.596)
Taxation on Income		563.851	614.788
Current Tax Expense	22	(355.675)	(257.621)
Deferred Tax Income	22	919.526	872.409
LOSS FOR THE PERIOD		(6.293.934)	(2.603.808)
Distribution of Loss			
Minority Interest		(1.584.968)	(440.498)
Parent Company Share		(4.708.966)	(2.163.310)
Profit per share (YKr)	23	(0,19)	(0,16)

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

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ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Share capital	Inflation adjustments to shareholders' equity	Legal reserves	Retained earnings	Currency translation reserves	Net income for the year	Minority interest	Total shareholders' equity
1 January 2007	13.500.000	1.492.722	8.455.399	66.180.928	768.988	22.204.955	4.672.871	117.275.863
Capital increase	-	-	-	22.204.955	-	(22.204.955)	-	-
Currency translation reserves	-	-	-	-	20.394	-	8.740	29.134
Net income for the period	-	-	-	-	-	(2.163.310)	(440.498)	(2.603.808)
31 March 2007	13.500.000	1.492.722	8.455.399	88.385.883	789.382	(2.163.310)	4.241.113	114.701.189
1 January 2008	24.300.000	-	11.351.163	57.782.206	355.326	26.141.069	3.163.380	123.093.144
Capital increase	-	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	26.141.069	-	(26.141.069)	-	-
Transfers to reserves	-	-	4.006.862	(4.006.862)	-	-	-	-
Dividends paid	-	-	-	(25.389.456)	-	-	-	(25.389.456)
Currency translation reserves	-	-	-	-	507.153	-	170.178	677.331
Net income for the period	-	-	-	-	-	(4.708.966)	(1.584.968)	(6.293.934)
31 March 2008	24.300.000	-	15.358.025	54.526.957	862.479	(4.708.966)	1.748.590	92.087.085

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

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ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	31 March 2008	31 March 2007
Cash flow from operating activities			
Loss before tax		(6.857.785)	(3.218.596)
Adjustments to reconcile loss before tax to net cash inflows from operating activities			
Depreciation	10-11	10.266.400	9.438.152
Provision for employment termination benefits	14	822.541	798.050
Interest income	20	(834.831)	(787.693)
Interest expense	21	1.540.267	1.473.504
Change in provision for doubtful receivable		7.471	-
Currency translation adjustment		677.331	29.134
Net cash before changes in assets and liabilities		5.621.394	7.732.551
Changes in assets and liabilities			
Change in trade receivables		(2.110.583)	105.838
Change in due from related parties		(4.046.614)	(1.862.391)
Change in inventories		(262.814)	(743.719)
Change in other receivables		(2.378.060)	(504.496)
Change in other current/non-current assets		(1.631.390)	2.605.004
Change in trade payables		(4.950.660)	(9.313.780)
Change in due to related parties		5.461.165	(113.099)
Change in short-term liability provisions		551.564	2.516.061
Change in other short-term liabilities		1.693.728	(679.040)
Change in other long-term liabilities		3.542.815	370.632
Change in long-term liability provisions		1.161.631	622.801
Employment termination benefits paid	14	(364.876)	(201.363)
Cash flow from operating activities		2.287.300	534.999
Investment operations			
Purchase of tangible assets	10	(2.724.942)	(7.177.525)
Purchase of intangible assets	11	(3.159.219)	(323.836)
Interest received		626.390	99.617
Proceeds from sale of tangible assets	10-11	37.231	88.616
Cash flow from investment operations		(5.220.540)	(7.313.128)
Financial operations			
Change in borrowings		30.918.130	(4.106.531)
Change in short-term finance lease obligations		-	(55.497)
Dividends paid		(25.389.456)	-
Interest paid		(1.603.293)	(1.675)
Cash flow from financial operations		3.925.381	(4.163.703)
Net change in cash and cash equivalents		992.141	(10.941.832)
Beginning balance of cash and cash equivalents		5	45.968.249
Ending balance of cash and cash equivalents		5	46.960.390

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

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ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2008**

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Çelebi Hava Servisi A.Ş (the "Company") established in 1958 was the first private ground handling service company in the Turkish aviation sector. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc) and fuel supplies to domestic and foreign airline and private cargo companies. The Company operates in İstanbul, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Gaziantep, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Tokat, Van, Malatya, Kars, Mardin and Isparta airports, which are under the control of the State Airports Administration ("DHMI").

The address of the Company is as follows:

Atatürk Havalimanı, Yeşilköy
34149 Yeşilköy, İstanbul

The Company has consolidated Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. ("Çelebi IC") with %49,99 of shares using the joint-venture consolidation method as of 31 March 2008. Çelebi IC was established on 23 March 2004 based on the "Antalya Airport 2nd International Terminal (Terminal) construction, management and transfer agreement" between the Company and the DHMI on 24 February 2004. Based on this agreement and an additional contract prepared on 10 November 2004, the construction of the building was finished and operations started as of 4 April 2005. Çelebi IC will run this terminal for 54 months and then transfer it to the DHMI without any charge. The other main shareholder of Çelebi IC is İcetaş İnşaat Sanayi ve Ticaret A.Ş. with %49,99 of shares.

The Company has also consolidated Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. ("Çelebi Güvenlik") in which it holds %94,8 (2007: %94,8) of shares. Çelebi Güvenlik maintains security at the Terminal and provides security services to the airline companies.

The Company has also participated in a tender offer as of 7 August 2006 called by the Budapest Airport Budapest Ferihegy Nemzetközi Repülőtér Üzemeltető Zártkörűen Működő Reszvenytársaság ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi és Szolgáltatás Korlátolt Felelősségű Társaság ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a %100 share. The Company was informed of winning the tender offer on 14 August 2006 and participates in the "Çelebi Tanácsadó Korlátolt Felelősségű Társaság" ("Çelebi Kft.") company that was founded on 22 September 2006 as founding shareholder for the realisation of the abovementioned share transfer. Çelebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Çelebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH"). Çelebi Kft has share capital of 2.700.000.000 Hungarian Forint ("HUF") in which the Company has a share of HUF 1.890.000.000 (%70). The other shares belong to Çelebi Holding A.Ş which is also the shareholder of the Company. Çelebi Kft has been taken over by CGHH with all assets and liabilities and merger transactions have been completed at 31 October 2007 after the completion of the registration, related changes in Articles of Association and General Assembly decisions carried out within the legal framework effective in Hungary. Since Çelebi Kft owned %100 of CGHH shares before the merger, the Company's share has remained %70 in CGHH share capital which is determined as HUF 900.000.000. The capital of CGHH has been increased to HUF 910.000.000 after the merger and as of 31 March 2008 the Company has share capital of HUF 637.000.000 (%70). Remaining part amounted HUF 273.000.000 (%30) is owned by Çelebi Holding A.S.

As of 31 March 2008, the consolidated financial statements of the Company include the Company, Çelebi IC, Çelebi Güvenlik and CGHH (collectively, referred to as the "Group").

As of 31 March 2008 and 31 December 2007, the average number of employees of the Group is 4.152 and 4.200, respectively.

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ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2008**

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

1. Basis of the Presentation

1.1 Financial Reporting Standards

The Capital Markets Board (“CMB”) regulates the principles and procedures of preparation and presentation of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods starting from 1 January 2008 and cancels the Communiqué No: XI-25 “The Financial Reporting Standards in the Capital Markets”. According to the Communiqué, companies shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) accepted by the European Union.

Until the differences of the IAS/IFRS as acknowledged by the European Union from the IAS/IFRS issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting/Financial Reporting Standards (“TAS/IFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by the IASB in its financial statements for the accounting periods starting 1 January 2005.

As the differences of the IAS/IFRS acknowledged by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the consolidated financial statements have been prepared in accordance with the CMB Financial Reporting Standards based on the Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB. Consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB announcement dated 14 April 2008 and including the compulsory information to be disclosed. Accordingly, necessary reclassifications have been made in the comparative financial statements (See Note 2.4.28).

The consolidated financial statements are based on the statutory records with adjustments and reclassifications made for the purpose of fair presentation and measurement in accordance with the Communiqué No: 29 “Principles of Financial Reporting in Capital Markets” issued by CMB. Consequently, the Company, its Subsidiaries and Affiliates (the “Group”) that are resident in Turkey have conformed to the CMB, Turkish Commercial Code, Turkish Corporate Tax Law standards and regulations and the Uniform Chart of Accounts as defined by the Ministry of Finance in the preparation of the statutory financial statements and in the accounting principles adopted. Foreign affiliates are subject to rules and regulations defined in their countries.

The consolidated financial statements have been prepared in New Turkish lira (“YTL”) based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2008**

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

1.2 Translation of Financial Statements of Foreign Affiliates

The financial statements of the foreign affiliates have been prepared in accordance with the rules and standards defined by the country in which the affiliates are resident; however required adjustments and reclassifications have been made to the financial statements to reflect the accounting policies and presentation principles of the Group’s consolidated financial statements. The assets and liabilities of the foreign affiliates have been translated using the foreign exchange rate as the balance sheet date. Revenues and expenses have been translated into New Turkish lira using the average foreign exchange rate. The foreign exchange differences resulting from the translation of net assets at the opening period and the utilization of average exchange rates have been followed as cumulative translation adjustments under equity.

1.3 Consolidation Principles

The consolidated financial statements have been prepared based on explanations mentioned in paragraphs (a) to (c) and the accounts of the Company, Çelebi Hava Servisi A.Ş, the Subsidiaries and Joint-ventures prepared based on paragraphs (a) and (b). The financial statements of the companies included in the scope of consolidation and prepared according to the historical cost method have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Accounting Standards and the application of uniform accounting policies and presentation. Positive goodwill due to the consolidation of the Subsidiaries and Joint-ventures has been presented separately from the carrying value in the balance sheet.

- a) Subsidiaries are companies over which the Company has the power to control the financial and operating policies, either (a) through the power to exercise more than %50 of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, or (b) although not having the power to exercise more than %50 of the ownership interest, the power to exercise control over financial and operating policies.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries eliminated against the related shareholders’ equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

Subsidiaries are consolidated beginning from the date control is transferred to the Group and are excluded from the consolidation beginning from the date control is ended. If required, accounting principles adopted by the Subsidiaries are altered to reflect the accounting principles adopted in the preparation of the Group’s consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The Subsidiaries and their ownership included in the consolidation as of 31 March 2008 and 31 December 2007 are as follows:

	Direct/indirect control of the Company (%) 31 March 2008	Direct/Indirect control of the Company (%) 31 December 2007
Çelebi Güvenlik	%94,8	%94,8
CGHH (*)	%70,0	%70,0

(*) The Company, as disclosed in Note 1, participated in Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft") established on 22 September 2006 as a founding partner in order to realise the share transfer following the winning of the tender offer opened on 7 August 2006. The Company has a share of HUF 1.890.000.000 (70%)(YTL 13.182.399) in total equity capital of HUF 2.700.000.000 of Celebi Kft and Celebi Kft has been consolidated in the financial statements for the period ended 31 December 2006. As of 31 December 2007, CGHH has been included in the scope of consolidation following the merge of CGHH and Celebi Kft (Note 1).

