

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2008**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2008

CONTENTS	PAGE
CONSOLIDATED INTERIM BALANCE SHEETS	1-2
CONSOLIDATED INTERIM STATEMENTS OF INCOME.....	3
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY.....	4
CONSOLIDATED INTERIM CASH FLOWS STATEMENTS.....	5
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	6-64
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	6-7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7-21
NOTE 3 JOINT VENTURES.....	22
NOTE 4 SEGMENT REPORTING.....	23-27
NOTE 5 CASH AND CASH EQUIVALENTS	28
NOTE 6 FINANCIAL LIABILITIES	29-31
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	32
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	33
NOTE 9 INVENTORIES	33
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	34-36
NOTE 11 INTANGIBLE ASSETS	37-38
NOTE 12 GOODWILL	39
NOTE 13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	40
NOTE 14 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS	41
NOTE 15 OTHER ASSETS AND LIABILITIES.....	42
NOTE 16 EQUITY.....	43-44
NOTE 17 SALES AND COST OF SALES.....	45
NOTE 18 OPERATING EXPENSES	46
NOTE 19 OTHER OPERATING INCOME/EXPENSES.....	46-47
NOTE 20 FINANCIAL INCOME.....	47
NOTE 21 FINANCIAL EXPENSES.....	47
NOTE 22 TAXES ON INCOME	48-52
NOTE 23 EARNINGS PER SHARE	52
NOTE 24 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	52-55
NOTE 25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	55-60
NOTE 26 FINANCIAL INSTRUMENTS.....	60-62
NOTE 27 SUBSEQUENT EVENTS.....	62-63
NOTE 28 DISCLOSURE OF OTHER MATTERS, WITH A MATERIAL EFFECT ON FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS	63-64

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED INTERIM BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007**

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

	Notes	30 September 2008	31 December 2007
ASSETS			
Current assets			
Cash and cash equivalents	5	70.693.893	45.968.249
Trade receivables (net)	7	33.714.448	18.166.289
Due from related parties	24	2.379.601	284.609
Other receivables	8	357.903	311.544
Inventories	9	4.750.606	4.359.374
Other current assets	15	5.039.371	5.177.901
Total current assets		116.935.822	74.267.966
Non-current assets			
Goodwill	12	17.273.755	15.830.639
Property, plant and equipment (net)	10	94.335.929	98.869.546
Intangible assets (net)	11	42.208.335	58.427.621
Deferred tax assets	22	3.264.633	2.960.914
Other non-current assets	15	99.086	52.109
Total non-current assets		157.181.738	176.140.829
TOTAL ASSETS		274.117.560	250.408.795

These consolidated interim financial statements as at and for the period ended 30 September 2008 have been approved for issue by the Board of Directors (“BOD”) on 14 November 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 CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED INTERIM BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007**

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

	Notes	30 September 2008	31 December 2007
LIABILITIES			
Current liabilities			
Financial liabilities	6	26.785.651	33.225.569
Trade payables	7	8.565.392	10.880.008
Due to related parties	24	1.085.956	1.740.927
Provisions	13	12.919.011	3.191.791
Other current liabilities	15	17.710.651	8.996.493
Total current liabilities		67.066.661	58.034.788
Non-current liabilities			
Financial liabilities	6	48.565.565	48.946.861
Other liabilities	8	59.726	2.329
Provisions	13	9.778.831	7.559.094
Deferred tax liability	22	5.287.095	5.098.855
Provision for employment termination benefits	14	3.627.756	3.543.901
Other non-current liabilities	15	3.463.483	4.129.823
Total non-current liabilities		70.782.456	69.280.863
Total liabilities		137.849.117	127.315.651
EQUITY			
	16		
Attributable to equity holders of the parent			
Share capital		24.300.000	24.300.000
Cumulative translation differences		972.600	355.326
Restricted reserves		15.358.025	11.351.163
Retained earnings		54.526.957	57.782.206
Net income for the period		38.495.956	26.141.069
Minority Interest		2.614.905	3.163.380
Equity		136.268.443	123.093.144
TOTAL EQUITY AND LIABILITIES		274.117.560	250.408.795
Provisions, contingent assets and liabilities	13		

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2008 AND 2007**

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

	Notes	1 January - 30 September 2008	1 July - 30 September 2008	1 January - 30 September 2007	1 July - 30 September 2007
<u>CONTINUING OPERATIONS</u>					
Sales - net	17	238.672.180	97.729.405	219.570.360	93.453.029
Cost of sales (-)	17	(163.124.364)	(62.263.140)	(149.201.924)	(55.622.322)
GROSS PROFIT		75.547.816	35.466.265	70.368.436	37.830.707
Operating expenses (-)	18	(31.786.852)	(10.825.032)	(32.058.105)	(10.938.621)
Other operating income	19	4.632.129	399.534	1.294.457	548.058
Other operating expense (-)	19	(1.403.900)	(482.511)	(1.252.248)	(366.900)
OPERATING PROFIT		46.989.193	24.558.256	38.352.540	27.073.244
Financial income	20	19.929.126	5.761.211	14.914.776	6.993.124
Financial expenses (-)	21	(17.173.120)	(6.191.526)	(17.188.863)	(8.809.708)
INCOME BEFORE TAXATION		49.745.199	24.127.941	36.078.453	25.256.660
Income tax expense		(11.996.720)	(5.700.490)	(7.763.770)	(6.062.677)
Taxes on income	22	(11.858.238)	(5.701.228)	(10.279.799)	(6.439.946)
Deferred income tax	22	(138.482)	738	2.516.029	377.269
NET INCOME FOR THE PERIOD		37.748.479	18.427.451	28.314.683	19.193.983
Attributable to:					
Minority interest		(747.477)	(817.454)	(1.695.198)	(512.334)
Equity holders of the parent		38.495.956	19.244.905	30.009.881	19.706.317
Total		37.748.479	18.427.451	28.314.683	19.193.983
Earnings per share (YKr)	23	1,58	0,79	2,22	1,46

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2008 AND 2007**

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

	Share capital	Equity inflation restatement differences	Restricted reserves	Cumulative translation differences	Retained earnings	Net income for the year	Minority interest	Total equity
Balances at 1 January 2007	13.500.000	1.492.722	8.455.399	768.988	66.180.928	22.204.955	4.672.871	117.275.863
Transfers to retained earnings	-	-	-	-	22.204.955	(22.204.955)	-	-
Transfers to reserves	-	-	2.895.764	-	(2.895.764)	-	-	-
Dividends paid	-	-	-	-	(18.400.635)	-	-	(18.400.635)
Cumulative translation differences	-	-	-	(633.831)	-	-	(271.343)	(905.174)
Net income for the period	-	-	-	-	-	30.009.881	(1.695.198)	28.314.683
Balances at 30 September 2007	13.500.000	1.492.722	11.351.163	135.157	67.089.484	30.009.881	2.706.330	126.284.737
Balances at 1 January 2008	24.300.000	-	11.351.163	355.326	57.782.206	26.141.069	3.163.380	123.093.144
Transfers to retained earnings	-	-	-	-	26.141.069	(26.141.069)	-	-
Transfers to reserves	-	-	4.006.862	-	(4.006.862)	-	-	-
Dividends paid	-	-	-	-	(25.389.456)	-	(18.476)	(25.407.932)
Cumulative translation differences	-	-	-	617.274	-	-	217.478	834.752
Net income for the period	-	-	-	-	-	38.495.956	(747.477)	37.748.479
Balances at 30 September 2008	24.300.000	-	15.358.025	972.600	54.526.957	38.495.956	2.614.905	136.268.443

