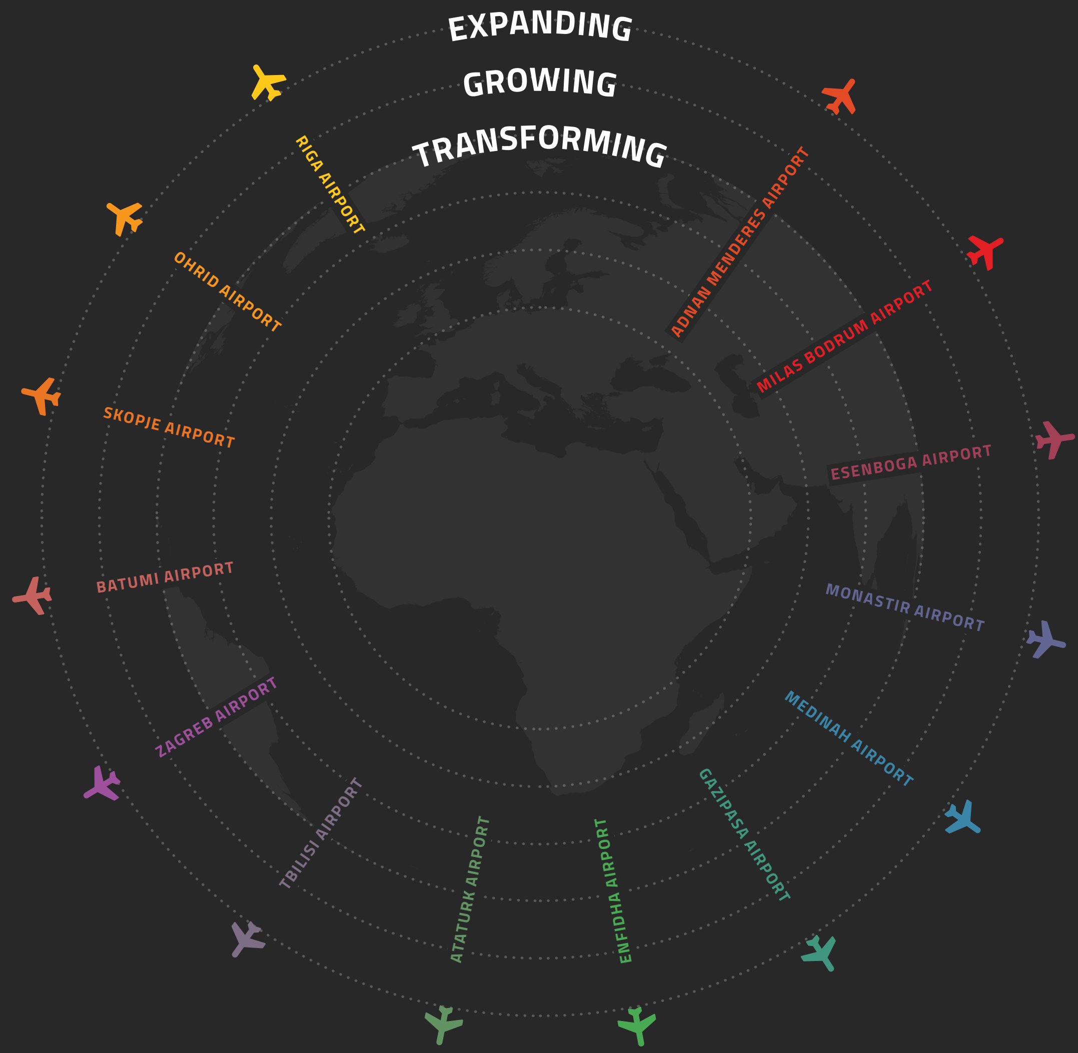
TAV Airports

2017 ANNUAL REPORT



CONTENTS

TAV Airports, Turkey’s global brand in airport management continues to grow.

The number of passengers served by TAV Airports grew 10% in 2017.

TAV Airports has a well-diversified airport portfolio that spans many different aviation markets.

TAV Airports has accumulated a wealth of intellectual and social capital to continue to deliver superior performance in the future.

TAV Airports

Total investment of TL 166 million

TAV Airports continues to invest in the future of airport management.

43% growth in passenger traffic after the investment in Georgia

Passenger traffic grew significantly after the terminal capacity increase.

Three new airports in Saudi Arabia

TAV Airports won the concession to operate Yanbu, Al-Qassim and Hail airports.

Serving 115 million passengers

TAV Airports and its service companies serve a total of 77 airports in 19 countries across 4 continents.

Net Profit of TL 718 million

In 2017, TAV Airports' net profit increased 69%.

40% increase in EBITDA

TAV Airports' EBITDA increased 40% in 2017 and reached TL 2.14 billion.

An important strategic partnership with Groupe ADP

Groupe ADP increased its shareholding in TAV Airports, confirming its confidence in Turkey and TAV Airports.

A portfolio consisting of 23 airports and 228 million passengers

With the combined airport portfolio and know-how formed by this partnership...

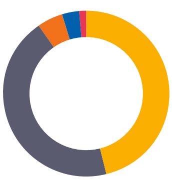
TAV AIRPORTS AT A GLANCE

TAV AIRPORTS: TURKEY'S GLOBAL BRAND IN AIRPORT OPERATIONS

TAV Airports, Turkey's global airport operator, has operations in many countries around the world. The Company operates Istanbul Ataturk, Ankara Esenboga, Izmir Adnan Menderes, Gazipasa Alanya and Milas Bodrum Airports in Turkey. In addition to Medinah Airport which it has operated since 2012, TAV Airports was also awarded the concession to operate the Yanbu, Hail and Qassim Airports in Saudi Arabia in 2017. TAV Airports is the current operator of Riga Airport in Latvia, Zagreb Airport in Croatia, and two airports each in Macedonia, Tunisia and Georgia. TAV Airports is also active in other areas of airport operations – including duty free retailing, food & beverage services, ground handling, information technology, security and operations services – together with its subsidiary and affiliate companies. These efforts serve to support the industry's development in the international arena.

In 2017, TAV Airports served nearly 836 thousand flights and 115 million passengers. The Company's shares are listed on Borsa Istanbul under the ticker code TAVHL.