- b) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Çelebi Hava Servisi and one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements. Çelebi IC is a %49,99 participation of the Company jointly managed by the other shareholders of Çelebi IC.
- c) The minority shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and statements of income as "minority interest".
- d) In preparing the consolidated financial statements, all balances and unrealised revenues resulting from intercompany transactions have been eliminated. Unrealized revenue transactions with the joint ventures have been eliminated by the rate of the controlling power of the Group over the Affiliate. Dividends from the shares the Company owns have, also been eliminated from the related equity and income statement accounts.
- e) The assets and liabilities of the foreign affiliates have been translated by using the foreign exchange rate at the balance sheet date. Revenues and expenses have been translated into New Turkish lira by using average foreign exchange rates. The foreign exchange differences resulting from the translation of net assets at the beginning period and utilization of average exchange rates, have been followed as cumulative translation adjustments under equity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2008**

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

1.4 Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

The accounting principles described in Note 2.1.1 to the consolidated financial statements (defined as CMB Accounting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, for the period between 1 January - 31 December 2005 and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2. Changes in Accounting Policies

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. There is no change in accounting policies for the interim period ended 31 March 2008.

3. Changes and Errors in the Accounting Estimates

The changes in accounting estimates are recognized prospectively by including them in net profit or loss in the period of the change if the change affects that period only, or in the period of the change and future periods if the change affects both. There is no change in accounting estimates for the interim period ended 31 March 2008.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months (Note 5).

4.2 Revenue Recognition

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognized on an accrual basis at the time the Group sells a product to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold and services given less sales returns, discount and commissions (Note 17). Rent income is recorded on an accrual basis, while interest income is recorded on an effective interest yield method basis. Dividend income is recorded as income as of the collection right transfer date.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Passenger service income is recognized on an accrual basis, invoiced over amounts determined per traveller with reference to the service contracts to the airport firms or their representatives for the services rendered to the passengers going abroad from the terminal. In accordance with the “Antalya Airport 2nd International Terminal construction, management and transfer agreement” signed between Çelebi IC and DHMI and also with the conditions of the contract, the DHMI committed to the foreign lines service revenue from 2.416.171 (2007: 2.345.796) passengers and agreed USD15 per person as the foreign line passenger service price. After reaching the guaranteed passenger number in one operating year, the remainder of the passenger income will be transferred to the DHMI.

4.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less depreciation, restated to the equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less depreciation for the items purchased after 1 January 2005. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets (Note 10).

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Machinery and equipment	5-20 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5-15 years
Software	5 years

Where the carrying amount of the asset is greater than its recoverable amount, it is written down immediately to its recoverable amount. Revenue and losses due to fixed asset disposals are calculated over restated fixed asset balances and recorded in profit and loss accounts.

Expenses for the repair and maintenance of property, plant and equipment are normally charged to the statement of income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets and amortised based on the remaining useful life of the fixed asset.

4.4 Intangible Assets

Intangible assets comprise computer programmers, information systems and rights. They are stated at cost less amortisation, restated to the equivalent purchasing power at 31 December 2004 for the items purchased before 1 January 2005 and stated at cost less amortisation for the items purchased after 1 January 2005. Amortisation is calculated using the straight-line method over a period not exceeding five years (Note 11).

Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 11).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The amortisation of the leasehold improvements related with the construction of the terminal has been conducted using the straight-line method based on the operation of the terminal for 54 months.

Borrowing costs that are directly attributable to the build-operate-transfer investment are capitalised as part of the cost of that asset, if the amount of costs can be measured reliably and it is probable that the economic benefits associated with the qualifying asset will flow to the Group.

Customer relationship was recognized as an intangible asset during the acquisition of 100% of CGHH shares as a result of valuation studies performed by an independent valuation company on 26 October 2006. Amortisation is calculated on a straight-line basis over their estimated useful lives for a period not exceeding seven years from the date of acquisition.

4.5 Inventories

Inventories are valued at the lower of cost, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories are cost of purchases, cost of conversion and other costs for maintenance. Stocks are valued with the moving average cost method (Note 9).

4.6 Impairment of Assets

The Group assesses at each reporting date whether there is any indication that an asset, except for a deferred tax asset is impaired (Note 2.4.23 and Note 22). If any such indication exists, the recoverable amount of the asset is estimated. Impairment is recognized in the income statement as expense.

An impairment loss recognized in prior periods for an asset is reversed, not exceeding the previously recognized impairment loss amount, if there is a subsequent increase in the recoverable amount due to an event occurring since the last impairment loss was recognized.

4.7 Borrowing Costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. They are stated at amortised cost using the effective interest yield method; any difference between proceeds (except cost of operation) and the redemption value is recognised in the income statement over the period of the borrowings. Financial expenses related with borrowings are recorded in the consolidated income statement when realised (Note 21). The difference between the total amount of the borrowing (less the transaction fees) and that at the repayment date is recorded in the consolidated income statement during the period the borrowing is effective.

4.8 Financial Assets

Financial assets are classified based on the intent of the investment. Group management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designations on a regular basis. The Group classifies its financial assets as below:

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.8 Financial Assets (Continued)

a) Borrowings and receivables

Credits and receivables comprise non-derivative financial assets which are not quoted in an active market, and which comprise of fixed or certain payments. Credits and receivables arise when they are not held-for-trading, and when the Group supplies money, goods and services to a debtor directly. If their maturities are 12 months shorter than the balance sheet date, they are recognised in current assets, if more than that, they are recognised in non-current assets. Credits and receivables are included in the trade receivables and other receivables in the balance sheet. Credits and receivables are recognised over values after deducting the transaction costs of the related amounts. Credits and receivables are recognised afterwards over the cost value discounted by the effective interest yield method.

b) Available-for-sale assets

Financial instruments held for an indefinite period, and which can be sold to meet liquidity requirements, or changes in the interest rates, and which are not subject to other classifications are classified as available-for-sale assets. These are included in non-current assets if management does not plan to hold the financial asset for a period of less than 12 months, and if no need will arise to increase operating capital (otherwise it is included in the current assets). Group management classifies these financial instruments when they are acquired, and reviews classifications regularly.

Unrealised gains and losses due to changes in the reasonable value of available for sale financial assets, are booked under equity and disclosed as “Financial assets revaluation fund” after the reflection of the deferred tax effect in line with the alterations made in IAS 39.

All financial investments are recognised over the cost values including the reasonable value, and acquisition costs related to the investment. The Group values the available-for-sale assets at the balance sheet date over the reasonable value and accounts for the arising reasonable value differences under equity capital. The Group accounts for the losses and gains related to available-for-sale assets under equity capital directly until these assets are removed from the financial statements. Negative differences between the acquisition cost of available-for-sale assets, and their reasonable values are related to the consolidated financial statements if differences are permanent.

When affiliates are not quoted in stock exchange in which the Group has less than a 20 % share, and other methods in determining the fair value of the financial asset are not applicable and therefore the fair value of the affiliate cannot be assessed, impairment losses (if they exist) are deducted from the acquiring cost of the financial asset.

4.9 Trade Payables

Trade payables are initially recognised at historical cost and subsequently carried at amortised cost using the effective yield method (Note 7).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.10 Unincurred Financial Income/Expense Due to Credit Sales and Purchases

Deferred financial income/expense represents financial income and expenses on credit sales and purchases. These, income and expenses are recognized using the effective yield method during the due date of the credit sales and purchases and disclosed under financial income and expenses (Note 20, Note 21).

4.11 Mergers and Acquisitions

The accounting of mergers and acquisitions depends on the purchase method used. The cost of a business combination is allocated by recognizing the acquiree’s identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is recognized as an asset and is initially measured as the excess of the cost of the combination over the fair value of the acquiree’s assets, liabilities and contingent liabilities. Goodwill arising due to business combinations is not amortized, rather the carrying value of goodwill is reviewed annually for permanent impairment and the impairment provision, if any, is immediately recognized in the income statement.

4.12 Foreign Exchange Rate Risk

Income and expenses arising in foreign currencies have been translated into YTL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the statements of income. Foreign currency non-monetary items which are carried with costs are translated into YTL at the exchange rates prevailing at the purchase dates.

4.13 Earnings Per Share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned (Note 23).

Companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings in Turkey. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

4.14 Subsequent Events

Provisions are made when there is current legal or valid liability as a result of past transaction, it is probable that there will be outflow of cash, and a reliable estimate can be made of this amount (Note 27).

Possible assets or obligations arising at subsequent balance sheet dates that require the correction in the financial statements be corrected accordingly and assets and obligations arising subsequently which do not require correction to the financial statements but will possibly affect the economic decisions of the financial statement users will be disclosed under notes to the financial statements.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.15 Provisions, Contingent Assets and Liabilities

The conditions which are required to be met in order to recognise a provision in the consolidated financial statements are that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Liabilities or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity should not be recognised as liabilities or assets, however they should be disclosed as contingent liabilities or assets (Note 13).

4.16 Leases

Finance Leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Principal lease payments are treated as comprising of capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to the consolidated income statement as loss. Depreciation on the relevant asset is also charged to the statement of income over its useful life (Note 6).

Operating Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

4.17 Related Parties

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, investments, associated companies and joint venture partners are considered and referred to as related parties (Note 24).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.18 Trade Receivables and Provision for Doubtful Receivables

Trade receivables that are originated by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective yield method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 7).

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

4.19 Segment Reporting

Reportable segments are industrial or geographical segments in which segment information is compulsory to disclose. Industrial segments include operations or assets which are different to services or products served by other service areas of the Group from a risk and advantage view. Geographic segments include economic environments in which different services or products are served by other service areas of the Group from a risk and advantage view.

In order for an industrial or a geographic segment to be identified as a reportable segment, most of the segment revenue should be generated from the sales made out of the Group and each segment revenue should be at least 10% of all segments reported, segment assets should be at least 10% of total assets of segments reported or each segment result should be 10% of total of segment results making profit and making loss.