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2008 AND 2007**

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

	Notes	30 September 2008	30 September 2007
Cash flow from operating activities			
Income before tax		49.745.199	36.078.453
Adjustments to reconcile income before tax to net cash provided/used by operating activities			
Depreciation and amortisation	10-11	29.608.439	28.856.450
Provision for employment termination benefits	14	1.524.200	1.368.341
Interest income	20	(2.998.162)	(2.353.520)
Interest expense	21	4.572.911	6.280.330
Increase in provision for doubtful receivable	7	4.633	-
Cumulative translation differences		834.752	(905.174)
Cash flows from operating activities before changes in operating assets and liabilities		83.291.972	69.324.880
Trade receivables		(15.552.792)	(12.537.521)
Due from related parties		(2.094.992)	(2.000.889)
Inventories		(391.232)	(1.176.535)
Income taxes paid	22	(6.390.135)	(4.020.960)
Other receivables		(1.489.475)	4.251.969
Other current/non-current assets		(212.166)	4.144.207
Trade payables		(2.314.616)	(16.421.787)
Due to related parties		(654.971)	391.384
Short-term provisions		9.727.220	10.234.336
Other short-term liabilities		3.295.813	2.573.876
Other long-term liabilities		(666.340)	1.817.626
Long-term provisions		2.277.132	1.415.631
Advances taken		-	(27.859)
Employment termination benefits paid	14	(1.440.345)	(960.234)
Net cash provided by operating activities		67.385.073	57.008.124
Investing activities:			
Purchase of tangible assets	10	(6.601.984)	(14.419.678)
Purchase of intangible assets	11	(2.476.221)	403.576
Interest received		2.897.992	1.997.028
Proceeds from sale of tangible assets		222.669	97.752
Net cash used in investing activities		(5.957.544)	(11.921.322)
Financing activities:			
Change in borrowings		(6.886.750)	(27.650.989)
Change in short-term finance lease obligations		65.589	(97.245)
Change in long-term finance lease obligations		188.505	-
Dividends paid		(25.407.932)	(18.400.635)
Interest paid		(4.661.297)	(5.807.326)
Net cash used in financing activities		(36.701.885)	(51.956.195)
Net change in cash and cash equivalents		24.725.644	(6.869.393)
Cash and cash equivalents at the beginning of the period		45.968.249	67.010.705
Cash and cash equivalents at the end of the period		70.693.893	60.141.312

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Tokat, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaraş, Isparta and Erzincan 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 30 September 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 İctaş 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 Repülöter Üzemeltető Zártkörüen Müködö Reszvenytársasag (“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 participates in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag (“Celebi Kft.”) company that was founded on 22 September 2006 as founding shareholder for the realisation of the abovementioned share transfer. Celebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelösségü Társaság (“CGHH”). Celebi Kft has share capital of 2.700.000.000 Hungary 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. Celebi 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 Celebi 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 30 September 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.Ş..

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

As of 30 September 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 30 September 2008 and 31 December 2007, the average number of employees of the Group is 4.900 and 4.200, respectively.

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/TFRS”) 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 Financial Reporting 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 endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated interim financial statements, the consolidated interim financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB (“CMB Financial Reporting Standards”) which are based on IAS/IFRS. The consolidated interim financial statements and the related notes to them are presented in accordance with the formats required by the CMB including the compulsory disclosures. Accordingly, required reclassifications have been made in the comparative financial statements (See Note 2.4.28).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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.

1.2 Amendments in International Financial Reporting Standards (IFRS)

- (a) *No standards, amendments and interpretations relevant to Group operations have been effective in 2008.*
- (b) *Standards, amendments and interpretations effective in 2008 but not relevant to Group operations*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group’s operations:

IFRIC 13, 'Customer loyalty programmes' (effective from 1 January 2008). IFRIC 13 is not relevant to the Group’s operations because none of the Group’s companies operate any loyalty programmes.

IFRIC 14, 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 13 is not relevant to the Group’s operations because Group has no defined benefit plan.

- (c) *Standards, amendments and interpretations that are not effective in 2008 and not applied by Group prior to effective date*

The following interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods but are not applied by Group before the effective date.

IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The Group will apply IAS 23 (Revised) from 1 January 2009.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

1.3 Translation of Financial Statements of Foreign Subsidiaries

Financial statements of Subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Foreign Subsidiaries' assets and liabilities are translated into YTL from the foreign exchange rate at the balance sheet date and income and expenses are translated into YTL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “cumulative translation differences” under the equity.

1.4 Consolidation Principles

The consolidated financial statements have been prepared based on explanations mentioned in paragraphs (a) to (e) and the accounts of the Company, Çelebi Hava Servisi A.Ş, the Subsidiaries and Joint-venture (collectively referred as “Group”). 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 Financial Reporting Standards and the application of uniform accounting policies and presentation.

- 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

(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 30 September 2008 and 31 December 2007 are as follows:

	Direct/indirect control of the Company (%) 30 September 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

1.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards issued by the CMB as described in Note 2.1.1 to these consolidated financial statements 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. Accordingly, these consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group 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 30 September 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 30 September 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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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).

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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:

a) Borrowings and receivables

Credits and receivables comprise non-derivative financials 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

4.8 Financial Assets (Continued)

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).

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 an 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 recognising the acquiree’s identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is recognised 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 recognised 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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).

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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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.

Net assets of discontinued operations are measured at fair value less cost to sell. An analysis of the revenue, expenses and pre-tax profit or loss of discontinued operations, income tax expense of discontinued operations and the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed in the notes to the consolidated financial statements. Besides, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are separately disclosed either in the notes or on the face of consolidated financial statements.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

4.23 Taxes on Income (Continued)

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.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

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).

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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.

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 30 September 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 - 30 September 2008, including the comparative financial information of the interim period 1 January - 30 September 2007.