TAV AIRPORTS OWNERSHIP STRUCTURE[1]



GROUPE ADP*
46.12%

TEPE INSAAT SANAYI A.S.
5.06%

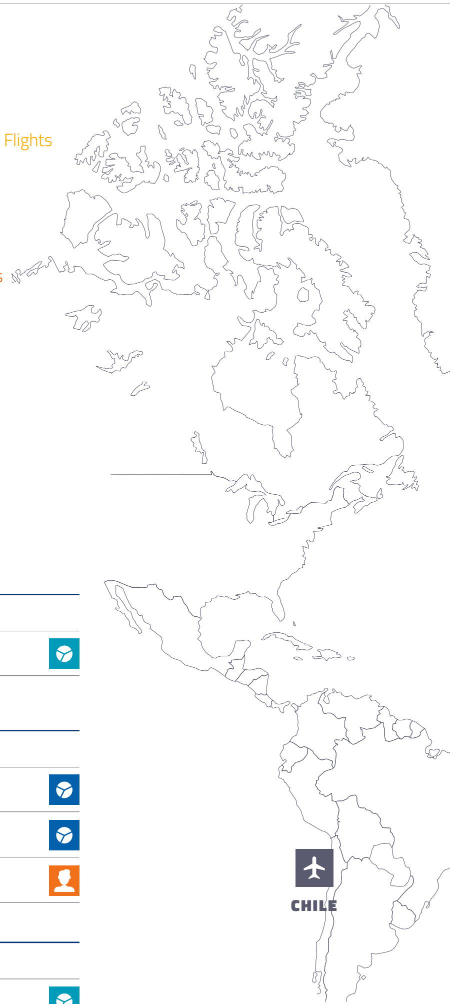
SERA YAPI ENDUSTRISI VE TICARET A.S.
1.29%

FREE FLOAT (OTHER)
44.33%

NON-FLOATING (OTHER)
3.2%

**TANK OWA Alpha GmbH, a wholly owned subsidiary of Groupe ADP*
[1]As of 31 December 2017

- TAV Operations
- ADP Operations
- TAV Commercial Flights
- ADP's Share
- TAV's Share
- ADP Passengers
- TAV Passengers



LATVIA

Riga A.
100%

Only Commercial Areas

FRANCE

Paris Charles de Gaulle A.
100%

Paris Orly A.
100%

Passengers
101,5 Million

CROATIA

Zagreb A.
15%

Zagreb A.
21%

Commercial Flights
42 Thousand

Passengers
3,1 Million

Concession Operator

JORDAN

Amman Queen Alia A.
9%

Passengers
7.9 Million

Management Contract and Strategic Partner

TURKEY

Istanbul Ataturk A.
100%

Izmir Adnan Menderes A.
100%

Ankara Esenboga A.
100%

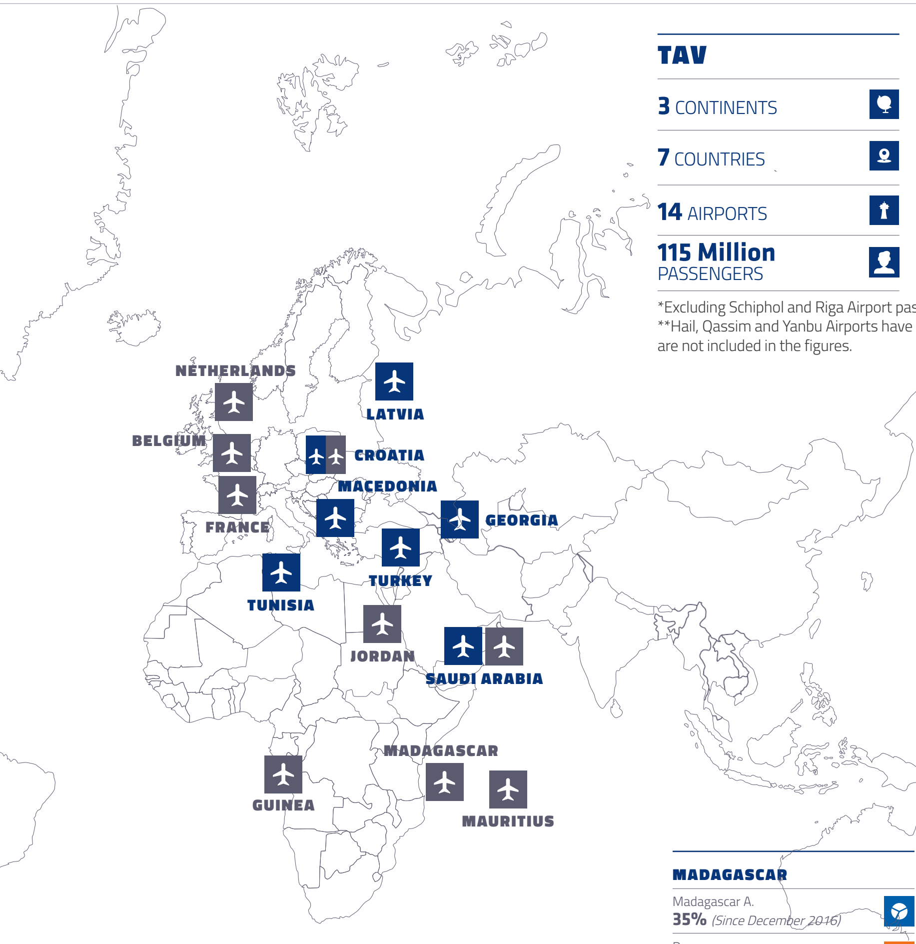
Gazipasa Alanya A.
100%

Milas Bodrum A.
100%

Commercial Flights
668 Thousand

Passengers
97 Million

OPERATIONS OF TAV AND ADP



TAV	TAV AND ADP
3 CONTINENTS	**4** CONTINENTS
7 COUNTRIES	**15** COUNTRIES
14 AIRPORTS	**23** AIRPORTS
115 Million PASSENGERS	**228 Million** PASSENGERS

*Excluding Schiphol and Riga Airport passengers
**Hail, Qassim and Yanbu Airports have not been taken over yet and therefore are not included in the figures.