In Turkey, the Group operates in handling services, airport security services and airport construction and management and in Hungary operates in handling services. The first format type identified by the Group for segment reporting is industrial sections. Industrial sections include operations or assets which are different to services or products served by other service areas of the Group from a risk and advantage view. Geographic segment reporting was performed as a secondary format rather than a reportable segment since the Group delivers products and services in geographical areas that are affected by economic environments by risk and advantages of a similar nature (Note 4).

4.20 Discontinued Operations

According to International Financial Reporting Standard 5 (“IFRS 5”) “Non-current Assets Held for Sale and Discontinued Operations”, the discontinued operation is the part of an entity which either is classified as held-for-sale or has been disposed of and whose activities and cash flows can be treated as separable from the entity’s activities and cash flows. Discontinued operations represent separate business or geographical segments, which are part of a plan to sell or dispose, or is a subsidiary acquired for selling.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.21 Government Grants and Incentives

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received.

4.22 Investment Properties

Land and buildings held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16, Property, Plant and Equipment. At that date, the property becomes investment property and thus it is transferred to investment property.

4.23 Taxes on Income

Taxes include current period income taxes and deferred taxes (Note 22). Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to previous years’ tax liabilities.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax asset is booked where there is a probability that a tax advantage can be gained in future periods. This asset is removed from the related asset where there is no probability of utilizing this asset.

4.24 Employment Termination Benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, or dies. Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 14).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.25 Reporting of Cash Flows

Cash flows related to the period are reported and classified according to operating, investment and financial activities.

Cash flows resulting from operating activities indicate cash flows resulting from the Group’s handling and airport construction and management operations.

Cash flows from investment operations indicate cash flows acquired and used in the Group’s investment activities (fixed investment and financial investment).

Cash flows from financial operations indicate sources used in the financial activities of the Group and the repayments thereof.

Cash and cash equivalents include cash and banks.

4.26 Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividend receivables are accounted for income at the date dividend collection is eligible.

4.27 Accounting of Financial Derivatives and Hedging

The derivative instruments of the Group mainly consist of foreign exchange forward contracts and foreign currency and interest rate swap transactions. These derivative financial instruments, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, “Financial Instruments: Recognition and Measurement”, and are therefore accounted for as derivatives held-for-trading in the consolidated financial statements.

Held-for-trading derivative financial instruments are initially recognized in the consolidated financial statements at cost and are subsequently remeasured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income.

Forward foreign exchange contracts are valued at quoted market prices or discounted cash flow models as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

4.28 Comparatives and Restatement of Prior Periods’ Financial Statements

Comparative financial information is reclassified to enable conformity with the presentation of the current period financial statements where necessary.

In order to allow for the determination of the financial situation and performance trends, the Group’s financial statements have been presented comparatively with the previous period. The balance sheet of the Group at 31 March 2008 includes the comparative financial information of 31 December 2007 and the consolidated statement of income, the consolidated statement of changes in shareholders’ equity and the consolidated statement of cash flows for the interim period 1 January-31 March 2008, including the comparative financial information of the interim period 1 January-31 March 2007.

The financial statements of the Group as of 31 March 2008 and 31 December 2007 and for the three month interim periods ended 31 March 2008 and 31 March 2007, are prepared in accordance with the communiqué No: XI-29 “Principles of Financial Reporting in Capital Markets” published on 9 April 2008 by the CMB, for the first time in the period ended 31 March 2008. The Group has performed reclassifications in the previous consolidated financial statements which were previously prepared in accordance with the Communiqué XI, No: 25 “The Financial Reporting Standards in the Capital Markets” (issued by the CMB on 15 November 2003) in order to conform to changes in presentation in the current year. Such reclassifications are as follows:

Capital reserves amounted YTL28.137.614 classified in “extraordinary reserves” on the consolidated balance sheet of 31 December 2007 are reclassified under “retained earnings” (Note 16).

Legal reserves inflation adjustment differences and extraordinary reserves inflation adjustment differences amounted YTL985.483 classified in “equity inflation adjustment differences” on the consolidated balance sheet at 31 December 2007 are reclassified under “retained earnings” (Note 16).

Deposits and guarantees given amounted YTL15.692 in “trade receivables” on the balance sheet of 31 December 2007 is reclassified into “other receivables”. Value-added tax (“VAT”) to be refunded amounted YTL1.436.820, income accruals amounted YTL150.383, advances given to personnel amounted YTL110.480, advances given to suppliers amounted YTL172.523 classified in “other receivables” on the balance sheet at 31 December 2007 are reclassified under “other current assets” and orders given amounted YTL21.146 in inventories is reclassified into “other current assets”.

Order advances received amounted YTL204 in “advances received” on the consolidated balance sheet of 31 December 2007 is reclassified into “other current liabilities”. The provision for employment termination benefits amounted YTL3.543.901 in “long-term liability provisions” on the consolidated balance sheet at 31 December 2007 is reclassified under “provision for employment termination benefits”.

4.29 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

4.30 Share Premiums

Share premiums represent the difference between the nominal values and the fair values of the company shares issued or the difference between the sale price of shares of subsidiaries and their nominal values.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

5. Information, Disclosure of Which is Required by CMB

In accordance with the Communiqué Serial:XI No:29 of CMB and announcements clarifying this communiqué, it is mandatory for enterprises to disclose the hedging rate of their total foreign exchange liability as well as total export and import amounts in the notes to their financial statements.

6. Significant Accounting Estimates, Assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them.

NOTE 3 - JOINT VENTURES

Shares in Joint Ventures

Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş. as described in Note 2 is the joint venture included in the consolidation by the way of proportionate consolidation. Financial information summary of the joint venture relating to balances included in the consolidated financial statements before the consolidation eliminations is as follows:

	31 March 2008	31 December 2007
Current assets	49.018.039	59.952.749
Non-current assets	61.346.891	70.870.400
Total assets	110.364.930	130.823.149
Current liabilities	50.216.794	44.110.273
Non-current liabilities	17.508.597	15.183.356
Shareholders' equity	42.639.539	71.529.520
Total liabilities and shareholders' equity	110.364.930	130.823.149

	31 March 2008	31 March 2007
Net sales	19.638.342	18.745.557
Gross profit	3.697.912	3.436.472
Operating profit	2.135.234	1.765.544
Net profit/loss for the period	(1.178.471)	1.572.407

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NOTE 4 - SEGMENT INFORMATION

In the consolidated financial statements as at 31 March 2008 and 31 March 2007, industrial segments are defined as a primary reporting format. Industrial segments represent assets or operations that have a different nature to the production of either services or goods or the risks and benefits. Geographical segments are presented as a secondary reporting format in the consolidated financial statements at 31 March 2008 and 31 March 2007. Geographical segments represent economic regions that are different to other regions in terms of risk and return.

a) Industrial Segments

1 January - 31 March 2008

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	40.966.217	2.198.399	9.817.993	(983.147)	51.999.462
Cost of sales	(37.577.963)	(1.683.321)	(7.969.259)	1.020.690	(46.209.853)
Gross profit	3.388.254	515.078	1.848.734	37.543	5.789.609
Operating expenses	(9.231.236)	(277.350)	(786.782)	16.176	(10.279.192)
Other income/expense (net)	17.331.105	392	5.537	(13.907.811)	3.429.223
Operating loss	11.488.123	238.120	1.067.489	(13.854.092)	(1.060.360)
Net loss	7.798.546	350.777	(589.165)	(13.854.092)	(6.293.934)

31 March 2008

Balance Sheet

Total Assets	232.401.731	4.622.841	55.175.842	(34.796.958)	257.403.456
Shareholders' equity	101.693.244	3.547.371	21.317.210	(34.470.740)	92.087.085

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NOTE 4 - SEGMENT INFORMATION (Continued)

1 January - 31 March 2007

	Reportable Segments			Consolidation Eliminations	After Consolidation
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income (net)	35.867.018	1.899.635	9.371.654	(861.011)	46.277.296
Cost of sales	(34.160.350)	(1.379.403)	(7.653.624)	886.297	(42.307.080)
Gross profit	1.706.668	520.232	1.718.030	25.286	3.970.216
Operating expenses	(8.360.705)	(288.898)	(841.806)	7.477	(9.483.932)
Other income/expense (net)	2.262.269	5.846	6.442	(83.981)	2.190.576
Operating loss	(4.391.768)	237.180	882.666	(51.218)	(3.323.140)
Net loss	(3.550.021)	211.321	786.110	(51.218)	(2.603.808)

31 March 2007

Balance Sheet

Total Assets	228.283.576	3.147.074	86.512.166	(32.023.040)	285.919.776
Shareholders' equity	107.815.251	2.126.501	35.204.323	(30.444.886)	114.701.189

b) Geographical segments

i) Geographical Analysis as of 1 January - 31 March 2008

	Turkey	Hungary	Total Combined	Elimination	Total
Net sales	41.024.043	10.975.419	51.999.462	-	51.999.462
Cost of sales (-)	(36.727.878)	(9.481.975)	(46.209.853)	-	(46.209.853)
Gross profit	4.296.165	1.493.444	5.789.609	-	5.789.609
Operating expenses	(7.807.218)	(2.471.974)	(10.279.192)	-	(10.279.192)
Other income/expense (net)	3.463.518	(34.295)	3.429.223	-	3.429.223
Operating loss	(47.535)	(1.012.825)	(1.060.360)	-	(1.060.360)

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NOTE 4 - SEGMENT INFORMATION (Continued)

Geographical Analysis as of 1 January - 31 March 2007

	Turkey	Hungary	Total Combined	Elimination	Total
Net sales	37.119.564	9.157.732	46.277.296	-	46.277.296
Cost of sales (-)	(33.704.497)	(8.602.583)	(42.307.080)	-	(42.307.080)
Gross profit	3.415.067	555.149	3.970.216	-	3.970.216
Operating expenses	(7.056.829)	(2.427.103)	(9.483.932)	-	(9.483.932)
Other income/expense (net)	2.196.028	(5.452)	2.190.576	-	2.190.576
Operating loss	(1.445.734)	(1.877.406)	(3.323.140)		-(3.323.140)

ii) Total assets

	31 March 2008	31 March 2007
Turkey	182.703.959	200.318.581
Hungary	70.190.720	83.929.128
Unallocated assets	4.508.777	1.672.067
	257.403.456	285.919.776

iii) Investment expenditures, depreciation and amortization expenses

	31 March 2008	31 March 2007
<u>Investments</u>		
Turkey	590.677	5.313.180
Hungary	97.695	1.962.716
	688.372	7.275.896

	31 March 2008	31 March 2007
<u>Depreciation and amortisation</u>		
Turkey	8.002.254	7.768.338
Hungary	2.264.146	1.669.814
	10.266.400	9.438.152

iv) Minority interest

	31 March 2008	31 December 2007
Turkey	184.463	166.222
Hungary	1.564.127	2.997.158
	1.748.590	3.163.380

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NOTE 5 - CASH AND CASH EQUIVALENTS

		31 March 2008	31 December 2007
Cash		116.160	84.423
Banks			
- time deposits		40.597.016	33.547.984
- USD	16.318.880	25.492.465	
- YTL	8.515.966	4.563.264	
- EUR	15.762.170	3.492.255	
- Hungarian Forint	-	-	
- demand deposits		6.247.214	12.335.842
- EUR	926.392	5.333.626	
- Hungarian Forint	4.051.994	5.086.307	
- USD	543.037	1.205.436	
-YTL	696.041	630.005	
-GBP	29.750	80.468	
		46.960.390	45.968.249

Effective interest rates for YTL, Euro and USD time deposits are %16,10, %3,99 and %3,17 respectively, as of 31 March 2008. (31 December 2007: YTL %18,11, Euro %4,48 USD %4,97). Maturities of time deposits as of 31 March 2008 are YTL 1-10 days, Euro 1-30 days and USD 1-30 days (31 December 2007: YTL 1-113 days, Euro 1-32 days USD 1-36 days).