The Group has performed reclassifications in the consolidated interim balance sheet as of 31 December 2007 in order to conform to presentation of balance sheet as of 30 September 2008. Such reclassifications are explained as follows:

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

4.28 Comparatives and Restatement of Prior Periods’ Financial Statements (Continued)

- iv. 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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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:

	30 September 2008	31 December 2007		
Current assets	94.904.269	59.952.749		
Non-current assets	41.725.208	70.870.400		
Total assets	136.629.477	130.823.149		
Current liabilities	42.464.198	44.110.273		
Non-current liabilities	19.600.070	15.183.356		
Shareholders' equity	74.565.209	71.529.520		
Total liabilities and shareholders' equity	136.629.477	130.823.149		
	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Sales - net	95.088.944	30.898.183	94.338.296	34.752.439
Gross profit	43.072.579	12.462.858	44.893.514	17.491.674
Operating profit	38.433.736	11.096.891	40.032.378	15.941.274
Net profit for the period	30.747.199	10.442.133	31.832.065	10.165.892

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 4 - SEGMENT REPORTING

The Group management considers industrial segment as the primary format for reporting segment information. 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 interim financial statements at 30 September 2008 and 30 September 2007. Geographical segments represent economic regions that are different to other regions in terms of risk and return.

a) Industrial Segments

1 January - 30 September 2008

	Reportable Segments			Inter segment adjustment	Consolidated
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income - net	186.881.829	8.015.610	47.538.767	(3.764.026)	238.672.180
Cost of sales	(135.009.930)	(5.959.174)	(26.005.062)	3.849.802	(163.124.364)
Gross profit	51.871.899	2.056.436	21.533.705	85.776	75.547.816
Operating expenses	(28.297.147)	(1.174.991)	(2.370.944)	56.230	(31.786.852)
Other operating income/ expense - net	17.672.169	22.841	51.801	(14.518.582)	3.228.229
Operating profit	41.246.921	904.286	19.214.562	(14.376.576)	46.989.193
Net profit	35.762.397	990.791	15.371.756	(14.376.465)	37.748.479

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 4 - SEGMENT REPORTING (Continued)

1 July - 30 September 2008

	Reportable Segments			Inter segment adjustment	Consolidated
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income - net	80.635.939	3.075.532	15.447.238	(1.429.304)	97.729.405
Cost of sales	(52.023.259)	(2.286.241)	(9.216.557)	1.262.917	(62.263.140)
Gross profit	28.612.680	789.291	6.230.681	(166.387)	35.466.265
Operating expenses	(9.719.051)	(396.900)	(734.702)	25.621	(10.825.032)
Other operating income/ expense - net	251.799	16.085	30.856	(381.717)	(82.977)
Operating profit	19.145.428	408.476	5.526.835	(522.483)	24.558.256
Net profit	13.363.821	365.564	5.220.441	(522.375)	18.427.451

30 September 2008

Balance Sheet

Total Assets	236.012.875	5.211.222	68.306.542	(35.413.079)	274.117.560
Equity	129.814.516	3.832.068	37.278.130	(34.656.271)	136.268.443

1 January - 30 September 2007

	Reportable Segments			Inter segment adjustment	Consolidated
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income - net	168.529.182	7.056.971	47.163.488	(3.179.281)	219.570.360
Cost of sales	(122.414.904)	(5.323.462)	(24.719.425)	3.255.867	(149.201.924)
Gross profit	46.114.278	1.733.509	22.444.063	76.586	70.368.436
Operating expenses	(29.008.256)	(901.548)	(2.431.045)	282.744	(32.058.105)
Other operating income/ expense - net	13.478.804	10.073	769	(13.447.437)	42.209
Operating profit	30.584.826	842.034	20.013.787	(13.088.107)	38.352.540
Net profit	23.098.415	695.055	15.914.122	(11.392.909)	28.314.683

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 4 - SEGMENT REPORTING (Continued)

1 July - 30 September 2007

	Reportable Segments			Inter segment adjustment	Consolidated
	Ground Handling Services	Airport Security Services	Airport Terminal Construction and Management		
Sales income - net	74.592.472	2.672.637	17.374.135	(1.186.215)	93.453.029
Cost of sales	(46.152.580)	(2.044.393)	(8.629.348)	1.203.999	(55.622.322)
Gross profit	28.439.892	628.244	8.744.787	17.784	37.830.707
Operating expenses	(9.907.981)	(282.864)	(774.116)	26.340	(10.938.621)
Other operating income/ expense - net	225.419	857	(990)	(44.128)	181.158
Operating profit	18.757.330	346.237	7.969.681	(4)	27.073.244
Net profit	13.330.024	269.293	5.082.335	512.331	19.193.983

30 September 2007

Balance Sheet

Total Assets	226.622.191	4.047.003	85.096.242	(31.766.909)	283.998.527
Equity	116.824.642	2.610.235	37.356.485	(30.506.625)	126.284.737

b) Geographical segments

i) Geographical Analysis for the interim period 1 January - 30 September 2008

	Turkey	Hungary	Total Combined	Inter segment adjustment	Total
Net sales	202.375.400	36.296.780	238.672.180	-	238.672.180
Cost of sales	(131.122.414)	(32.001.950)	(163.124.364)	-	(163.124.364)
Gross profit	71.252.986	4.294.830	75.547.816	-	75.547.816
Operating expenses	(25.385.502)	(6.401.350)	(31.786.852)	-	(31.786.852)
Other operating income/ expense - net	3.254.464	(26.235)	3.228.229	-	3.228.229
Operating profit	49.121.948	(2.132.755)	46.989.193	-	46.989.193

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 4 - SEGMENT REPORTING (Continued)

Geographical Analysis for the interim period 1 July - 30 September 2008

	Turkey	Hungary	Total Combined	Inter segment adjustment	Total
Net sales	85.046.311	12.683.094	97.729.405	-	97.729.405
Cost of sales	(51.002.522)	(11.260.618)	(62.263.140)	-	(62.263.140)
Gross profit	34.043.789	1.422.476	35.466.265	-	35.466.265
Operating expenses	(8.371.705)	(2.453.327)	(10.825.032)	-	(10.825.032)
Other operating income/ expense - net	(65.625)	(17.352)	(82.977)	-	(82.977)
Operating profit	25.606.459	(1.048.203)	24.558.256	-	24.558.256

Geographical Analysis for the interim period 1 January - 30 September 2007

	Turkey	Hungary	Total Combined	Inter segment adjustment	Total
Net sales	188.248.167	31.322.193	219.570.360	-	219.570.360
Cost of sales	(120.762.446)	(28.439.478)	(149.201.924)	-	(149.201.924)
Gross profit	67.485.721	2.882.715	70.368.436	-	70.368.436
Operating expenses	(25.900.590)	(6.157.515)	(32.058.105)	-	(32.058.105)
Other operating income/ expense - net	33.706	8.503	42.209	-	42.209
Operating profit	41.618.837	(3.266.297)	38.352.540	-	38.352.540