TUNISIA
Monastir A.
67%
Enfidha A.
67%
Commercial Flights
12 Thousand
Passengers
1.7 Million
Concession Operator

SAUDI ARABIA
Medinah A.
33%
Commercial Flights
58 Thousand
Passengers
7.8 Million
Concession Operator

MADAGASCAR
Madagascar A.
35% *(Since December 2016)*
Passengers
1.1 Million
Management Contract

GEORGIA
Tbilisi A.
80%
Batumi A.
76%
Commercial Flights
38 Thousand
Passengers
3.7 Million
Concession Operator

CHILE
Santiago de Chile A.
45%
Passengers
21.4 Million
Concession Operator

NETHERLANDS
Amsterdam Schiphol A.
8%
Passengers
68.5 Million
Industrial Cooperation

REPUBLIC OF MAURITIUS
Mauritius A.
10%
Passengers
3.7 Million
Operator and Strategic Partner

MACEDONIA
Ohrid A.
100%
Skopje A.
100%
Commercial Flights
18 Thousand
Passengers
2.0 Million
Concession Operator

GUINEA
Conakry A.
29%
Passengers
0.5 Million
Operator

BELGIUM
Liège A.
25.6%
Strategic Partner

SAUDI ARABIA
Jeddah A.
Jeddah Hajj Terminal
Passengers
8.0 Million
Management Contract and Strategic Partner

TAV'S GROWTH STRATEGY

TAV Airports built its growth strategy on three pillars: organic growth, inorganic growth, and growth of service companies.

ORGANIC GROWTH

We are on three continents, in seven countries, and at 14 airports. The number of passengers we serve increased 10% and reached 115 million in 2017. Our primary target in the upcoming period will be to maximize our revenue and profitability at all the airports where we operate.

INORGANIC GROWTH

With our strong partners and integrated business model, we plan to focus on new and profitable business opportunities all over the world in the coming period.

GROWTH OF SERVICE COMPANIES OUTSIDE OF TAV

Over the years, our service companies have significantly contributed to TAV's success and started to provide services at airports not operated by TAV. We believe that the world aviation sector will soon meet with our star companies rising from Turkey in areas such as duty free, food & beverage, ground handling and information technologies.

BOARD OF DIRECTORS' MESSAGE

In 2017 Groupe ADP increased its stake in TAV Airports to 46%. This acquisition identifies TAV Airports as the main growth vehicle of Groupe ADP in Emerging Europe, Baltics, CIS, Middle East and Africa.

Edward Arkwright
Chair

Antonin Beurrier
Deputy Chair

Ali Haydar Kurtdarcan
Deputy Chair

Dr. M. Sani Sener
Member of the Board of Directors and President & CEO

Although 2017 started out with the echoes of many so-perceived risk factors on the global macro backdrop such as Brexit, Fed rate hikes and US politics, all-in-all, the year turned out to be the best year in terms of economic growth since the 2008 financial crisis. Therefore, it's not surprising that after the year passed, it was designated as the year when the crisis officially was over.

The main theme of the year was the acceleration of the US economy. After reaching full employment in 2016, the US economy picked up steam in 2017 with GDP growth accelerating from 1.3% in 2016 to 2.1% in 2017. As the economic growth accelerated in the US, inflation reached and passed the targeted 2% level, triggering a series of interest rate hikes by the Fed and an overall increase in short term USD interest rates.

Economic growth in Eurozone also accelerated in 2017 triggering a significant uptick in inflation. Eurozone is still not at the targeted 2% but the pick up has encouraged the ECB to give start to its own tapering process which has led to significant appreciation of the EUR in 2017. Given that it took Fed two years between starting to taper and delivering actual rate hikes it is reasonable to expect this process to be slow and data dependent.

2017 was also a good year for CIS, Emerging Europe and Sub-Saharan Africa as well. All these regions enjoyed significant acceleration in growth compared to their respective performances in 2016. Turkish economy too was among the high performers of 2017. The country shrugged off the effects of a very difficult 2016 and finished the year with an impressive 5.1% growth and a similar uptick in inflation.

Growth in the US is expected to continue strengthening in 2018 as well. India, China, MENA and Sub-Saharan Africa are also expected to switch to a higher gear in 2018. With this strong backdrop, Turkish economy is expected to continue its growth pace around 5%. Therefore, the general outlook for 2018 looks encouraging both for the world and for the geographies where TAV conducts and intends to conduct business.

According to IATA statistics the number of passengers in global air traffic is expected to double in the next twenty years with an average CAGR of 3.4%. IATA also expects Turkish air traffic to grow at a 4.7% CAGR in the next twenty years and become the ninth largest air travel market in the world. This remarkable growth is going to continue to fuel the infrastructure upgrade trend in that aviation sector. Airports are going to continue to be developed and privatized across the globe.

Therefore, both in the near term and in the long run, airport management looks well poised to continue to deliver superior growth. The core geographical areas where TAV Airports concentrates its business are strategically located to take the most advantage of this growth.

In 2017 Groupe ADP increased its stake in TAV Airports to 46%. This acquisition clearly expresses Groupe ADP's firm belief in the future of TAV Airports and identifies TAV Airports as the main growth vehicle of Groupe ADP in Emerging Europe, Baltics, CIS, Middle East and Africa. We believe that the future holds significant growth opportunities for TAV Airports.

We would like to thank our shareholders and our employees for their contribution in building this great brand and carrying it into the future.

** Source: IMF*

CEO'S MESSAGE

We will continue to serve the world proudly with the best-in-class know how that we developed in Turkey.

The main theme of 2017 for us and the aviation sector in general was recovery from a very difficult 2016. The recovery was very sharp and strong as we have seen many times before in different crises in the aviation sector.

We operate a highly diversified airport portfolio both in terms of geography and also underlying market dynamics. This gives us an operational hedge where soft performance of some airports in our portfolio are compensated by exceptionally strong performance of some other airports in the portfolio. We are also financially hedged because most of our revenues are in hard currency, while most of our expenses are in soft currencies. This protects us from depreciation of local currencies of the countries where we conduct business.

In the second half of 2017, the number of international Origin & Destination (O&D) passengers in Istanbul Ataturk Airport passed 2015 levels. In transfer passengers for most of 2017 we were at all-time highs. Izmir caught up to 2015 levels in international passengers with more direct routes served by Turkish carriers. Ankara had exceptional growth in 2017 with significant demand for new direct international routes introduced by Turkish carriers.

Georgian airports had an eye-catching 43% growth in passenger traffic driven by strong travel demand from Russia, Israel and Iran. We had anticipated this growth and invested in the Tbilisi Airport for better passenger comfort, safety and increased capacity. We opened the new arrival terminal building of Tbilisi Airport in the second quarter.

We continued to invest in the future of aviation during difficult times. As the outlook improved these investments have quickly started pay off. We also opened the new terminal building of Zagreb Airport in the first quarter 2017.

