

AI Airports International

Interim Report as of September 30, 2008

New Board of Directors forced to carry out a considerable write-downs of AI's assets – Operational performance of assets falls short of expectations – Impairment charges on TAV investment heavily burdens AI's results

Jersey, December 4, 2008 – The Board of Directors of AI Airports International (AI), newly elected on July 28, 2008, published today its interim report as of September 30, 2008. “The figures in the Q3 interim report now mirror the extremely hapless management and investment decisions prepared by the former management entity Meinel Airport Managers (MAM, a 100% subsidiary of Meinel Bank) and executed by the former Board”, summarizes Wolfgang Vilsmeier, Chairman of the AI Board of Directors. “Our obligation is to provide a realistic picture of the fund's status to our investors. Therefore we were forced to post considerable write-downs of our assets and extraordinary impairment charges.” All in all, write-downs, impairment charges and non-recurring provisions for the first nine months total almost EUR -127 million, resulting in an EBT of EUR -129.96 million – with consolidated revenues amounting to EUR 6.7 million.

The net asset value per September 30, 2008 amounts to EUR 449.62 million or EUR 6.63 per outstanding certificate. Based on the market value of AI's stake in TAV Airports Holding per December 2, 2008 this NAV would have to be reduced to EUR 399.14 million or EUR 5.89 per certificate.

AI's TAV investment is mainly responsible for these disappointing figures. In November 2007, the former Board acquired a 10.1% share of TAV, a Turkish operator listed on the Istanbul Stock Exchange, for an amount of EUR 185.29 million. The fair value as of 30 September, 2008 was EUR 86.07 million. The difference between the value at 31 December, 2007 (already considerably lower than at the date of acquisition) and the lower value as of 30 September, 2008 amounts to an impairment loss of EUR 65.18 million. “The former Board's decision to invest around one third of the capital provided by AI's investors in only one shareholding was not only contradictory to any balanced investment strategy but also turned out to be far too risky,” according to Vilsmeier. Moreover the continued decline in the TAV share price since October 1, 2008 is expected to lead to further considerable impairment charges to be recognized in the annual financial statements for 2008. As of November 30, 2008, the TAV share price was TRY 3.08 (October 3, 2008: TRY 6.15) implying a value of AI's stake of EUR 37.77 million at an exchange rate of 1.99 (1 EUR=1.99 TRY) which is considerably lower than the carrying value as per September 30, 2008. Finally also the TAV call options – representing 4% of total TAV issued capital – had to be written-down in the amount of EUR 8.72 to a fair value of EUR 0.5 million.

The new Board was also forced to restate the income statement and balance sheet for fiscal year 2007. According to IFRS rules and in contrast to the former published financial statements for 2007, the decline in the fair value of the shares in TAV should have been treated as an impairment loss (EUR 34.41 million) which should have been recognized in the consolidated income statement (instead of recognizing it as a negative “fair value reserve” in the balance sheet as at 31 December, 2007).

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In addition to the extensive TAV impairments the Board decided to reevaluate its portfolio investments in order to fulfil all transparency requirements and provide a realistic picture of the fund's status to its investors. All in all, write-downs of goodwill for Ulan Ude, Bydgoszcz, Parma and ACV total EUR -43.06 million.

All non-recurring effects as described above (TAV impairment, TAV option write-down, goodwill depreciation of all existing investments plus a provision for litigation in the amount of EUR 10.00 million) total EUR -126,96 million, resulting in earnings before taxes of EUR -129.96 million.

The Group's consolidated revenues for the first 9 months of 2008 amounted to EUR 6.71 million, compared to EUR 0.81 million in 2007 and represented the income generated in this period by Baikal Airport-Ulan Ude (EUR 1.73 million), ACV-MS (EUR 1.48 million), Bydgoszcz Airport (EUR 2.50 million for the months March-September) and Parma Airport (EUR 1.00 million for the months July-September). The interest result for the first three quarters was EUR 13.80 million, compared to EUR 15.86 million in 2007. Earnings before interest and taxes (EBIT) for the first nine months of fiscal year 2008 were recorded at EUR -69.99 million.

The fund's consolidated cash and cash equivalents as of September 30, 2008 amount to EUR 387.62 million (thereof cash at AI Holding: EUR 351.88 million).

The clear commitment of the new Board remains unchanged: to focus all efforts on maximizing shareholder value by stopping the value destruction which the former management must take responsibility for, and by recovering as much of the share price losses investors have incurred since the IPO as possible.

As already announced, the new board has initiated a comprehensive evaluation of the fund's status and the status of the value of its assets as well as of its financial and legal obligations, which is scheduled to be completed by the beginning of 2009. In addition the new board has not only initiated a thorough review of all investment plans for the respective assets but also a thorough review of their operational expenses. In line with general trends in the airport industry, the new Board of Directors has initiated a review of cost management at all current portfolio assets in cooperation with the local airport management teams. Every expense item will be analyzed to identify cost saving potentials in order to stabilize the unsatisfactory financial performance of AI's portfolio assets.

"In contrast to the former Board, we follow a very active and hands-on management approach", Vilsmeier adds. "Our clear aim is to strengthen business development at each airport." Together with the local management, the Board is working to identify new growth drivers and sources for aviation-related and non-aviation revenue.

Vilsmeier: "Under the previous management, AI was a virtual company without its own infrastructure and with undermanaged subsidiaries. The new Board has implemented decision-making and control mechanisms in line with prevailing best practices for international investment companies." With regards to future investments, the new Board has initiated an assessment of all strategic options for its portfolio and the fund with the purpose of increasing value for all AI shareholders. As already announced, potential steps may range from the long-term development of individual airports to a sale of single assets or the entire portfolio. The new board would expect to have made significant progress in this assessment also until beginning of 2009. As AI does not see attractive investment opportunities in the current market environment which would fit the investment criteria of the new Board, there are no new investments on the agenda. Hence, AI does not intend to invest its remaining cash reserves in new projects outside its current portfolio. New investments could be considered only if AI saw the realistic possibility of attractive returns combined with low implementation risk.

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The following table provides an overview of the development of the value of the investments undertaken by the previous management entity Meinel Airport Managers Ltd. during the former Board's tenure.

Development of investments in MEUR	Purchase price	As of Dec. 31, 2007	As of Dec. 31, 2007 RESTATED	As of Sep. 30, 2008	
AD-M Airport Design & Management GmbH (49%)	5,53	5,60	2,10	2,20	1)
ACV Management Services s.r.o. (51%)	9,39	10,12	0,00	0,00	2)
Baikal Airport – Ulan Ude (100%)	17,52	17,52	9,52	4,96	2)
Shareholding TAV Havalimanlari Holding AS (10.1%)	185,29	150,88	150,88*	86,07	1)
Option representing 4% shares of TAV	19,03	9,14	9,14	0,50	1)
Sochaczew Airport – Planning company (40%)	2,39	February 2008	February 2008	2,39	1)
Bydgoszcz Airport (49%)	24,23	March 2008	March 2008	10,80	2)
Parma Airport (SO.GE.A.P. S.p.A.) – (67.9%)	22,02	July 2008	July 2008	7,15	2)

* "Fair value loss" of EUR 34.41 million reflected in income statement (instead of in equity)

1) IFRS book value of investment in associated entity

2) IFRS equity attributable to shareholders equalling net assets

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