Geographical Analysis for the interim period 1 July - 30 September 2007

	Turkey	Hungary	Total Combined	Inter segment adjustment	Total
Net sales	82.024.340	11.428.689	93.453.029	-	93.453.029
Cost of sales	(45.818.012)	(9.804.310)	(55.622.322)	-	(55.622.322)
Gross profit	36.206.328	1.624.379	37.830.707	-	37.830.707
Operating expenses	(8.937.056)	(2.001.565)	(10.938.621)	-	(10.938.621)
Other operating income/ expense - net	195.041	(13.883)	181.158	-	181.158
Operating profit	27.464.313	(391.069)	27.073.244	-	27.073.244

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 4 - SEGMENT REPORTING (Continued)

ii) Total assets

	30 September 2008	31 December 2007
Turkey	205.420.660	177.216.789
Hungary	65.432.267	70.231.092
Unallocated assets	3.264.633	2.960.914
	274.117.560	250.408.795

iii) Capital expenditures, depreciation and amortization expenses

	30 September 2008	30 September 2007
<u>Capital expenditures</u>		
Turkey	5.053.696	14.381.790
Hungary	670.692	2.770.398
	5.724.388	17.152.188

	30 September 2008	30 September 2007
<u>Depreciation and amortisation</u>		
Turkey	24.063.733	23.760.467
Hungary	5.544.706	5.095.983
	29.608.439	28.856.450

iv) Minority interest

	30 September 2008	31 December 2007
Turkey	199.267	166.222
Hungary	2.415.638	2.997.158
	2.614.905	3.163.380

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 September 2008	31 December 2007
Cash	127.287	84.423
Banks		
- time deposits	61.513.415	33.547.984
- US dollar	32.835.699	25.492.465
- YTL	3.856.460	4.563.264
- Euro	24.821.256	3.492.255
- demand deposits	9.053.191	12.335.842
- Euro	3.952.240	5.333.626
- Hungarian Forint (“HUF”)	3.785.346	5.086.307
- US dollar	579.531	1.205.436
- YTL	477.056	630.005
- GBP	259.018	80.468
	70.693.893	45.968.249

As of 30 September 2008, effective interest rates for YTL, Euro and US dollar time deposits are %17,14, %4,65 and %4,12, respectively. (31 December 2007: YTL %18,11, Euro %4,48 US dollar %4,97). Maturities of time deposits as of 30 September 2008 are YTL 2-30 days, Euro 1-52 days and US dollar 1-56 days (31 December 2007: YTL 1-113 days, Euro 1-32 days, US dollar 1-36 days).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 6 - FINANCIAL LIABILITIES

Short-term financial liabilities:

	30 September 2008		
	Yearly effective interest rate (%)	Original amount	YTL
<u>Short-term bank borrowings</u>			
YTL borrowings	%0,00	103.857	103.857
			103.857
<u>Short-term portion of long-term borrowings</u>			
Interest expense accrual-Euro		1.734.897	3.118.997
Interest expense accrual-US dollar		132.239	162.866
US dollar borrowings	%6,51	4.466.667	5.501.147
Euro borrowings	%6,99	9.919.454	17.833.195
			26.616.205
Short-term finance lease obligations			65.589
Short-term financial liabilities			26.785.651
<u>Long-term financial liabilities:</u>			
Euro borrowings	%6,96	26.909.033	48.377.060
Long-term bank borrowings			48.377.060
Long-term finance lease obligations			188.505
Long-term financial liabilities			48.565.565
Total financial liabilities			75.351.216

	30 September 2008		31 December 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term borrowings	48.377.060	48.346.641	48.946.861	48.863.216

The fair value of current borrowings equals their carrying amount as 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 %6,90 (31 December 2007: %6,38).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

	31 December 2007		
	Yearly effective interest rate (%)	Original amount	YTL
<u>Short-term bank borrowings</u>			
YTL borrowings	%0,00	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-Euro		150.172	256.824
Interest expense accrual-US dollar		124.703	145.242
US dollar borrowings	%6,80	6.933.334	8.075.254
Euro borrowings	%7,45	12.457.958	21.305.600
			29.782.920
Short-term bank borrowings			33.225.569
US dollar borrowings	%5,50	1.500.000	1.747.050
Euro borrowings	%6,96	27.599.000	47.199.811
Long-term bank borrowings			48.946.861
Total bank borrowings			82.172.430

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the long-term bank borrowings as of 30 September 2008 and 31 December 2007 is as follows:

	30 September 2008	31 December 2007
2009	1.240.437	4.107.041
2010	3.959.475	3.766.546
2011	5.353.965	5.093.086
2012 and over	37.823.183	35.980.188
	48.377.060	48.946.861

As of 30 September 2008, the borrowings amounting to EUR 5.728.478 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 30 September 2008 and 31 December 2007 is as follows:

	30 September 2008			31 December 2007		
	Minimum lease payments	Interest	Total obligation	Minimum lease payments	Interest	Total obligation
Less than 1 year	88.202	(22.613)	65.589	22.202	(22.202)	-
1 to 2 years	88.202	(15.695)	72.507	249	(249)	-
2 to 3 years	88.202	(8.048)	80.154	564	(564)	-
4 years and over	36.751	(907)	35.844	-	-	-
	301.357	(47.263)	254.094	23.015	(23.015)	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 September 2008	31 December 2007
Short-term trade receivables		
Trade receivables	33.714.448	18.190.780
Doubtful receivables	2.462.876	2.458.243
	36.177.324	20.649.023
Less: Provision for doubtful receivables	(2.462.876)	(2.458.243)
Less: Unearned financial income from credit sales	-	(24.491)
	33.714.448	18.166.289

Yearly effective interest rates for trade receivables as of 31 December 2007 for the YTL, US dollar and Euro are %16,15, %4,86 and %4,44, respectively. The fair value of current trade receivables as of 30 September 2008 equals their carrying amount as the impact of discounting is not significant.

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 30 September 2008 and 31 December 2007 are as follows:

	30 September 2008	31 December 2007
Opening balance	2.458.243	2.456.314
Additions	4.633	1.929
Ending balance	2.462.876	2.458.243

Short-term trade payables

	30 September 2008	31 December 2007
Trade payables	7.295.574	10.885.170
Notes payables	1.269.818	-
Less: Unearned credit finance charges	-	(5.162)
	8.565.392	10.880.008

Effective interest rates for unearned credit finance charges as of 31 December 2007 for US dollar, Euro and YTL are %4,86, %4,44 and %15,96, respectively. The fair value of short-term trade payables as of 30 September 2008 equals their carrying amount as the impact of discounting is not significant.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 September 2008	31 December 2007
Other short-term receivables		
Receivables from Tax Office	264.434	276.800
Deposits and guarantees given	82.234	15.692
Other miscellaneous receivables	11.235	19.052
	357.903	311.544

	30 September 2008	31 December 2007
Other long-term payables		
Deposits and guarantees received	59.726	2.329

NOTE 9 - INVENTORIES

	30 September 2008	31 December 2007
Trade goods	299.172	348.645
Other inventories	4.451.434	4.010.729
	4.750.606	4.359.374