NOTE 6 - FINANCIAL LIABILITIES

		31 March 2008	
	Yearly effective interest rate (%)	Original amount	YTL
<u>Short-term borrowings</u>			
YTL borrowings		3.017.241	3.017.241
Euro borrowings	5,50%	5.500.000	11.085.800
			14.103.041
<u>Short-term portion of long-term borrowings</u>			
Interest expense accrual-EUR		910.426	1.835.054
Interest expense accrual-USD		264.818	338.040
USD borrowings	6,64%	7.933.333	10.126.900
EUR borrowings	7,45%	12.457.958	25.110.261
			37.410.255
Short-term borrowings			51.513.296
USD borrowings	6,84%	500.000	638.250
EUR borrowings	5,50%	30.099.000	60.667.547
Long-term borrowings			61.305.797
Total borrowings			112.819.093

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

	Carrying Amount		Fair Value	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Long - term borrowings	61.305.797	48.946.861	61.249.019	48.863.216

The fair value of current borrowings equals their carrying amount and the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of %6,05 (31 December 2007: %6,38).

	Yearly effective interest rate (%)	31 December 2007	
		Original amount	YTL
<u>Short-term borrowings</u>			
YTL borrowings	-	22.249	22.249
Euro borrowings	%5,58	2.000.000	3.420.400
			3.442.649
<u>Short-term portion of long-term borrowings</u>			
Interest expense accrual-EUR		150.172	256.824
Interest expense accrual-USD		124.703	145.242
USD borrowings	%6,80	6.933.334	8.075.254
EUR borrowings	%7,45	12.457.958	21.305.600
			29.782.920
Short-term borrowings			33.225.569
USD borrowings	%5,50	1.500.000	1.747.050
EUR borrowings	%6,96	27.599.000	47.199.811
Long-term borrowings			48.946.861
Total borrowings			82.172.430

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the long-term bank borrowings as of 31 March 2008 and 31 December 2007 is as follows:

	31 March 2008	31 December 2007
2009	8.458.677	4.107.041
2010	4.439.158	3.766.546
2011	6.002.587	5.093.086
2012 and over	42.405.375	35.980.188
	61.305.797	48.946.861

As of 31 March 2008, the borrowings amounting to EUR 11.456.958 comprise of the loans used by the Joint-venture of the Company Çelebi IC for the terminal construction. The maturities of the loans which do not have to be repaid in the first two years range from 3,5-4 years; repayment began on April 2006 and will be realized through equal installments in every six months.

The redemption schedule of the financial lease obligations as of 31 March 2008 is as follows:

	31 March 2008			31 December 2007		
	Minimum lease payments	Interest	Total Obligation	Minimum lease payments	Interest	Total Obligation
Less than 1 year	24.573	(24.573)	-	22.202	(22.202)	-
1 to 2 years	446	(446)	-	249	(249)	-
2 to 3 years	204	(204)	-	564	(564)	-
4 years and more	-	-	-	-	-	-
	25.223	(25.223)	-	23.015	(23.015)	-

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 March 2008	31 December 2007
Short-term trade receivables		
Trade receivables	20.302.997	18.190.780
Doubtful receivables	2.465.714	2.458.243
	22.768.711	20.649.023
Less: Provision for doubtful receivables	(2.465.714)	(2.458.243)
Less: Unearned financial income from credit sales	(33.596)	(24.491)
	20.269.401	18.166.289

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Yearly effective interest rates for trade receivables as of 31 March 2008 for the YTL, USD and EUR are %16,98, %2,70 and %4,36, respectively(31 December 2007: %16,15, %4,86 and %4,44).

The Group’s previous experience in the collection of receivables has been considered in the provisions booked. Therefore, the Group does not foresee any additional receivable risk for the possible collection losses.

Movements of the provision for doubtful receivables for the years ended 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	31 December 2007
Opening balance	2.458.243	2.456.314
Additions	7.471	1.929
Ending balance	2.465.714	2.458.243
Short-term trade payables		
Trade payables	5.881.995	10.885.170
Notes payables	47.353	-
Less: Unearned credit finance charges	-	(5.162)
	5.929.348	10.880.008

Effective interest rates for unearned credit finance charges as of 31 March 2008 for USD, Euro and YTL are %2,70, %4,36 and %16,82, respectively. Effective interest rates for unearned credit finance charges as of 31 December 2007 for USD, Euro, GBP and YTL are %4,86, %4,44, %6,10 and %15,96, respectively.

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	31 March 2008	31 December 2007
Other short-term receivables		
Receivables from Tax Office	335.599	276.800
Deposits and guarantees given	15.551	15.692
Other miscellaneous receivables	11.565	19.052
	362.715	311.544
Other long-term payables		
Deposits and guarantees received	2.553	2.329

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NOTE 9 - INVENTORIES

	31 March 2008	31 December 2007
Trade goods	304.230	348.645
Other inventories	4.317.958	4.010.729
	4.622.188	4.359.374

Other inventories include fuel oil, baggage sticker, boarding passes, miscellaneous periodicals, clothes and spare parts.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period ended 31 March 2008 are as follows:

	Opening 1 January 2008	Additions	Transfers	Currency translation adjustments	Closing 31 March 2008
Cost					
Machinery and equipment	121.948.890	389.661	-	398.959	122.737.510
Vehicles	18.385.783	5.347	-	2.148.193	20.539.323
Furniture and fixtures	11.799.713	68.288	2.399	85.492	11.955.892
Leasehold improvements (*)	63.394.155	110.575	-	-	63.504.730
Advances given	87.649	16.806	(3.763)	-	100.692
	215.616.190	590.677	(1.364) (**)	2.632.644	218.838.147
Accumulated depreciation					
Machinery and equipment	(79.281.217)	(1.751.989)	-	(59.681)	(81.092.887)
Vehicles	(5.685.326)	(609.402)	-	(432.170)	(6.726.898)
Furniture and fixtures	(10.099.557)	(177.673)	-	(42.395)	(10.319.625)
Leasehold improvements (*)	(21.680.544)	(1.056.745)	-	-	(22.737.289)
	(116.746.644)	(3.595.809)	-	(534.246)	(120.876.699)
Net book value	98.869.546				97.961.448

(*) The land plots where the stations were constructed by Çelebi Hava Servisi A.Ş in the airports within which it operates were rented from the DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 March 2008 the net book value of these stations was YTL37.458.521. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

(**) Comprised of transfers to intangible assets.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As explained in details in Note 28, as a consequence of the fire that broke out on 24 May 2006 in the warehouse located at Atatürk Airport Terminal C in which the Company carries out cargo - warehouse operations; leasehold improvements, the machinery and equipment and furniture & fixtures whose net book value were YTL3.932.522, YTL522.232 and YTL29.851 respectively as of 31 December 2006 were written off from accounting records since the DHMI cancelled the rent agreement related to the mentioned warehouse and the leasehold improvements were partially damaged. Judicial experts and insurance specialists have completed their reports to determine the damage to the machinery and equipment and furniture and fixtures in the warehouse and the machinery and equipment and furniture and fixtures identified as damaged whose net book values are YTL1.579.944 and YTL47.257 as of 31 December 2006 were written off from the records as well. Moreover, the compensation amounting to USD2.135.711 has been made to the Company as of 31 March 2008 under the coverage of insurance policies comprising leasehold improvements, machinery and equipment and general content, broken machinery, electronic equipment, furniture and fixtures and fire risk coverage of machinery equipment.

The depreciation charges for the period ended 31 March 2008 amounting to YTL1.126.528 and YTL2.469.281 are included in operating expenses and cost of sales, respectively. The net book value of financial lease assets that are included in machinery and equipment is YTL811.940 as of 31 March 2008 (31 December 2007: YTL845.085).

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended 31 March 2007 are as follows:

	Opening 1 January 2007	Additions	Disposals	Transfers	Currency translation adjustments	Closing 31 March 2007
Cost						
Machinery and equipment	117.755.698	2.828.107	(202.559)	144.892	19.475	120.545.613
Vehicles	16.386.396	1.408.750	-	-	74.650	17.869.796
Furniture and fixtures	10.949.169	249.827	-	-	2.288	11.201.284
Leasehold improvements (*)	54.063.249	2.584.739	-	-	-	56.647.988
Advances given	1.167.366	46.140	-	(217.539)	-	995.967
	200.321.878	7.117.563	(202.559)	(72.647) (**)	96.413	207.260.648
Accumulated depreciation						
Machinery and equipment	(73.021.216)	(1.796.787)	163.785	-	(1.564)	(74.655.782)
Vehicles	(3.408.910)	(615.608)	-	-	(11.047)	(4.035.565)
Furniture and fixtures	(9.485.483)	(155.149)	-	-	(1.035)	(9.641.667)
Leasehold improvements (*)	(17.494.700)	(937.155)	-	-	-	(18.431.855)
	(103.410.309)	(3.504.699)	163.785	-	(13.646)	(106.764.869)
Net book value	96.911.569					100.495.779

(*) The land plots where the stations were constructed by Çelebi Hava Servisi A.Ş in the airports within which it operates were rented from the DHMI. The station buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 March 2007 the net book value of these stations was YTL38.105.534. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

(**) Comprised of transfers to intangible assets.