As the capacity of the holy cities to host pilgrims increases, the number of passengers flying to these cities also increases. We had a strong 2017 in Medinah and we are expecting a very strong 2018 with the announced increase in visa issuance by the KSA.

Aviation sector continues to have a strong long term growth outlook. According to Airports Council International (ACI) data, global passenger traffic is expected to grow at an average of 4.5% per year until 2040. The share of emerging markets in this traffic flow will increase from 45% to 60% meanwhile. With our expertise and focus on emerging markets we are well situated to take advantage of these favorable market dynamics in the future as well.

We hope to start the Cuban project in 2018 and we are evaluating airport operation projects in Eastern Europe, Africa and Middle East.

ATU invested in new shops and renovations in Turkey, Latvia, Georgia and Tunisia which contributed to a mild drop in passenger spend in a depreciating TRY environment.

BTA has started operations in Zagreb and Taif airports and will take over the operations in Muscat Airport in the first half of 2018.

Dr. M. Sani Sener
Member of the Board of Directors
and President & CEO

In addition to the airports we operate, TAV Operations Services is now in Germany, USA, Switzerland, Kenya, Oman, Chile, Rwanda and Denmark with lounge operations as it has become a truly global brand. It also serves Turkish Railways, Istanbul Sea Ferries and Global Ports Holding in Turkey.

We produce and use technology intensely. We can identify passenger needs and expectations and create innovative solutions by using technology. Our main technology asset, TAV Technologies has diversified its project, product and operation portfolio with new products that can be deployed in hospital infrastructure projects and has won several concessions in the KSA and UAE for deployment, operation and maintenance of IT systems. It has become a globally recognized solution provider for many tech problems in infrastructure assets. New products developed by TAV Technologies this year are TDAS, Passenger Flow Simulation, What-if Scenario Manager, SMART FIDS, Oculus VR, Car Park Single Space System and MED Airport Mobile Application.

There was a strong recovery in ATMs in all airports served by Havas, which also was supportive of the strong 2017 financial results.

TAV paid TRY 2 billion to the Turkish state in the form of social security, tax and rent. The company will continue to create social benefit to foster economic growth in its operating geography.

During 2017, our shareholder structure changed. Groupe ADP bought another 8.1% stake in the company from Akfen Holding and increased its stake to 46.1%. TAV Airports now represents a significant growth and expansion opportunity for Groupe ADP in our core geography which spans Eastern Europe, The Baltics, CIS countries, Central Asia, Middle East and Africa. This will be a very exciting new period for all TAV Airports shareholders as we launch our company into the future. We are financially strong, endowed with the best in class human resources, have developed an excellent reputation in airport management and know our core regions very well. With this acquisition made by Groupe ADP, we will be benefiting from both our own brand and Groupe ADP's global brand recognition.

In 2017, our consolidated revenue increased 3% and reached EUR 1143 million. EBITDAR increase was much stronger at 12% mainly with improved cost control. EBITDA increased 13% and reached EUR 519 million. We served around 115 million passengers in 2017, indicating 10% growth compared to 2016. We finished the year with 9% growth in Istanbul Ataturk Airport international O&D passengers and 7% growth in Istanbul international passengers. Our net profit grew at 37% and reached EUR175 million. In all items we have either met our revised guidance or have performed better than guidance, due to better than expected passenger recovery.

In 2017, we distributed TRY248 million in dividends in line with our "smart growth" strategy and our official dividend policy of 50% payout. Similarly, for 2018, our Board of Directors has resolved to submit for shareholder approval, a dividend of TRY406 million, out of 2017 earnings at the General Assembly meeting, which corresponds to a payout of 50%. We will continue to produce value for our investors both through regular dividend payments and addition of new concessions to our portfolio for further enhancement of future returns.

We are expecting another strong year in 2018 with 10 to 12 percent growth in total TAV passengers Under our traffic and FX assumptions and assuming Istanbul Ataturk Airport will operate for the full year in 2018, we expect 6 to 8 percent growth in Istanbul Ataturk Airport international passengers, 9 to 11 percent growth in Istanbul Ataturk Airport international O&D passengers, 2 to 4 percent growth in consolidated revenue, 5 to 7 percent growth in EBITDA, double digit increase in net profit and approximately EUR 80 million capital expenditures compared to 2017.

I would like to thank our shareholders, our employees and all our stakeholders for building one of the truly global Turkish brands. We will continue to serve the world proudly with the best-in-class know how that we developed in our home country.

CONCESSIONS AT A GLANCE

Airport	Type/ Expiry Date	TAV Stake	Scope	Fee/ Passenger International	Fee/ Passenger Domestic	Volume Guarantee	Guarantee Concession/ Lease Fee
Istanbul Ataturk	Lease (Jan. 2021)	100%	Terminal	US$15 €2.5 (Transfer)	€ 3	-	$140m + VAT
Ankara Esenboga	Build Operate Transfer (BOT) (May 2023)	100%	Terminal	€ 15 €2.5 (Transfer)	€ 3	0.6 M. Dom., 0.75 Int'l for 2007+5% pea	-
Izmir A. Menderes	BOT + Concesssion Lease (Dec. 2032)	100%	Terminal	€ 15 €2.5 (Transfer)	€ 3	-	€29m starting from 2013[6]
Alanya - Gazipasa	Lease (May 2034)	100%	Airport	€ 10[5]	TL7.5[5]	-	$ 50,000 + VAT[4]
Milas Bodrum[8]	Concession (Dec. 2035)	100%	Terminal	€15	€3	-	+€28.7m + VAT[9]
Tbilisi	BOT (Feb. 2027)	80%	Airport	US$24	US$6	-	-
Batumi	BOT (Aug. 2027)	76%	Airport	US$12	US$7	-	-
Monastir&Enfidha	BOT+Concession (May 2047)	67%	Airport	€ 9	€ 1	-	11-26% of revenues from 2010 to 2047
Skopje&Ohrid	BOT+Concession (March 2030)	100%	Airport	€17.5 Skopje, €16.2 Ohrid	-	-	4% of the gross annual revenue[1]
Medinah	BOT+Concession 2037	33%	Airport	SAR 87[2]	-	-	54.5%[3]
Yanbu, Hail & Qassim[2,10]	BOT+Concession 2047	50%	Airport	SAR 87[2]	SAR 10	-	3% of the gross annual revenue for Yanbu, 3.6% of the gross annual revenue for Hail and Qassim until 2026, 7.2% for between 2026 and 2047
Zagreb	BOT+Concession (April 2042)	15%	Airport	€15[7], €4(transfer)	€ 7	-	€2.0 - €11.5m fixed 0.5% (2016) - 61% (2042) variable