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period ended 30 September 2008 are as follows:

	Opening 1 January 2008	Additions	Disposals	Transfers (**)	Cumulative translation adjustments	Closing 30 September 2008
Cost						
Machinery and equipment	121.948.890	1.379.684	(676.610)	290.226	287.540	123.229.730
Vehicles	18.385.783	201.311	(29.904)	-	1.143.156	19.700.346
Furniture and fixtures	11.799.713	1.328.925	(29.818)	2.399	50.099	13.151.318
Leasehold improvements (*)	63.394.155	1.696.735	(2.361)	-	-	65.088.529
Advances given	87.649	689.705	-	(297.322)	-	480.032
	215.616.190	5.296.360	(738.693)	(4.697)	1.480.795	221.649.955
Accumulated depreciation						
Machinery and equipment	(79.281.217)	(5.142.555)	542.812	-	(28.349)	(83.909.309)
Vehicles	(5.685.326)	(1.982.401)	29.904	-	(204.472)	(7.842.295)
Furniture and fixtures	(10.099.557)	(588.714)	26.689	-	(21.086)	(10.682.668)
Leasehold improvements (*)	(21.680.544)	(3.199.262)	52	-	-	(24.879.754)
	(116.746.644)	(10.912.932)	599.457	-	(253.907)	(127.314.026)
Net book value	98.869.546					94.335.929

(*) 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 30 September 2008 the net book value of these stations was YTL36.988.146. 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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, machinery and equipment and furniture and fixtures whose net book values were YTL3.932.522, YTL522.232 and YTL29.851 respectively as of 31 December 2006 and machinery and equipment and furniture and fixtures whose net book values were YTL1.579.944 and YTL47.257 respectively as of 31 December 2007 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. Leasehold improvements, machinery and equipment and furniture and fixtures whose net book values are totalled YTL6.139.001 including those that written off in 2008 have been written off with the finalization of reports prepared by judicial experts and insurance specialists relating to damage conditions of fixed assets. Judicial experts and insurance specialists have completed their reports to determine the damage to the machinery and equipment and furniture and fixtures and the compensation amounting to USD2.135.583 has been made to the Company as of 30 September 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 30 September 2008 amounting to YTL2.865.785 and YTL8.047.147 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 YTL765.219 as of 30 September 2008 (31 December 2007: YTL845.085).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended 30 September 2007 are as follows:

	Opening 1 January 2007	Additions	Disposals	Transfers	Cumulative translation adjustments	Closing 30 September 2007
Cost						
Machinery and equipment	117.755.698	5.408.902	(984.441)	(60.495)	(203.321)	121.916.343
Vehicles	16.386.396	2.595.317	(60.474)	-	(945.851)	17.975.388
Furniture and fixtures	10.949.169	799.134	(10.670)	-	(45.074)	11.692.559
Leasehold improvements (*)	54.063.249	6.900.563	(2.239)	-	-	60.961.573
Advances given	1.167.366	880.181	-	(1.080.817)	-	966.730
	200.321.878	16.584.097	(1.057.824)	(1.141.312) (**)	(1.194.246)	213.512.593
Accumulated depreciation						
Machinery and equipment	(73.021.216)	(5.405.917)	920.222	-	15.531	(77.491.380)
Vehicles	(3.408.910)	(1.858.146)	60.474	-	110.723	(5.095.859)
Furniture and fixtures	(9.485.483)	(475.410)	9.313	-	14.911	(9.936.669)
Leasehold improvements (*)	(17.494.700)	(2.938.849)	37	-	-	(20.433.512)
	(103.410.309)	(10.678.322)	990.046	-	141.165	(112.957.420)
Net book value	96.911.569					100.555.173

(*) 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 30 September 2007 the net book value of these stations was YTL37.777.913. 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 11 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 30 September 2008 are as follows:

	Opening 1 January 2008	Additions	Disposals	Transfers	Cumulative translation adjustments	Closing 30 September 2008
Cost						
Rights	545.219	11.197	-	-	-	556.416
Customer Relations	27.017.944	-	-	-	2.462.487	29.480.431
Software	3.160.706	156.884	(27.924)	-	31.623	3.321.289
Build-operate-transfer investments (*)	87.533.504	259.947	-	4.697	-	87.798.148
	118.257.373	428.028	(27.924)	4.697	2.494.110	121.156.284
Accumulated depreciation						
Rights	(499.553)	(39.124)	-	-	-	(538.677)
Customer Relations	(4.946.485)	(3.191.286)	-	-	(418.299)	(8.556.070)
Software	(2.013.063)	(287.512)	931	-	(5.322)	(2.304.966)
Build-operate-transfer investments (*)	(52.370.651)	(15.177.585)	-	-	-	(67.548.236)
	(59.829.752)	(18.695.507)	931	-	(423.621)	(78.947.949)
Net book value	58.427.621					42.208.335

(*) The build-operate-transfer investment the net book value of which is YTL20.249.912 comprises of the advances and progress payments given to contracting firms which were capitalized as of 30 September 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 30 September 2008 amounting to YTL2.001.413 and YTL16.694.094 are included in operating expenses and cost of sales.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

Movements in intangible assets for the period ended 30 September 2007 are as follows:

	Opening 1 January 2007	Additions	Disposals	Transfers	Cumulative translation adjustments	Closing 30 September 2007
Cost						
Rights	542.969	-	-	-	-	542.969
Customer Relations	29.468.201	-	-	-	(2.298.095)	27.170.106
Software	2.705.348	230.903	-	60.495	(25.363)	2.971.383
Build-operate-transfer investments (*)	86.150.153	337.188	(4.974)	1.080.817	-	87.563.184
	118.866.671	568.091	(4.974)	1.141.312	(2.323.458)	118.247.642
Accumulated depreciation						
Rights	(447.513)	(40.712)	-	-	-	(488.225)
Customer Relations	(761.216)	(3.068.057)	-	-	210.537	(3.618.736)
Software	(1.666.412)	(259.223)	-	-	2.595	(1.923.040)
Build-operate-transfer investments (*)	(32.745.525)	(14.810.136)	2.321	-	-	(47.553.340)
	(35.620.666)	(18.178.128)	2.321	-	213.132	(53.583.341)
Net book value	83.246.005					64.664.301

(*) The build-operate-transfer investment the net book value of which is YTL40.009.844 comprises of the advances and progress payments given to contracting firms which were capitalized as of 30 September 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 30 September 2007 amounting to YTL1.997.208 and YTL16.180.920 are included in operating expenses and cost of sales.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 12 - GOODWILL

Positive goodwill at 30 September 2008 and 31 December 2007 is as follows:

	30 September 2008	31 December 2007
Goodwill due to acquisition of CGHH	17.273.755	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 Kiszolgaló Korlátolt Felelösségü 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 30 September 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 30 September 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) 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	(59.114)