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NOTE 11 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 31 March 2008 are as follows:

	Opening 1 January 2008	Additions	Disposals	Transfers	Currency translation adjustments	Closing 31 March 2008
Cost						
Rights	545.219	10.740	-	-	-	555.959
Customer Relations	27.017.944	-	-	-	3.971.269	30.989.213
Software	3.160.706	12.372	(27.924)	-	52.426	3.197.580
Build-operate-transfer investments (*)	87.533.504	74.583	-	1.364	-	87.609.451
	118.257.373	97.695	(27.924)	1.364	4.023.695	122.352.203
Accumulated depreciation						
Rights	(499.553)	(50.647)	-	-	-	(550.200)
Customer Relations	(4.946.485)	(1.557.806)	-	-	(924.500)	(7.428.791)
Software	(2.013.063)	(95.139)	930	-	(12.041)	(2.119.313)
Build-operate-transfer investments (*)	(52.370.651)	(4.966.999)	-	-	-	(57.337.650)
	(59.829.752)	(6.670.591)	930	-	(936.541)	(67.435.954)
Net book value	58.427.621					54.916.249

(*) The build-operate-transfer investment the net book value of which is YTL30.271.801 comprises of the advances and progress payments given to contracting firms which were capitalized as of 31 March 2008 related to the construction of Antalya Airport 2. International Terminal with respect to the terminal building operation and transfer processes between Çelebi IC and the DHMI. The Group will depreciate the leasehold improvements related to the terminal building within the operating period of 54 months.

Depreciation charges for the period ended 31 March 2008 amounting to YTL1.135.641 and YTL5.534.950 are included in operating expenses and cost of sales.

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NOTE 11 - INTANGIBLE ASSETS (Continued)

Movements in intangible assets for the period ended 31 March 2007 are as follows:

	Opening 1 January 2007	Additions	Disposals	Transfers	Currency translation adjustments	Closing 31 March 2007
Cost						
Rights	542.969	9.450	-	-	113.577	665.996
Customer Relations	29.468.201	-	-	-	-	29.468.201
Software	2.705.348	77.506	-	-	921	2.783.775
Build-operate-transfer investments (*)	86.150.153	71.377	-	72.647	-	86.294.177
	118.866.671	158.333	-	72.647	114.498	119.212.149
Accumulated depreciation						
Rights	(447.513)	(13.010)	-	-	-	(460.523)
Customer Relations	(761.216)	(1.024.362)	-	-	(21.438)	(1.807.016)
Software	(1.666.412)	(80.167)	-	-	(204)	(1.746.783)
Build-operate-transfer investments (*)	(32.745.525)	(4.815.914)	-	-	-	(37.561.439)
	(35.620.666)	(5.933.453)	-	-	(21.642)	(41.575.761)
Net book value	83.246.005					77.636.388

(*) The build-operate-transfer investment the net book value of which is YTL48.732.738 comprises of the advances and progress payments given to contracting firms which were capitalized as of 31 March 2007 related to the construction of Antalya Airport 2. International Terminal with respect to the terminal building operation and transfer processes between Çelebi IC and the DHMI. The Group will depreciate the leasehold improvements related to the terminal building within the operating period of 54 months.

Depreciation charges for the period ended 31 March 2007 amounting to YTL668.620 and YTL5.264.833 are included in operating expenses and cost of sales.

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NOTE 12 - GOODWILL

Positive goodwill at 31 March 2008 and 31 December 2007 is as follows:

	31 March 2008	31 December 2007
Goodwill due to acquisition of CGHH	18.157.528	15.830.639

The Company participated in the tender offer on 7 August 2006 opened by the Budapest Airport Budapest Ferihegy Nemzetközi Repülöter Üzemeltetö Zartkörüen Müködö Reszvenytarsasag ("Ba Zrt") company resident in Budapest, Hungary for the acquisition of the Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Feleössegü Tarsasag ("BAGH") company that provides ground handling services at Budapest Airport and in which ("Ba Zrt") has a %100 share. The company was informed of winning the tender offer on 14 August 2006 and is participating in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft.") company founded on 22 September 2006 as a founding shareholder for the realization of the abovementioned share transfer. The trade name of the company BAGH was changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségü Társaság ("CGHH") after the acquisition dated 26 October 2006.

After the studies of the independent valuation company named American Appraisal Hungary Ltd., fair value of the net assets of CGHH was determined to be YTL31.287.893 as of 26 October 2006 and acquired by Celebi Kft at a price of YTL49.448.419 which is the YTL equivalent of 6.691.261 thousand Hungarian Forint (EUR25.593.870). The acquisition has been accounted for according to the clauses of IFRS 3 "Business Combinations" and the goodwill amounting to YTL18.160.526 projected after the acquisition has been reflected in the financial statements at 31 December 2006. At 31 March 2008, after finalizing the completion statements the final purchase price of the Company has been determined to be less than the amount paid by YTL827.657.

It is assumed that there is no impairment for the goodwill arising from the acquisition at 31 March 2008 and 31 December 2007, since the transaction has been realized at a date close to the balance sheet date and the acquisition price has been determined by a sealed tender. Goodwill details relating to the acquisition of the Subsidiary (CGHH) in 2008 are below:

Acquisition amount	49.448.419
Less: Fair values of assets, liabilities and contingent liabilities	(31.287.893)
Final purchase price adjustment	(827.657)
Currency translation adjustment	824.659
Goodwill	18.157.528

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2008	31 December 2007
Short-term provisions		
Provision for vacation pay	1.364.952	1.607.570
DHMI expense accruals	1.103.823	12.444
Accrued sales commissions	802.324	1.011.487
Provision for legal claims	312.735	312.735
Other liability provisions	159.521	247.555
	3.743.355	3.191.791

	31 March 2008	31 December 2007
Long-term provisions		
DHMI agreement depreciation provision (*)	8.720.501	7.559.094

(*) The DHMI agreement depreciation provision is the amount that will be paid to the DHMI for the depreciation of the fixed assets in the Antalya terminal operated by Çelebi IC in the context of the build-operate-transfer investment when the terminal is delivered to the DHMI in 2009. Also according to the related agreement, a guarantee letter is to be given for the depreciation accrued from the ask rate of the USD declared by the Central Bank of Turkish Republic (“CBTR”) no later than four months following the year-end. Since the Company’s liabilities at period end are in terms of USD, foreign exchange gains or losses that have arisen from the valuation of the guarantee letter under consideration are included in the provision.

Contingent assets and liabilities

	31 March 2008	31 December 2007
Guarantees received:		
Guarantee letters received	4.132.262	6.953.598
Guarantee notes received	2.186.855	1.532.549
Guarantee cheque received	942.046	2.003.816
	7.261.163	10.489.963
Guarantees given:		
Guarantee letters given	17.384.553	19.083.380

The Group has contingent assets amounting to YTL2.109.583 due to the legal cases in favour of the Group and contingent liabilities amounting to YTL52.015.753 due to the legal cases and enforcement proceedings against the Group as of 31 March 2008. YTL51.110.755 portion of contingent liabilities are comprised of legal cases and enforcement proceedings related with the fire in warehouse (Note 28) in which Company is a co-defendant with the DHMI, other warehouse management companies and insurance companies.

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NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 March 2008	31 December 2007
Provision for employment termination benefits	4.001.566	3.543.901

Provision for employment termination benefits is booked according to the explanations below:

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service, who achieves the retirement age (58 for women and 60 for men), who has charged 25 years of services (20 years for women) and whose employment is terminated without due cause, is called up for military service or who dies. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. The amount payable at 31 March 2008 consists of one month’s salary limited to a maximum of YTL 2.087,92 (31 December 2007: YTL 2.030,19) for each year of service.

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

IFRS requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	31 March 2008	31 December 2007
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	94,64	93,85

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. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of YTL 2.087,92 which is effective from 1 January 2008 (31 December 2007: YTL 2.087,92) has been taken into consideration in the calculations.

	31 March 2008	31 December 2007
Balance at the beginning of the year	3.543.901	3.093.259
Paid during the year	(364.876)	(1.210.067)
Increase/ (Decrease) during the year	822.541	1.660.709
Ending balance	4.001.566	3.543.901

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NOTE 15 - OTHER ASSETS AND LIABILITIES

	31 March 2008	31 December 2007
Other current assets		
Prepaid expenses	2.256.391	2.586.119
Value-added tax ("VAT") to be refunded	1.515.763	1.436.820
Prepaid taxes and funds	789.513	684.302
Income accruals	229.347	150.383
Advances given to personnel	213.706	110.480
Other	209.109	209.797
	5.213.829	5.177.901
Other non-current assets		
Prepaid expenses	49.597	6.215
Deposits and guarantees given	2.316	2.283
Other receivables	47.795	43.611
	99.708	52.109
Other current liabilities		
Wages and salaries payable	4.429.274	3.589.990
Taxes and funds payable	2.040.480	1.512.726
Social security payables	1.960.992	1.949.335
Accrued bonus payable	270.261	364.425
Deferred income	216.713	378.237
Corporate taxes payable (Note 22)	137.012	259.078
Other miscellaneous liabilities	915.526	942.702
	9.970.258	8.996.493
Other non-current liabilities		
SWAP agreements (Note 26)	5.748.812	2.369.158
Deferred insurance claim recovery (*)	1.914.750	1.747.050
Deferred other revenues	9.076	13.615
	7.672.638	4.129.823

(*) The deferred insurance claim recovery amount is comprised of the insurance policy related to the goods of third parties amounting to USD1.500.000 which has been fully collected as of 31 March 2008 and is planned to be utilized by the Company under the circumstances that the Company is found to be liable for the losses incurred during the fire that broke out in Atatürk Airport ("AHL") Terminal C (Note 28).

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NOTE 16 - SHAREHOLDERS’ EQUITY

Share Capital

As of 31 March 2008, the authorized share capital of the Group is YTL 24.300.000 comprising of 2.430.000.000 registered shares with a face value each of 1 YKr (TL10.000) (31 December 2007: 2.430.000.000 shares).

At 31 March 2008 and 31 December 2007, the shareholding structure can be summarized as follows:

Shareholders	31 March 2008		31 December 2007	
	YTL	Share %	YTL	Share %
Çelebi Holding A.Ş.	12.802.050	52,69	12.802.050	52,69
Engin Çelebioğlu	2.432.430	10,01	2.432.430	10,01
Can Çelebioğlu	1.822.770	7,50	1.822.770	7,50
Canan Çelebioğlu Tokgöz	1.820.970	7,49	1.820.970	7,49
Other	5.421.780	22,31	5.421.780	22,31
	24.300.000	100,00	24.300.000	100,00

Restricted Reserves

Details of restricted reserves allocated from the profit as of 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	31 December 2007
Legal reserves	15.358.025	11.351.163

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of %5 per annum, until the total reserve reaches %20 of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of %10 per annum of all cash distributions in excess of %5 of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed %50 of paid-in share capital.