[1] Concession fee will be 15% of the annual gross turnover until the number of passengers using both airports reaches 1 million. When the number of passengers exceeds 1 million, this ratio will change between 2% - 4% depending on the number of passengers.
[2] SAR 87 from both departing and arriving international pax. Pax charge will increase as per cumulative CPI in Saudi Arabia every 3 years.
[3] The concession charge will be decreased to 27.3% for the first 2 years that follow the completion of the construction.
[4] TAV Gazipasa will make a fixed yearly rent payment of US$ 50,000 + VAT until the end of the operating period. In addition, TAV Gazipasa will pay 65% of its net profit to DHMI at the end of each operating year as profit share.
[5] Per-passenger tariffs were revised as of January 1, 2015.
[6] Based on cash.
[7] International, domestic and transfer passenger service fee of € 10, € 4, and € 4, respectively, prior to April 2014.
[8] TAV assumed the operation of Milas Bodrum International Terminal on October 22, 2015.
[9] A lump sum amount of € 143 million equivalent to 20% of the bid price for TAV Milas Bodrum Airport was paid in August 2014.
[10] The Company plans to take over these airports in 1H 2018.

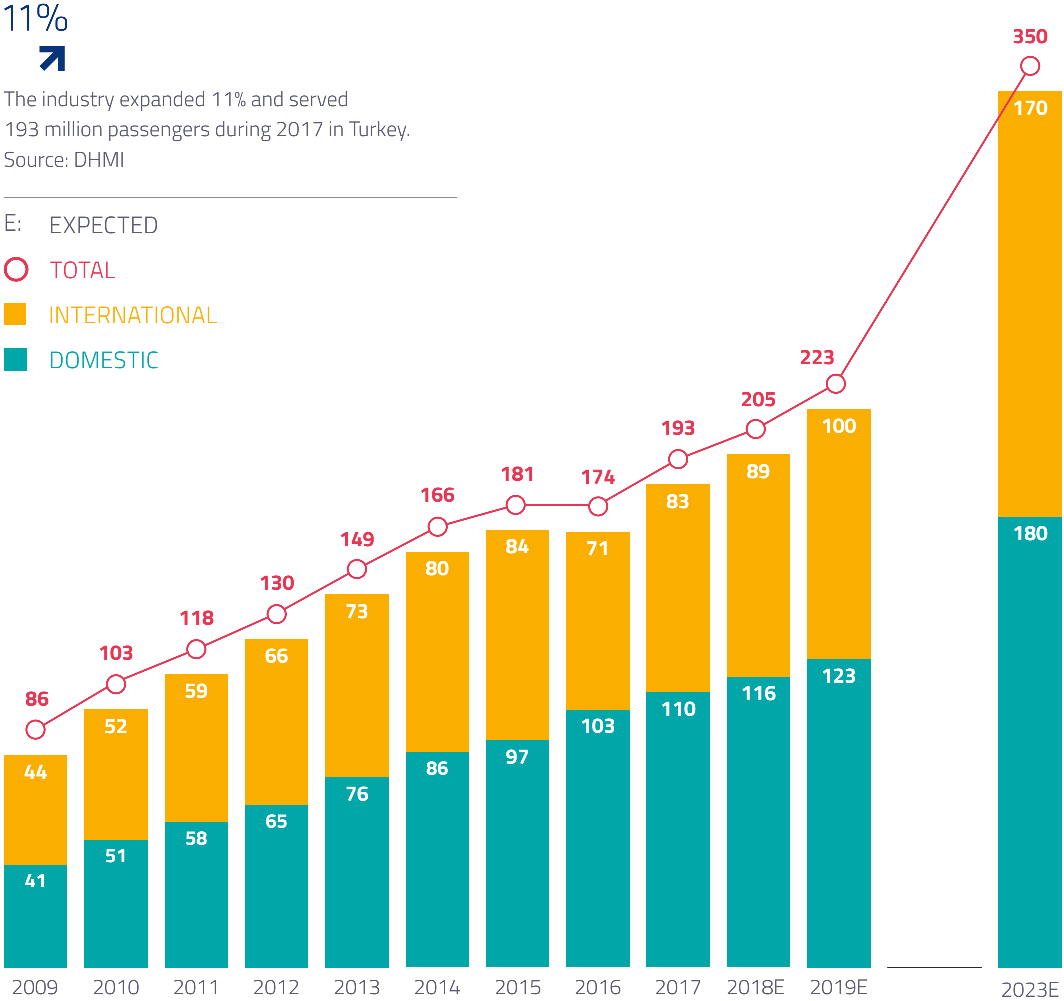
MAJOR DEVELOPMENTS IN 2017

AVIATION INDUSTRY AND TAV

TOTAL NUMBER OF PASSENGERS IN TURKEY (MILLION)