Goodwill **17.273.755**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 September 2008	31 December 2007
Short-term provisions		
DHMI expense accruals	9.302.024	12.444
Provision for unused vacation rights	1.771.540	1.607.570
Accrued sales commissions	724.175	1.011.487
Provision for legal claims	456.004	312.735
Other provisions	665.268	247.555
	12.919.011	3.191.791

	30 September 2008	31 December 2007
Long-term provisions		
DHMI agreement depreciation provision (*)	9.778.831	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

	30 September 2008	31 December 2007
Guarantees received:		
Guarantee letters	8.524.484	6.953.598
Guarantee notes	2.171.243	1.532.549
Guarantee cheque	1.118.165	2.003.816
	11.813.892	10.489.963
Guarantees given:		
Guarantee letters given	21.326.713	19.083.380

The Group has contingent assets amounting to YTL1.614.023 due to the legal cases in favour of the Group and contingent liabilities amounting to YTL58.619.226 due to the legal cases and enforcement proceedings against the Group as of 30 September 2008. YTL57.633.553 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 sole defendant and co-defendant with the DHMI, other warehouse management companies and insurance companies.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	30 September 2008	31 December 2007
Provision for employment termination benefits	3.627.756	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 30 September 2008 consists of one month’s salary limited to a maximum of YTL 2.173,18 (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:

	30 September 2008	31 December 2007
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	93,96	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 2.173,18 which is effective from 1 July 2008 (1 January 2008: YTL 2.087, 92) has been taken into consideration in the calculations.

	30 September 2008	30 September 2007
Balance at the beginning of the year	3.543.901	3.093.259
Paid during the year	(1.440.345)	(960.234)
Increase/ (Decrease) during the year	1.524.200	1.368.341
Ending balance	3.627.756	3.501.366

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 15 - OTHER ASSETS AND LIABILITIES

	30 September 2008	31 December 2007
Other current assets		
Prepaid expenses	2.961.634	2.586.119
Value-added tax (“VAT”) to be refunded	1.242.991	1.436.820
Advances given to personnel	367.262	110.480
Income accruals	250.509	150.383
Prepaid taxes and funds	18.040	684.302
Other	198.935	209.797
	5.039.371	5.177.901

	30 September 2008	31 December 2007
Other non-current assets		
Prepaid expenses	96.784	6.215
Deposits and guarantees given	2.302	2.283
Other receivables	-	43.611
	99.086	52.109

	30 September 2008	31 December 2007
Other current liabilities		
Corporate taxes payable (Note 22)	5.468.103	259.078
Social security payables	4.578.525	1.949.335
Wages and salaries payable	4.407.175	3.589.990
Deferred income	918.855	378.237
Taxes and funds payable	675.454	1.512.726
Accrued bonus payable	386.681	364.425
Other miscellaneous liabilities	1.275.858	942.702
	17.710.651	8.996.493

	30 September 2008	31 December 2007
Other non-current liabilities		
SWAP agreements (Note 26)	1.616.083	2.369.158
Deferred insurance claim recovery (*)	1.847.400	1.747.050
Deferred other revenues	-	13.615
	3.463.483	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 30 September 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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 16 - EQUITY

Share Capital

As of 30 September 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 30 September 2008 and 31 December 2007, the shareholding structure is stated below:

Shareholders	30 September 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

The Turkish Commercial code (“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. 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 addition, according to Exemption for sale of Participation shares and property, a 75% portion of corporations’ profits arising from such sales are not withdrawn within 5 years and are followed in special reserves.

As of 30 September 2008 and 31 December 2007, restricted reserves consist of legal reserves.

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, “Capital, Share 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 “inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 16 - EQUITY (Continued)

- the difference arising from the “Paid-in Capital” and not been transferred to capital yet, shall be classified under the “Inflation Adjustment To Share Capital”;
- the difference due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under “Prior years’ income”.

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

Dividend distribution

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In addition, based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The profits of subsidiaries, joint ventures and associates, that are included in the consolidated financial statements of the parent, are not considered in the calculation of distributable profits within the context of CMB Financial Reporting Standards, if the decision on profit distribution has not been taken in the general assemblies of the related subsidiaries, joint ventures and associates.

In accordance with the decision of Capital Markets Board on 8 February 2008 no 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 17 - SALES AND COST OF SALES

	1 January - 30 September 2008	1 July - 30 September 2008	1 January - 30 September 2007	1 July - 30 September 2007
Ground handling services	177.021.776	77.361.479	162.236.265	71.695.509
Passenger service income (*)	22.268.418	6.452.791	22.867.325	8.496.672
Rent income not related to aviation (**)	18.670.720	6.272.519	18.284.731	6.403.390
Antrepo services income	12.207.200	4.025.871	10.180.707	3.718.998
Airport security services	4.284.524	1.646.228	3.879.280	1.487.792
Contribution income to general expenses (****)	3.752.743	1.254.926	3.493.682	1.134.927
Rent income related to aviation (***)	2.849.120	1.467.376	2.529.359	1.340.327
Aviation fuel sold and commission income	194.663	76.790	496.793	187.882
Less: Returns and discounts	(2.576.984)	(828.575)	(4.397.782)	(1.012.468)
Sales - net	238.672.180	97.729.405	219.570.360	93.453.029
Cost of service given	(162.976.790)	(62.200.150)	(148.865.056)	(55.554.590)
Cost of aviation fuel sold	(147.574)	(62.990)	(336.868)	(67.732)
Cost of sales	(163.124.364)	(62.263.140)	(149.201.924)	(55.622.322)
Gross profit	75.547.816	35.466.265	70.368.436	37.830.707

(*) 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. This mentioned passenger fare, which is belong to DHMI, is offset in the Group’s interim period consolidated financial statements between sales and cost of sales which end on 30 September 2008 and 2007. As of 30 September 2008, the offsetting amount between sales and cost of sales is YTL 15.760.857 (30 September 2007 YTL 12.673.551).

(**) 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 18 - OPERATING EXPENSES

	2008		2007	
	1 January - 30 September	1 July - 30 September	1 January - 30 September	1 July - 30 September
Payroll expenses	10.776.063	3.563.613	10.399.360	3.881.334
Consultancy expenses	9.260.356	3.236.404	10.959.834	3.745.444
Depreciation and amortization	4.867.198	1.498.996	5.271.775	1.713.150
Repair, maintenance and security expenses	1.394.563	538.178	1.248.968	366.543
Travel and transportation expenses	1.087.709	173.007	711.419	71.096
Rent expenses	833.231	260.603	890.220	292.523
Advertising expenses	527.566	194.229	262.604	81.732
Insurance premiums	517.768	149.566	606.012	208.530
Fuel expenses	153.678	59.456	130.465	25.311
Other	2.368.720	1.150.980	1.577.448	552.958
	31.786.852	10.825.032	32.058.105	10.938.621