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under “accumulated losses” could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under “accumulated losses” could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

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NOTE 16 - SHAREHOLDERS' EQUITY (Continued)

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Emission Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "equity inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could be utilised at bonus capital increases and offsetting accumulated losses, carrying amount of extraordinary reserves could be utilised in bonus capital increases, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué Serial: XI, No: 29 which became effective as of 1 January 2008 and according to the CMB's announcements clarifying the said Communiqué, "Share Capital", "Restricted Reserves Allocated from Profit" and "Share Premiums" need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";
- if the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

In accordance with the decision of Capital Markets Board on 8 February 2008 number 4/138 the minimum profit distribution ratio shall be applied as 20% (31 December 2007: 20%) in relation to publicly-listed joint stock partnerships as of 1 January 2008. Accordingly, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the partners free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further enabled that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount. Nevertheless, with regard to the joint stock partnerships, which have increased its capital without performing a dividend distribution as to the previous period and which separates its shares as "new" and "old", it has been made obligatory for those partnerships, which will distribute dividend out of its 2007 profits, to distribute the initial dividend amount in cash.

Additionally, pursuant to CMB decision with no 7/242 and dated 25 February 2005, the whole amount of the profit distribution amount, which is calculated over the net distributable profit, determined according to the CMB regulations, in accordance with the CMB regulations regarding minimum profit distribution liability, shall be distributed, if all of this amount can be covered by the distributable profit included in the legal records; on the other hand, if the whole of this amount cannot be met, the whole of the net distributable profit included in the legal records shall be distributed. In case period losses exist in the financial statements, prepared according to the CMB regulations, and in any one of the legal records, profit distribution shall not be performed.

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NOTE 16 - SHAREHOLDERS’ EQUITY (Continued)

The restated amounts of the capital and legal reserves stated as their historical amounts in the consolidated financial statements and the inflation adjustment differences are as follows:

31 March 2008

	Historical amounts	Restated amounts	Equity inflation adjustment
Capital	24.300.000	24.300.000	-
Legal reserves	15.358.025	15.991.187	633.162
Extraordinary reserves	24.882.368	25.234.689	352.321
	64.540.393	65.525.876	985.483

31 December 2007

	Historical amounts	Restated amounts	Equity inflation adjustment
Capital	24.300.000	24.300.000	-
Legal reserves	11.351.163	11.984.325	633.162
Extraordinary reserves	28.137.614	28.489.935	352.321
	63.788.777	64.774.260	985.483

Shareholders’ equity table as of 31 March 2008 and 31 December 2007 is as follows:

	31 March 2008	31 December 2007
Share capital	24.300.000	24.300.000
Translation reserves	862.479	355.326
Restricted reserves	15.358.025	11.351.163
Retained earnings	54.526.957	57.782.206
Net income for the period	(4.708.966)	26.141.069
Minority interest	1.748.590	3.163.380
	92.087.085	123.093.144

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NOTE 17 - SALES AND COST OF SALES

	31 March 2008	31 March 2007
Ground handling services	37.623.800	33.962.337
Rent income not related to aviation (**)	5.981.946	5.995.985
Antrepo services income	3.713.642	2.795.689
Passenger service income (*)	2.514.976	2.078.999
Airport security services	1.245.107	1.038.624
Contribution income to general expenses (****)	1.200.896	1.184.776
Rent income related to aviation (***)	120.175	214.396
Aviation fuel sold and commission income	54.943	240.883
Less: Returns and discounts	(456.023)	(1.234.393)
Sales (net)	51.999.462	46.277.296
Cost of service given	(46.174.246)	(42.092.921)
Cost of aviation fuel sold	(35.607)	(214.159)
Cost of sales (-)	(46.209.853)	(42.307.080)
Gross profit	5.789.609	3.970.216

(*) In accordance with the “Antalya Airport 2nd International Terminal Building Construction, Management and Transfer Agreement” signed between Çelebi IC and DHMI and also with the conditions of the contract, the DHMI committed to foreign lines service revenue from 2.416.171 (2007: 2.345.796) passengers and agreed USD 15 per person as the foreign line passenger service price; in subsequent years this figure will be increased by %3 over the previous year. After reaching the guaranteed passenger number in one operating year, the entire passenger fare will be transferred to the DHMI.

(**) The rent income, which does not relate to aviation, consists of the rent of certain commercial places and offices.

(***) Rent income related to aviation comprises income from services such as bridges, desks, water, PCA and 400Hz that Çelebi IC obtained in the Second International Terminal Building.

(****) Contribution income comprises rent income from offices and locations leased to Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş. in accordance with the agreement and management plans and contributions to commonly used electricity, heating and other expenses incurred within the context of build-operate-transfer in the 2nd International Terminal.

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NOTE 18 - EXPENSES ACCORDING TO THEIR NATURE

	31 March 2008	31 March 2007
Operating expenses		
Payroll expenses	3.369.403	2.898.976
Consultancy expenses	2.674.674	2.453.379
Depreciation and amortization	2.262.169	1.742.544
Repair, maintenance and security expenses	397.795	377.500
Travel and transportation expenses	377.617	299.647
Rent expenses	269.067	302.590
Insurance expenses	170.816	206.867
Other	757.651	1.202.429
	10.279.192	9.483.932

NOTE 19 - OTHER OPERATING INCOME/EXPENSES

	31 March 2008	31 March 2007
Other operating income:		
Return income from contribution to holding expenses (*)	2.616.255	-
Income from insurance claims	818.630	2.123.229
Rent income	103.922	120.232
Other income	84.832	132.689
	3.623.639	2.376.150

(*) Çelebi Holding A.Ş. (Holding) has reflected the salaries and similar payments made to Holding administrators to subsidiaries and joint ventures for their services and functions in subsidiaries and joint-ventures in accordance with a distribution key between the years 2004 and 2008. Holding has decided to return amounts received from Çelebi Hava Servisi (the Company) with accrued interest by considering the payments made by Çelebi Hava Servisi to the Chairman of the Board of Directors and the Deputy Chairman of the Board for their administrative function in the Company. The amount calculated in this context has been collected from the Holding and accrued as income.

	31 March 2008	31 March 2007
Other operating expenses:		
Insurance claim recoveries	(31.209)	(3.994)
Other expense	(163.207)	(181.580)
	(194.416)	(185.574)

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NOTE 20 - FINANCIAL INCOME

	31 March 2008	31 March 2007
Foreign exchange gains	5.123.106	1.696.546
Interest income	834.831	787.693
Unearned financial income	152.046	30.699
	6.109.983	2.514.938

NOTE 21 - FINANCIAL EXPENSES

	31 March 2008	31 March 2007
Foreign exchange losses	(7.609.136)	(857.040)
SWAP contracts valuation losses	(2.662.565)	-
Interest expense	(1.540.267)	(1.473.504)
Unincurred financial expenses	(54.542)	(47.004)
Other financial expenses	(40.898)	(32.846)
	(11.907.408)	(2.410.394)

NOTE 22 - TAX ASSETS AND LIABILITIES

	31 March 2008	31 December 2007
Corporate tax	355.675	9.897.678
Less: Prepaid taxes	(218.663)	(9.638.600)
Taxes liability/ (receivable) - net (Note 15)	137.012	259.078

	31 March 2008	31 December 2007
Deferred tax assets	4.508.777	2.960.914
Deferred tax liabilities	(5.254.967)	(5.098.855)
Deferred tax liability - net	(746.190)	(2.137.941)

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 these consolidated financial statements, have been calculated on a separate-entity basis.

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

Turkey

The corporation tax rate for the fiscal year 2008 is %20 (2007: %20). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc) and income tax deductions (like research and development expenses). No further tax is payable unless the profit is distributed (except withholding tax at the rate of %19,8 on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends are not subject to withholding tax. Dividends paid to other organizations or individuals are subject to withholding tax at the rate of %15 .Transfer of profit to capital is not accepted as a dividend distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of %20 on their corporate income (2007: %20). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. Despite the credit from annual corporation tax liability, if the company still has excess advance corporate tax, it can receive this balance in cash from the Government or as a credit for another financial debt to the Government.

There are numerous exemptions in the Corporation Tax Law concerning the corporations. Those related to the Company are as follows:

Domestic participation exemption

Dividend income earned from investments in another company’s shares is excepted in the calculation of the corporate tax (dividend income gained related to the participation in investment funds and investment trust shares is excluded).

Preferential right certificate sales and issued premiums exemption

New share issue premiums, which represent the difference between the nominal and sale values of shares issued by joint-stock companies, are exempt from corporation tax.

Foreign company participation exemption

The participation income of corporations participating for at least one continuous year of %10 that does not have their legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) up until the date the income is generated and transferred to Turkey and until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike in their country of legal or business centre at the rate of at least %15 (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption:

A %75 portion of corporations’ profits from the sale of participation shares, founding shares, pre-emptive rights and property, which have been in their assets for at least for two years is exempt from corporate tax provided that these profits are added to share capital and are not withdrawn within five years. Income from the sale is generated until the end of the second calendar year following the year in which sale was realized.

Investment allowance exemption

The investment allowance application of %40 for fixed asset purchases over a specified amount, which had been in force for a significant period of time, was abolished by Law No.5479 dated 30 March 2006. However, in accordance with temporary article 69 of the Income Tax Law, income and corporate taxpayers can also deduct the following as the investment allowances from their income related to the years 2006, 2007 and 2008 which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005:

- a) in the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the regulatory provisions; the ratio of investment tax credit is %19,8.
- b) in the scope of the abolished 19th article of Income Tax Law, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economic and technical integrity. The ratio of investment tax credit for this is %40.

Investment allowances can be deducted from revenues for the years 2006, 2007 and 2008 in accordance with the legislation (including the provisions related to tax rates of the article of Income Tax Law No.5422) in force as of 31 December 2005.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends or voting rights at the rate of a minimum 50% are considered as Controlled Foreign Corporations “CFC” provided that the below conditions are fulfilled:

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

- a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
- b) Controlled Foreign Corporations “CFC” must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
- c) Gross revenue of the CFC must exceed the equivalent of YTL 100 in a foreign currency in the related period.

CFC profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. CFC profit that has already been taxed in Turkey as per this article will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation.

Hungary

In Hungary, the corporate tax rate is changed from 16% to 20% beginning on 1 September 2006. This additional tax increase is applicable to earnings before tax beginning from the last quarter of the fiscal year 2006 and the increased tax rate will be applicable thereafter.