11%

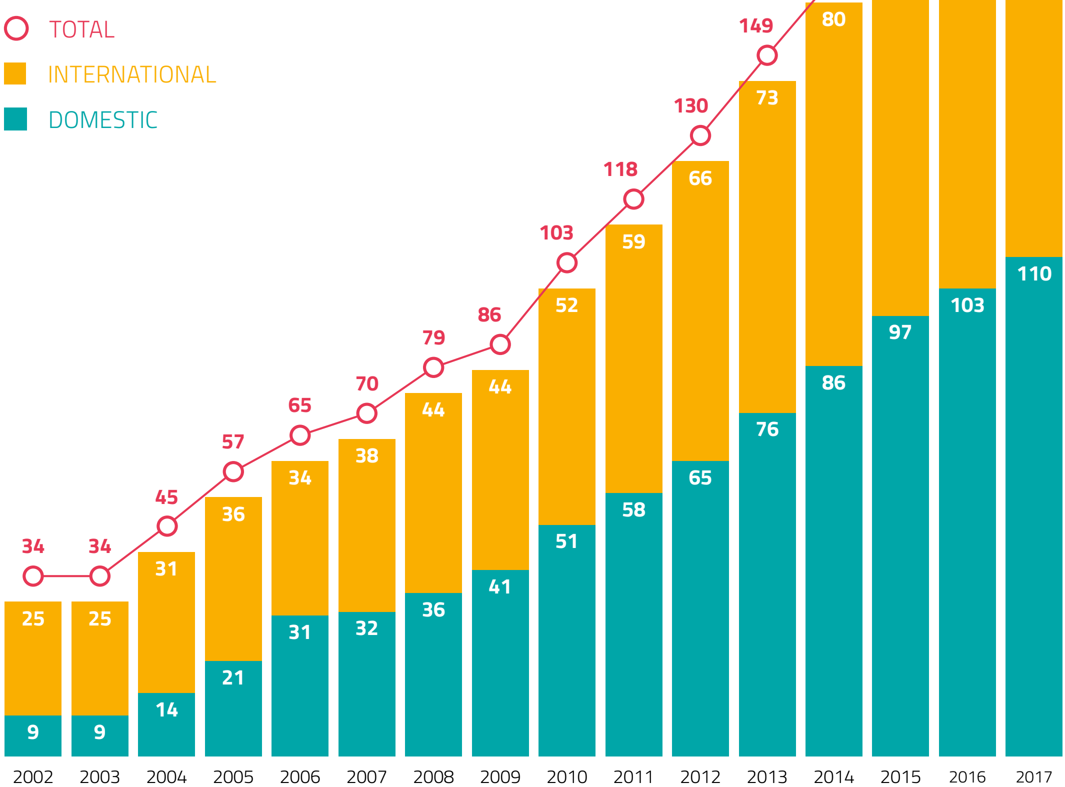
The industry expanded 11% and served 193 million passengers during 2017 in Turkey.
Source: DHMI



TOTAL NUMBER OF PASSENGERS IN TURKEY (MILLION)

16%

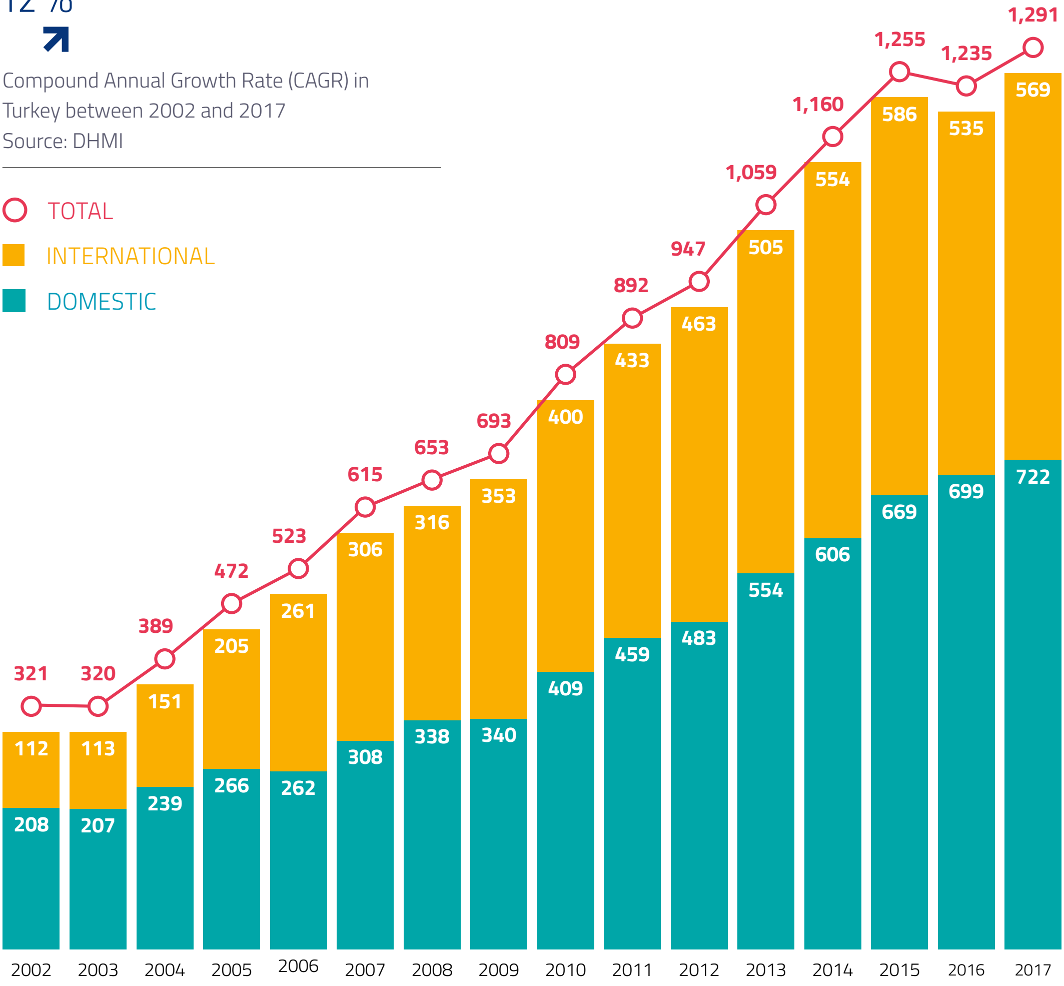
Compound Annual Growth Rate (CAGR) in Turkey between 2002 and 2017 is 16%.
Source: DHMI



TURKEY TOTAL COMMERCIAL FLIGHTS (THOUSAND)