NOTE 19 - OTHER OPERATING INCOME/EXPENSES

	1 January - 30 September	1 July - 30 September	1 January - 30 September	1 July - 30 September
	2008	2008	2007	2007
Other operating income:				
Return income from contribution to holding expenses (*)	2.616.255	-	-	-
Income from insurance claims	922.705	57.719	159.008	39.648
Rent income	311.403	105.346	343.676	109.776
Fixed asset sales income	222.669	12.588	100.290	29.873
Income from scrap sales	10.771	534	23.023	2.944
Other	548.326	223.347	668.460	365.817
	4.632.129	399.534	1.294.457	548.058

(*) 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 19 - OTHER OPERATING INCOME/EXPENSES (Continued)

Other operating expenses:

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July - 30 September 2007
Insurance expenses	(163.843)	(100.507)	(143.681)	(26.144)
Provision expenses	(143.269)	(80.676)	(41.126)	(9.430)
Other expenses	(1.096.788)	(301.328)	(1.067.441)	(331.326)
	(1.403.900)	(482.511)	(1.252.248)	(366.900)

NOTE 20 - FINANCIAL INCOME

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July - 30 September 2007
Foreign exchange gains	14.583.490	3.574.141	11.464.827	5.419.563
Interest income	2.998.162	1.369.446	2.353.520	825.833
Unearned financial income	1.368.421	591.526	1.096.429	747.728
SWAP contracts valuation gains	979.053	226.098	-	-
	19.929.126	5.761.211	14.914.776	6.993.124

NOTE 21 - FINANCIAL EXPENSES

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Foreign exchange losses	(12.324.838)	(4.559.608)	(10.557.300)	(7.013.960)
Interest expenses	(4.572.911)	(1.506.734)	(6.280.330)	(1.743.896)
Unincurred financial expenses	(133.259)	(67.515)	(169.356)	(12.922)
Other financial expenses	(142.112)	(57.669)	(181.877)	(38.930)
	(17.173.120)	(6.191.526)	(17.188.863)	(8.809.708)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 22 - TAXES ON INCOME

	30 September 2008	31 December 2007
Corporate tax	11.858.238	9.897.678
Less: Prepaid taxes	(6.390.135)	(9.638.600)
Taxes liability/ (receivable) - net (Note 15)	5.468.103	259.078

	30 September 2008	31 December 2007
Deferred tax assets	3.264.633	2.960.914
Deferred tax liabilities	(5.287.095)	(5.098.855)
Deferred tax liability - net	(2.022.462)	(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.

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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 22 - TAXES ON INCOME (Continued)

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).

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, preemptive 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 22 - TAXES ON INCOME (Continued)

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:

- 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 30 September 2008 and 2007 are summarized as follows:

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
- Current period tax (expense)	(11.858.238)	(5.701.228)	(10.279.799)	(6.439.946)
- Deferred tax (expense)/income	(138.482)	738	2.516.029	377.269
	(11.996.720)	(5.700.490)	(7.763.770)	(6.062.677)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 22 - TAXES ON INCOME (Continued)

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%.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 30 September 2008 and 31 December 2007 using the enacted future tax rates is as follows:

	Cumulative Taxable Temporary Differences		Deferred Tax Assets/Liabilities	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
Non-deductible financial losses (*)	(12.990.619)	(11.905.332)	2.598.125	2.381.066
SWAP contracts foreign currency valuations	(359.174)	(1.998.977)	71.835	399.796
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	(2.723.074)	(676.019)	544.615	135.204
Provision for unused vacation rights	(224.291)	(201.367)	44.858	40.273
Provision for employment termination benefits	(26.001)	(22.874)	5.200	4.575
Net deferred tax asset			3.264.633	2.960.914
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	35.048.501	33.818.736	(7.009.703)	(6.763.747)
Provision for employment termination benefits	(3.601.755)	(3.521.027)	720.351	704.205
Deferred insurance claim recovery	(1.847.400)	(1.747.050)	369.480	349.410
Provision for unused vacation rights	(1.547.249)	(1.406.203)	309.450	281.241
Accrued sales commissions	(724.175)	(1.011.487)	144.835	202.297
Provision for legal claims	(456.004)	(312.735)	91.201	62.547
Personnel bonus accrual	(386.681)	(256.850)	77.335	51.370
Provision for doubtful receivables	(49.781)	(49.781)	9.956	9.956
Unincurred financial expenses	-	(24.491)	-	4.898
Unearned financial income	-	5.162	-	(1.032)
Net deferred tax liability			(5.287.095)	(5.098.855)

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 22 - TAXES ON INCOME (Continued)

Deferred tax movement table is indicated below:

	30 September 2008	30 September 2007
1 January	(2.137.941)	(4.900.035)
Cumulative translation difference	253.961	(156.388)
Current period deferred tax (expense)/income	(138.482)	2.516.029
30 September	(2.022.462)	(2.540.394)

NOTE 23 - EARNINGS PER SHARE

Earnings per share is determined by dividing net profit amounting to YTL 38.495.956 to that class of shares by the weighted average number of such shares outstanding during the year concerned (30 September 2008: 24.300.000 shares, 30 September 2007: 13.500.000 shares). The calculation is as follows:

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Net income attributable to the shareholders	38.495.956	19.244.905	30.009.881	19.706.317
Weighted average number of share Weighted average number of shares with YKr 1 face value each	24.300.000	24.300.000	13.500.000	13.500.000
Earnings per share	1,58	0,79	2,22	1,46

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:

(i) Balances with related parties

	30 September 2008	31 December 2007
Due from related parties		
Celebi-IC Hava Terminali İşletme ve Ticaret A.Ş.	1.991.994	-
Ortadoğu Antalya Liman İşletmeleri A.Ş.	41.460	35.189
Other	18.569	23.507
	2.052.023	58.696

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

Due from Joint-ventures

	30 September 2008	31 December 2007
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	327.578	225.913
Due from related parties - net	2.379.601	284.609

Due to related parties

	30 September 2008	31 December 2007
Çe-Tur Çelebi Turizm Ticaret A.Ş.	916.018	765.680
Çelebi Holding A.Ş. (*)	167.370	703.323
Payables to shareholders (Dividends payable)	1.162	1.309
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	-	260.617
Çelebi Hizmet Gıda İşletmeleri A.Ş.	1.406	9.998
	1.085.956	1.740.927

(*) YTL58.833 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.