The taxes on income for the periods ended 31 March 2008 and 2007 are summarized as follows:

	31 March 2008	31 March 2007
- Current period tax (expense)	(355.675)	(257.621)
- Deferred tax (expense)/income	919.526	872.409
	563.851	614.788

Deferred tax

Turkish Tax Legislation does not allow the main company to declare its tax return in the consolidated financial statements of all its affiliates and subsidiaries. For this purpose, tax provisions disclosed in consolidated financial statements are calculated separately for each company that is in the context of full consolidation.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB Communiqué purposes and its statutory tax financial statements. Temporary differences generally arise due to the recording of incomes and expenses in different reporting periods according to Tax Laws and CMB Accounting Standards. Deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income in the coming years under the liability method using a principal tax rate of %20 (31 December 2007: %20). The related ratio for Hungary is 20%.

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 March 2008 and 31 December 2007 using the enacted future tax rates is as follows:

	Cumulative Taxable Temporary Differences		Deferred Tax Assets/Liabilities	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Non deductible financial losses (*)	(15.732.723)	(11.905.332)	3.146.545	2.381.066
SWAP contracts foreign currency valuations	(5.315.363)	(1.998.977)	1.063.071	399.796
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	(1.264.574)	(676.019)	252.915	135.204
Provision for vacation pay	(199.460)	(201.367)	39.891	40.273
Provision for employment termination benefits	(31.773)	(22.874)	6.355	4.575
Net deferred tax asset			4.508.777	2.960.914
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	34.793.565	33.818.736	(6.958.713)	(6.763.747)
Provision for employment termination benefits	(3.969.793)	(3.521.027)	793.959	704.205
Deferred insurance claim recovery	(1.914.750)	(1.747.050)	382.950	349.410
Provision for vacation pay	(1.165.492)	(1.406.203)	233.098	281.241
Accrued sales commissions	(802.324)	(1.011.487)	160.465	202.297
Provision for legal claims	(312.735)	(312.735)	62.547	62.547
Personnel bonus accrual	(270.261)	(256.850)	54.052	51.370
Provision for doubtful receivables	(49.781)	(49.781)	9.956	9.956
Unincurred financial expenses	(33.596)	(24.491)	6.719	4.898
Unearned financial income	-	5.162	-	(1.032)
Net deferred tax liability			(5.254.967)	(5.098.855)

(*) There is no expiration of the carry-forward tax losses in the Hungary Tax System.

Deferred tax movement table is indicated below:

	2008	2007
1 January	(2.137.941)	(4.900.035)
Currency translation adjustment	472.225	4.862
Current period deferred tax income	919.526	872.409
31 March	(746.190)	(4.022.764)

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NOTE 23 - EARNINGS PER SHARE

Earnings per share is determined by dividing net loss amounting to YTL 4.708.966 to that class of shares by the weighted average number of such shares outstanding during the year concerned (31 March 2008:24.300.000 shares, 31 March 2007: 13.500.000 shares). The calculation is as follows:

	31 March 2008	31 March 2007
Net loss for the period	(4.708.966)	(2.163.310)
Weighted average number of share		
Weighted average number of ordinary shares	24.300.000	13.500.000
Profit per share with face value of YTL 1 each	(0,19)	(0,16)

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties during the periods and a summary of major transactions with related parties during the period are as follows:

	31 March 2008	31 December 2007
Due from related parties		
Ortadoğu Antalya Liman İşletmeleri A.Ş.	41.406	35.189
Çelebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	4.002.313	-
Other	79.402	23.507
	4.123.121	58.696
Due from Joint-ventures		
	31 March 2008	31 December 2007
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	208.102	225.913
Due from related parties - net	4.331.223	284.609

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Due to related parties

	31 March 2008	31 December 2007
Payables to shareholders (Dividends payable)	5.748.300	1.309
Çe-Tur Çelebi Turizm Ticaret A.Ş.	1.122.026	765.680
Çelebi Holding A.Ş. (*)	331.766	703.323
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	-	260.617
Çelebi Hizmet Gıda İşletmeleri A.Ş.	-	9.998
	7.202.092	1.740.927

(*) YTL307.903 portion of due to Çelebi Holding (31 December 2007: YTL506.838) consists of invoices issued for the Company and Çelebi Güvenlik as contributions to holding expenses.

	31 March 2008	31 March 2007
Sales to related parties		
Ortadoğu Antalya Liman İşletmeleri A.Ş.	124.049	88.635
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	103.784	72.003
Çe-Tur Çelebi Turizm Ticaret A.Ş.	90.875	40.852
Çelebi Holding A.Ş.	79.347	27.064
Çelebi Marina ve Yat İşletmeciliği A.Ş.	43.372	-
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	-	200
	441.427	228.754

	31 March 2008	31 March 2007
Sales to Joint-ventures		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	624.495	563.693

	31 March 2008	31 March 2007
Rent income from related parties		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	5.526.037	5.520.537

	31 March 2008	31 March 2007
Transportation and employee expenses payable to related parties		
Çe-Tur Çelebi Turizm Ticaret A.Ş.	1.022.366	995.237
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	632.306	600.379
	1.654.672	1.595.616

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 March 2008	31 March 2007
Contribution to holding expenses (**)		
Çelebi Holding A.Ş.	1.957.031	2.204.041
	31 March 2008	31 March 2007
General expenses contribution income from related companies (***)		
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	1.105.207	1.104.107
	31 March 2008	31 March 2007
Return income from contribution to Holding expenses (Note 19)		
Çelebi Holding A.Ş.	2.616.255	-
	31 March 2008	31 March 2007
Other purchases from related parties (****)		
Çe-Tur Çelebi Turizm Ticaret. A.Ş.	515.454	679.047
Çelebi Holding A.Ş.	69.109	140.552
Other	17.151	-
	601.714	819.599
	31 March 2008	31 March 2007
Other purchases from Joint-ventures		
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	16.002	15.182

(**) Contribution paid to Çelebi Holding A.S for services (legal counseling, financial consultancy and human resource consultancy) provided to Çelebi Hava Servisi and Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. by Çelebi Holding A.Ş. These expenses have been consistently incurred between periods and participations in Çelebi Holding A.Ş, in the consideration of criteria such as staff number, company turnover and asset size (Note 19).

(***) Contribution income comprises of rental income from offices and locations leased to Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş. in accordance with the agreement and management plans and contributions to commonly used electricity, heating and other expenses incurred within the terminal.

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(****) Other purchases include vehicle rent, organizational cost and other expenses. Purchases from Çelebi Holding A.Ş. that are classified under other purchases from related parties are comprised of expenses directly related to the Company that are business development projects and tenders executed and followed up Çelebi Holding A.Ş.

Guarantees given to related parties as of 31 March 2008 and 31 December 2007 are detailed below:

	<u>31 March 2008</u>		<u>31 December 2007</u>	
	USD	YTL	USD	YTL
Çelebi Holding A.Ş.	-	25.750.000	-	25.750.000
Çelebi IC (*)	45.154.000	-	45.154.000	-

(*) Çelebi IC signed an agreement for the borrowings amounting to USD 90.308.800 (2007: USD 90.308.800). The Company gave a guarantee for %50 of these borrowings. Related borrowing amount has been EUR 11.456.958 as of 31 March 2008 after back payments.

Remuneration paid to top management:

	31 March 2008	31 March 2007
Remuneration paid to top management	1.398.608	1.158.706

NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Boards of Directors.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. The Group also manages these risks by offsetting interest bearing assets and liabilities and using derivative instruments for hedging purposes.

If other variables are kept constant, interest income generated from time deposits would have been either YTL17.984 higher or lower if the interest rates were 2% more or less in the interim financial statements for the nine-month period ended 31 March 2008.

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**NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL
INSTRUMENTS (Continued)**

Funding risk

Cash flow generated through amount and term of borrowing back payments is managed by considering the amount of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand sufficient and reliable sources of high quality loans are accessible. The Group has long-term financial liabilities amounted YTL61.305.797 as of 31 March 2008 (31 December 2007: YTL48.946.861) (Note 6).

Credit Risk

Credit risk consists of cash and cash equivalents, bank deposits and receivables from customers exposed to credit risk.

In order to manage credit risk, the Company determines a risk limit for each customer (excluding related parties) through the use of bank guarantees, mortgages, receivable insurance policies and other guarantees and continues its business transactions considering the customer risk level. Where guarantees are not present or should be passed over, business transactions are managed through the company procedures identified but not all the transactions could be covered by guarantees.

Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. Foreign currency positions relative to total equity is determined to be kept in a certain level. Foreign currency position is periodically reviewed and currency risk is managed through the use of balance sheet related transactions or off balance sheet derivatives.

As of 31 March 2008, other things being constant, if the YTL was to appreciate/depreciate by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease three-month net income by YTL425.455 (31 March 2007: YTL370.449).

As of 31 March 2008, other things being constant, if the YTL was to appreciate/depreciate by 10% against the Euro, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease nine-month net income by YTL 6.902.901 (31 March 2007: YTL7.164.587).