12%

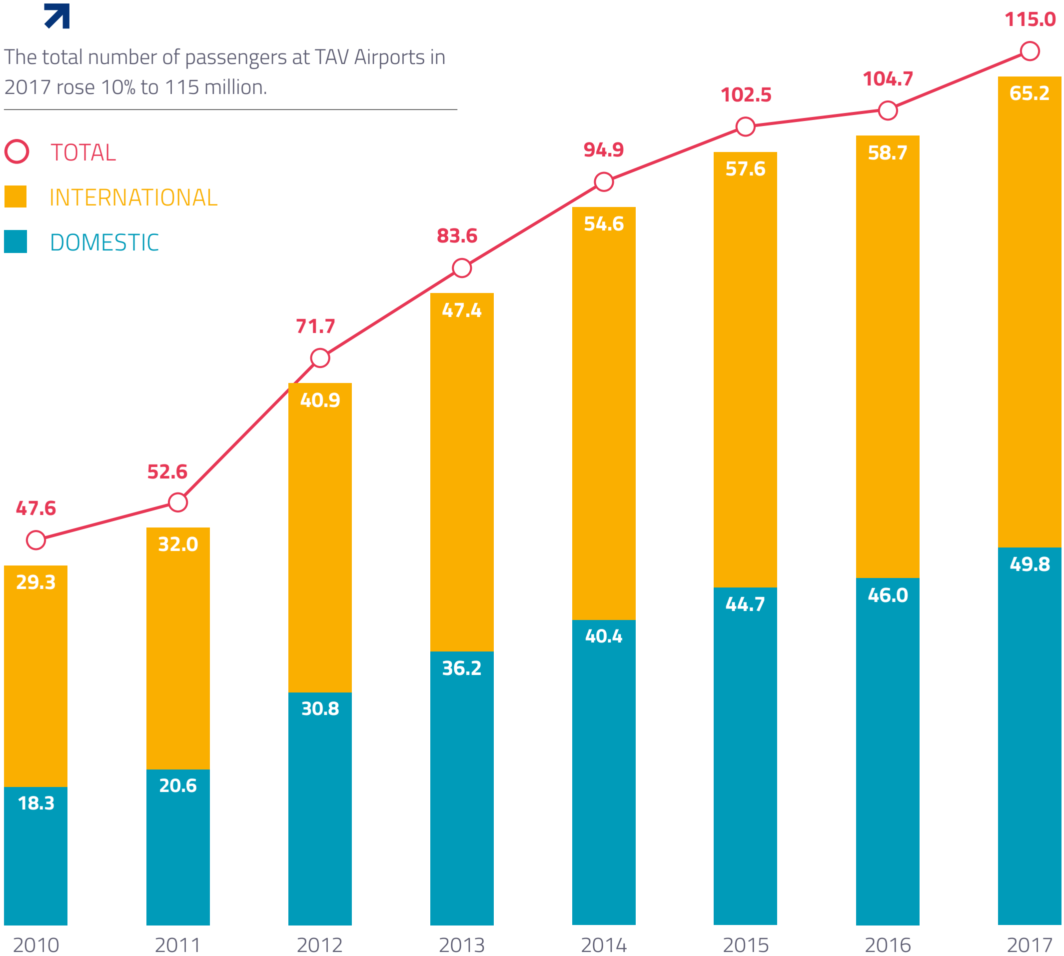
Compound Annual Growth Rate (CAGR) in Turkey between 2002 and 2017
Source: DHMI



TOTAL NUMBER OF PASSENGERS AT TAV AIRPORTS (MILLION)

10%

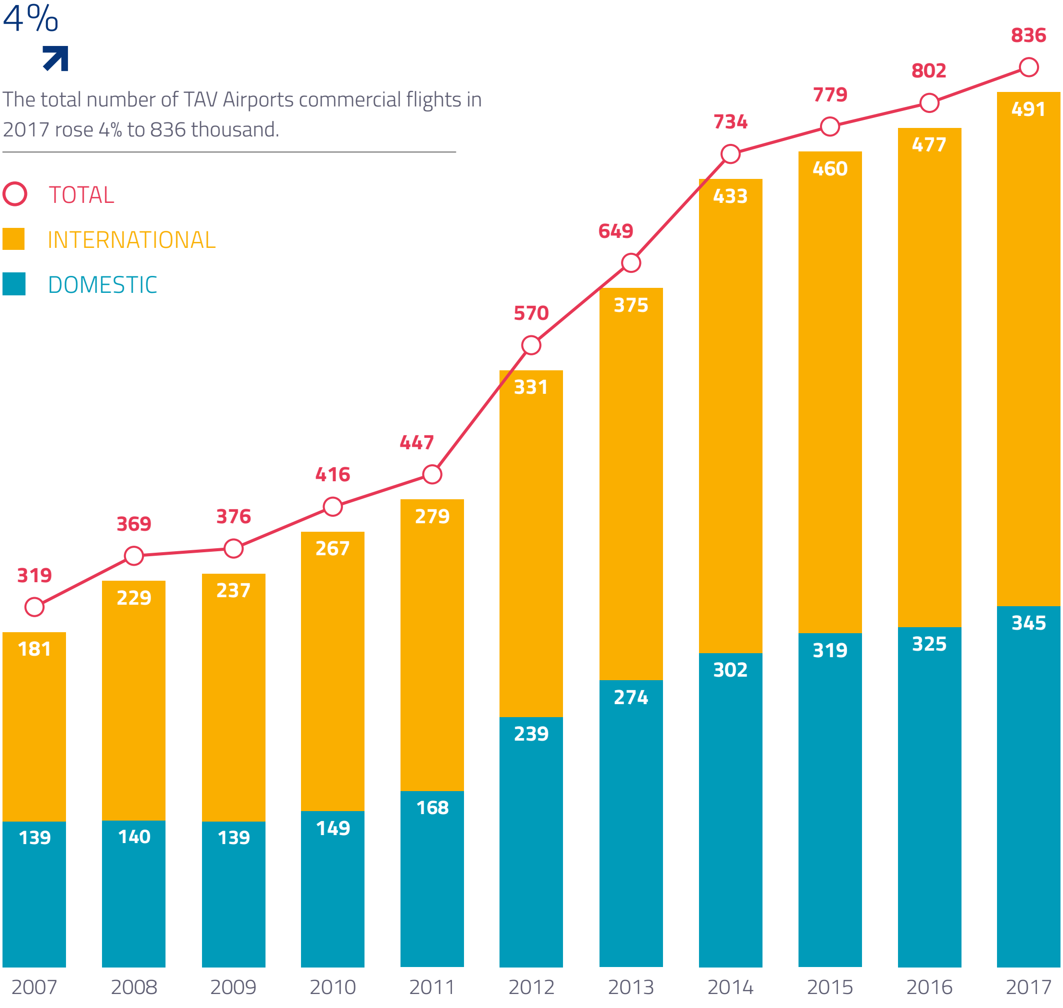
The total number of passengers at TAV Airports in 2017 rose 10% to 115 million.



TAV AIRPORTS TOTAL COMMERCIAL FLIGHTS (THOUSAND)

4%

The total number of TAV Airports commercial flights in 2017 rose 4% to 836 thousand.