(ii) Transactions with related parties:

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Sales to related parties				
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	417.473	175.047	273.890	109.576
Ortadoğu Antalya Liman İşletmeleri A.Ş.	365.319	121.177	301.759	109.013
Çelebi Holding A.Ş.	282.251	69.157	188.277	108.206
Çelebi Marina ve Yat İşletmeciliği A.Ş.	201.280	58.035	74.187	54.273
Çe-Tur Çelebi Turizm Ticaret A.Ş.	195.723	44.313	162.831	77.805
Çelebi Hizmet Gıda İşletmeleri Turizm Sanayi ve Ticaret A.Ş.	-	-	5.112	549
Çelebi Hizmet Restorant İşletmeleri ve Gıda Turizm İnşaat Sanayi ve Ticaret A.Ş.	-	-	615	262
	1.462.046	467.729	1.006.671	459.684
Sales to Joint-ventures				
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	2.468.293	961.852	2.303.899	900.395
Rent income from related parties				
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	16.689.097	5.376.655	16.154.961	5.287.865

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

	1 January- 30 September 2008	1 July - 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Employee and transportation expenses payable to related parties				
Çe-Tur Çelebi Turizm Ticaret A.Ş.	3.740.069	1.463.683	3.510.359	1.361.448
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	2.268.955	843.268	2.034.433	710.718
	6.009.024	2.306.951	5.544.792	2.072.166
Contribution to holding expenses (**)				
Çelebi Holding A.Ş.	7.476.248	3.001.513	8.492.116	3.429.479
General expenses contribution income from related companies (***)				
Çelebi IC Hava Terminali İşletme ve Ticaret A.Ş.	3.337.819	1.075.331	3.230.992	1.057.573
	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Return income from contribution to Holding expenses				
Çelebi Holding A.Ş. (Dipnot 19)	2.616.255	-	-	-
Other purchases from related parties (****)				
Çelebi Holding A.Ş.	1.286.026	279.191	776.450	134.241
Çe-Tur Çelebi Turizm Ticaret. A.Ş.	1.596.738	616.124	1.878.879	575.930
Other	17.345	162	5.955	75
	2.900.109	895.477	2.661.284	710.246
Other purchases from Joint-ventures				
Çelebi IC Antalya Havalimanı Terminal Yatırım ve İşletme A.Ş.	156.546	91.607	253.126	147.877

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

- (**) 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.
- (****) 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 30 September 2008 and 31 December 2007 are detailed below:

	30 September 2008		31 December 2007	
	US dollar	YTL	US dollar	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 5.728.478 as of 30 September 2008 after back payments.

Remuneration paid to top management:

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Remuneration paid to top management	4.631.688	1.481.578	4.040.992	1.341.857

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 YTL54.331 higher or lower if the interest rates were 2% more or less in the interim financial statements for the nine-month period ended 30 September 2008.

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 YTL48.565.565 as of 30 September 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 30 September 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 net income by YTL2.268.948 (30 September 2007: YTL2.471.852).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 30 September 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 net income by YTL 2.134.868 (30 September 2007: YTL4.582.813).

	30 September 2008	31 December 2007
Assets	91.903.001	56.230.719
Liabilities	(90.638.846)	(92.608.401)
Net foreign currency position	1.264.155	(36.377.682)

30 September 2008	US dollar	Euro	Other currencies	Total YTL
Assets:				
Cash and cash equivalents	33.419.464	28.835.684	279.271	62.534.419
Trade receivables	6.330.622	20.753.511	-	27.084.133
Due from related parties	5.086	2.067.994	114	2.073.194
Other	168.138	43.117	-	211.255
	39.923.310	51.700.306	279.385	91.903.001
Liabilities:				
Short term financial liabilities	(5.729.602)	(20.952.192)	-	(26.681.794)
Long-term financial liabilities	(188.505)	(48.377.060)	-	(48.565.565)
Trade payables	(1.221.775)	(66.204)	(356.038)	(1.644.017)
Due to related parties	(19.391)	(2.632)	-	(22.023)
Long-term provisions	(9.778.831)	-	-	(9.778.831)
Other	(295.723)	(3.650.893)	-	(3.946.616)
	(17.233.827)	(73.048.981)	(356.038)	(90.638.846)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

30 September 2008	0 - 3 months	3 - 12 months	Over 1 year	Total
Financial liabilities	19.087.653	7.697.998	48.565.565	75.351.216
Trade payables	8.565.392	-	59.726	8.625.118
Due to related parties	1.085.956	-	-	1.085.956
Provisions	12.919.011	-	9.778.831	22.697.842
Other liabilities	15.794.589	1.916.062	7.091.239	24.801.890

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

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net debt/ (Equity+net debt) ratio as of 30 September 2008 and 31 December 2007 is as follows:

	30 September 2008	31 December 2007
Total liabilities	137.849.117	127.315.651
Cash and cash equivalents	(70.693.893)	(45.968.249)
Deferred tax liability	(5.287.095)	(5.098.855)
Net debt	61.868.129	76.248.547
Equity	136.268.443	123.093.144
Equity+net debt	198.136.572	199.341.691
Net debt/ (Equity+net debt) ratio	31%	38%

NOTE 26 - FINANCIAL INSTRUMENTS

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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

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	-	861.804	-	370.181
Currency forward contracts	1.840.857	-	-	1.998.977
	1.840.857	861.804	-	2.369.158

Movement of derivative financial instruments as of 30 September 2008 is as following:

	1 January 2008	Profit(*)	Loss (*)	Foreign currency differences	30 September 2008
Interest rate SWAP	(370.181)	-	(861.804)	(24.924)	(1.256.909)
Currency forward contracts	(1.998.977)	1.840.857	-	(201.054)	(359.174)
	(2.369.158)				(1.616.083)

(*) Financial income related to aforementioned agreements amount to YTL979.053 (31 December 2007 Loss: YTL2.369.158) (Note 20).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 26 - FINANCIAL INSTRUMENTS (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 30 September 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 - Bank	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 30 September 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.

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.

NOTE 27 - SUBSEQUENT EVENTS

- i) The Company was informed that the Company is in the winning consortium of the tender to provide ground handling services for 10 years at Mumbai Chhatrapati Shivaji International Airport in India. The Company has a %51 stake and Nas Aviation Services India Pvt. Ltd. (Nas India) has %49 stake in the consortium which won one of two licenses in the scope of the tender. Mumbai Chhatrapati Shivaji International Airport has the densest air traffic in the country and served around 22 million passengers and 200.000 flights in 2007. The airport is also important in cargo services with a total cargo capacity of around 500.000 tonnes in 2007 according to the Company statement.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 27 - SUBSEQUENT EVENTS (Continued)

- ii) It has been stated that there has been no announcement made to the Company relating to the results of the tenders opened for ground handling operations in Delhi International Airport and Cochin International Airport in India. The Company had decided to place bids for these tenders on 14 July 2008 and 17 September 2008.
- iii) The Board of the Company has decided on 27 October 2008 to make related changes in the 6th clause “Capital and Share Certificates” in the Articles of Association of the Company about the increase of registered capital ceiling to YTL100.000.000 from YTL45.000.000.

**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 30 September 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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE 2.1.5**

ÇELEBİ HAVA SERVİSİ A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 of 30 September 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 YTL7.659.419. On the other hand, there are legal cases and enforcement proceedings amounting to YTL57.633.553 comprised of legal cases and enforcement proceedings amounting to YTL51.544.355 (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 YTL6.089.198 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 as of 30 September 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 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 30 September 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.

.....