	31 March 2008	31 December 2007
Assets	59.728.414	56.230.719
Liabilities	(121.442.206)	(92.608.401)
Net foreign currency position	(61.713.792)	(36.377.682)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 March 2008	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	YTL
Assets:						
Cash and cash equivalents	13.217.899	16.872.648	8.293.001	16.715.371	4.133.656	37.721.675
Trade receivables	3.108.800	3.968.383	5.808.960	11.708.540	1.099.331	16.776.254
Due from related parties	983	1.254	1.382.277	2.786.116	128	2.787.498
Other	94.858	121.086	56.342	113.563	2.208.338	2.442.987
	16.422.540	20.963.371	15.540.580	31.323.590	7.441.453	59.728.414
Liabilities:						
Short term financial liabilities	(8.198.151)	(10.464.940)	(18.868.384)	(38.031.115)	-	(48.496.055)
Long-term financial liabilities	(500.000)	(638.250)	(30.099.000)	(60.667.547)	-	(61.305.797)
Trade payables	(279.913)	(357.309)	(121.366)	(244.625)	(2.029.737)	(2.631.671)
Due to related parties	(9.340)	(11.923)	-	-	-	(11.923)
Long-term provisions	(4.060.582)	(5.183.332)	(598.408)	(1.206.151)	-	(6.389.483)
Other	(41.573)	(53.069)	(100.798)	(203.169)	(2.351.039)	(2.607.277)
	(13.089.559)	(16.708.823)	(49.787.956)	(100.352.607)	(4.380.776)	(121.442.206)
Net foreign currency position	3.332.981	4.254.548	(34.247.376)	(69.029.017)	3.060.677	(61.713.792)

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NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2007	USD		EUR		Other	Total
	Original Amount	YTL	Original Amount	YTL	YTL	YTL
Assets:						
Cash and cash equivalents	22.932.093	26.709.008	5.167.717	8.837.830	5.222.586	40.769.424
Trade receivables	3.282.406	3.823.019	5.988.865	10.242.156	973.812	15.038.987
Due from related parties	83.830	97.637	142.852	244.306	6.822	348.765
Other	61.809	71.989	909	1.554	-	73.543
	26.360.138	30.701.653	11.300.343	19.325.846	6.203.220	56.230.719
Liabilities:						
Short term financial liabilities	(7.058.037)	(8.220.496)	(14.608.130)	(24.982.824)	-	(33.203.320)
Long-term financial liabilities	(1.500.000)	(1.747.050)	(27.599.000)	(47.199.810)	-	(48.946.860)
Trade payables	(1.009.043)	(1.175.233)	(147.485)	(252.229)	(4.120.649)	(5.548.111)
Due to related parties	(96.600)	(112.509)	(16.466)	(28.160)	(35.210)	(175.879)
Long-term provisions	(4.060.582)	(4.729.359)	-	-	-	(4.729.359)
Other	-	-	-	-	(4.872)	(4.872)
	(13.724.262)	(15.984.647)	(42.371.081)	(72.463.023)	(4.160.731)	(92.608.401)
Net foreign currency position	12.635.876	14.717.006	(31.070.738)	(53.137.177)	2.042.489	(36.377.682)

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NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 March 2008	31 March 2007
Total export amount	-	151.231
Total import amount	188.799	40.540

	31 March 2008	31 December 2007
Hedging ratio of total foreign currency liability (%)	-	-

Liquidity risk

Prudential liquidity risk management stands for holding sufficient amount of cash and marketable securities, the ability to utilize sufficient amount of borrowing and fund resources and the ability of the power of closing market positions. Management reviews the Company’s liquidity reserves considering the forecasted cash flows.

As of the balance sheet date, below table summarizes maturity analysis of the assets and liabilities based on their due dates:

31 March 2008	0 - 3 months	3 - 12 months	Over 1 year	Total
Financial liabilities	6.337.823	45.175.473	61.305.797	112.819.093
Trade payables	5.929.348	-	-	5.929.348
Due to related parties	7.202.092	-	-	7.202.092
Provisions	3.743.355	-	8.720.501	12.463.856
Other liabilities	8.657.159	1.313.099	7.675.191	17.645.449

31 December 2007	0 - 3 months	3 - 12 months	Over 1 year	Total
Financial liabilities	3.442.649	29.782.920	48.946.861	82.172.430
Trade payables	10.880.008	-	-	10.880.008
Due to related parties	1.740.927	-	-	1.740.927
Provisions	250.956	2.940.835	7.559.094	10.750.885
Other liabilities	5.496.630	3.499.863	4.132.152	13.128.645

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**NOTE 25 - THE NATURE AND THE LEVEL OF RISKS DERIVED FROM FINANCIAL
INSTRUMENTS (Continued)**

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholders’ of the Company, in order to maintain or modify capital structure, can change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to decrease financing needs consistent with the regulations of the CMB.

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 liabilities (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents and deferred tax liability. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Net debt/ (Shareholders’ equity+net debt) ratio as of 31 March 2008 and 31 December 2007 is as follows:

	31 March 2008	31 December 2007
Total liabilities	165.316.371	127.315.651
Cash and cash equivalents	(46.960.390)	(45.968.249)
Deferred tax liability	(5.254.967)	(5.098.855)
Net debt	113.101.014	76.248.547
Shareholders’ equity	92.087.085	123.093.144
Shareholders’ equity+net debt	205.188.099	199.341.691
Net debt/ (Shareholders’ equity+net debt) ratio	55%	38%

**NOTE 26 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND
EXPLANATIONS RELATED TO FINANCIAL RISK MANAGEMENT)**

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

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**NOTE 26 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND
EXPLANATIONS RELATED TO FINANCIAL RISK MANAGEMENT)
(Continued)**

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

The fair values of financial assets not quoted on the market are determined through the application of generally accepted valuation techniques or by their historical costs after impairment losses are deducted.

Monetary liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are denominated in foreign currencies, are translated at period-end exchange rates and accordingly their carrying amounts approximate their fair values.

Trading liabilities have been estimated at their fair values.

Derivative Instruments

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate SWAP	-	27.748	-	370.181
Currency forward contracts	-	2.662.565	-	1.998.977
	-	2.690.313	-	2.369.158

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**NOTE 26 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND
EXPLANATIONS RELATED TO FINANCIAL RISK MANAGEMENT)
(Continued)**

a) Interest rate SWAP

Within the framework of the project finance agreement entered into with the related bank, CGHH has entered into a knock in radial swap transaction corresponding to the amount used for the project amounting to EUR28.600.000 as of 31 March 2008 in order to hedge interest rate risk. The mentioned amount will decrease parallel to the redemption schedule of the project borrowing. Details of the terms and conditions of the interest rate swap are as follows:

Termination date	31 December 2015
Amount	EUR28.600.000
Index - Banka	6 month Euribor
Index - Celebi Kft	First 6 months (1.semester) % 4,00 (excluding spread) Thereafter each semester previous coupon+ C * (Index - Strike) C = 1, If Index > Barrier C = 0, If Index < Barrier
Previous Coupon	Coupon rate paid in the previous semester
Barrier	5,40 %
Strike	5,15 %
Index	6 month Euribor

As long as nine-month Euribor is below %5,40, the effective interest rate for CGHH is %4,00. In circumstances where Euribor is equal or higher than %5,40, the aforementioned formula will be put into service and for each semester a new formula will be calculated.

b) Currency forward contracts

Within the framework of the project finance agreement entered into with the related bank, CGHH has entered into a risk reversal option transaction corresponding to the amount used for the project amounting to EUR28.600.000 as of 31 March 2008 in order to hedge foreign exchange risk. Taking into consideration the cash flow projection presented to the Bank, the Company has made a commitment to sell Euros and to buy Hungarian forint each month until 31 December 2011.

Finance losses related to aforementioned agreements amount to YTL2.690.313 (31 December 2007: YTL2.369.158).

As a consequence of the fact that the subsidiary CGHH and a bank located in Turkey granted a loan agreement amounting to EUR28.600.000 for the preliminary financing of the continuing project, the Company pledged %70 of its share of CGHH in accordance with the agreement.

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NOTE 27 - SUBSEQUENT EVENTS

- i) The tender that was opened on 14 February 2008 by Turkish Airlines for conducting the ground handling services (luggage and ramp services) and passenger traffic services, was resulted on 21 April 2008 with a declaration indicating that the Group will provide services stated above in the following airports; Trabzon, Van Diyarbakir, Erzurum, Malatya, Samsun, Mardin, Erzincan, Hatay, Kahramanmaras and Denizli for three years and additional two optional years.
- ii) The Group decided on 19 March 2008 to participate in tender offer opened by the airport authority that is resident in Amman city of Jordan for providing ground handling services in Queen Alia International Airport for 7 years.
- iii) The Group made an offer to the airport authority resident in Chhatrapati Shivaji International Airport after an invitation to participate in the tender arranged for providing ground handling services in Mumbai India airports and was declared to be taken into last sifting and invited for the presentation of the offer given.

**NOTE 28 - DISCLOSURE OF OTHER MATTERS, WITH A MATERIAL EFFECT ON
FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF
UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS**

The cargo building of the Company located at Atatürk Airport (“AHL”) Terminal C in which the Company carries out cargo - warehouse operations has been damaged due to the fire that broke out on 24 May 2006.

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage of the property, plant and equipment and leasehold improvements of the Company (as explained in Note 10). As of 31 March 2008; some of the owners of the goods have applied to the Company and its insurance company for the compensation of their losses by filing law suits against the Company and through enforcement proceedings.

Because of the aforementioned fire, judicial inquiry has been held with the inquiry file 2006/37927 E. at Bakırköy Office of the Directorate of Public Prosecutions and in accordance with the results of the judicial inquiry criminal prosecution has been initiated for the four security guards of the DHMI and a security guard of Atatürk Airport that have been found responsible concerning the fire for their acts with the inquiry number 2006/817 E. at Third Bakırköy Magistrate Criminal Court. The Company has been described as aggrieved party in the indictment prepared by the Bakırköy Office of the director of public prosecutions. The Company, with all rights related to private Law reserved, has submitted a petition to be a participant in court proceedings for the penalty of the perpetrators since it has been described as aggrieved party.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH-SEE NOTE 2.1.4**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2008**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated.)

**NOTE 28 - DISCLOSURE OF OTHER MATTERS, WITH A MATERIAL EFFECT ON
FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF
UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS
(Continued)**

As a result of the inquiries; the management, the legal adviser and the lawyers of the Company believes that the Company is not found to be responsible for the fire and therefore is not considered to be legally responsible for the losses of the third parties. Consequently, since the Company that has not caused the fire by its own acts (or by the acts of the individuals under the responsibility of the Company) and any legal negligence of the Company has not been identified until now related with the prevention of the losses occurred in the fire, the probability of being liable for the losses of the fire is remote.

As of 31 March 2008, although the Company believes that the probability of being liable for the losses is remote, the indemnities related to the damaged goods of the third parties is estimated by the Company management as YTL7.908.224. On the other hand, there are legal cases and enforcement proceedings amounting to YTL51.110.755 comprised of legal cases and enforcement proceedings amounting to YTL48.053.213 (Note 13) in which the Company is a co-defendant along with the DHMI, other warehouse management companies and insurance companies and legal cases and enforcement proceedings amounting to YTL3.057.542 in which the Company is the sole defendant. The Company has an insurance policy related with the goods of third parties amounting to USD1.500.000 which has been fully collected and is planned to be utilized by the Company under the circumstances that the Company is found to be liable for the losses incurred during the fire and additionally, there is another insurance policy amounting to USD10.000.000 that will be effective if the Company is held legally liable for the losses.

The Company has not accounted for any provision in the consolidated financial statements at 31 March 2008 and 31 December 2007 because damage related with the goods belonging to third parties in the warehouse during the fire could not be determined precisely and the remote probability of being liable for the losses.

In addition, the Company is continuing its warehouse operations at Gunesli Antrepo and Ataturk Airport Terminal facilities rented from THY A.O. through the approval of the DHMI.

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