Traffic Outlook

1 **World air traffic is projected to double in the next 20 years.**

- Boeing projects 4.7% CAGR for world air traffic between 2017 and 2036.
- Airbus projects 4.4% CAGR for world air traffic between 2017 and 2036.
- IATA expects 7.8 bn pax to travel in 2036 a near doubling of 4 bn in 2017

**Source: IATA, Airbus Global Market Forecast 2017, Boeing Current Market Outlook*

2 **Turkish air traffic is projected to double in the next 10 years**

- While Eurocontrol expects 7% CAGR for Turkey until 2020, the State Airports Authority (DHMI) estimates 9% CAGR until 2023.
- IATA expects Turkish air traffic to grow at a 4.7% CAGR in the next twenty years

**Source: IATA, Eurocontrol, DHMI*

3 **New aircraft orders of major Turkish airline companies are growing.**

- Turkish Airlines plans to expand its fleet to 369 aircraft while Pegasus expects to reach 94 aircraft by 2020.

**Source: THY Presentation (November 2017), Pegasus Presentation (November 2017).*

4 **Ataturk Airport is expected to have about a 7% seat capacity increase for international flights in 2018.**

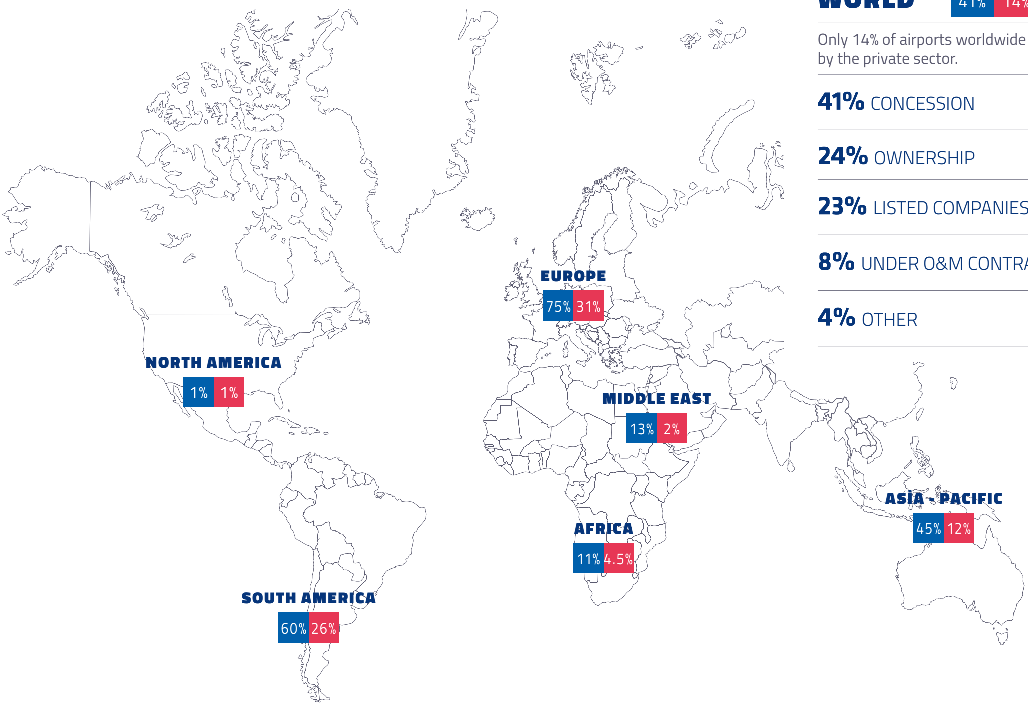
**Source: Ministry of Transportation, DHMI*

Turkey	GDP per capita (US$)	Flight per passenger
2016	18,937	0.96
2017	19,280	1.03
2018	19,619	1.12
2019	20,058	1.20
2020	20,541	1.28
2021	21,016	1.36
2022	21,613	1.43
2023	22,213	1.51
2024	22,800	1.59
2025	23,389	1.67
2026	23,948	1.74
2027	24,525	1.82
2028	25,098	1.89
2029	25,680	1.97
2030	26,309	2.04
2031	26,970	2.12
2032	27,669	2.19
2033	28,453	2.27
2034	29,267	2.35
2035	30,111	2.42
2036	31,007	2.50

**Source: Airbus*

AIRPORT PRIVATIZATION OPPORTUNITIES

Only 14% of airports worldwide are operated by the private sector.



WORLD 41% 14%

Only 14% of airports worldwide are operated by the private sector.

41% CONCESSION

24% OWNERSHIP

23% LISTED COMPANIES

8% UNDER O&M CONTRACT

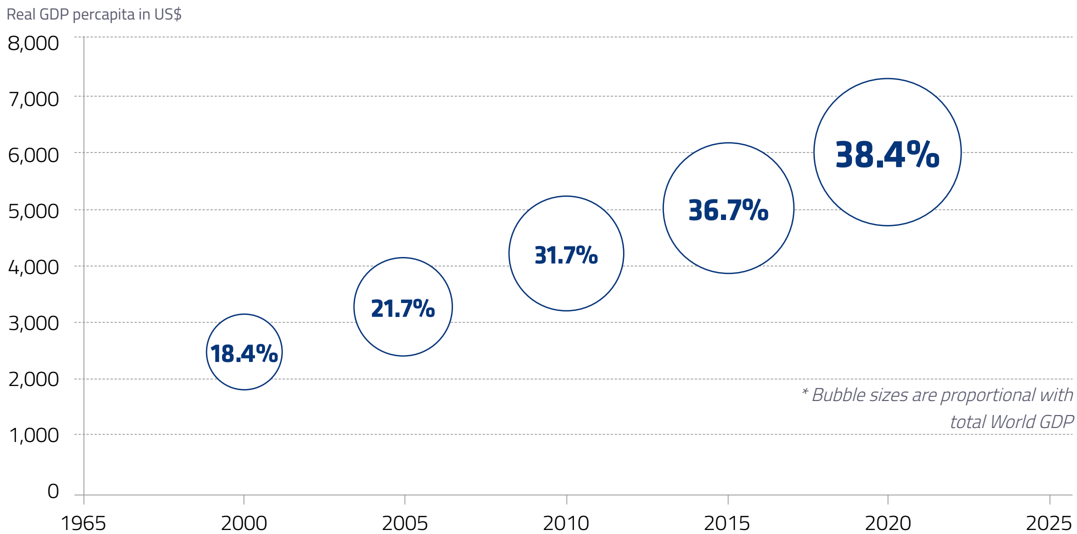
4% OTHER

% Share of passenger traffic at airports operated or financed by private enterprises

% Share of airports operated or financed by private enterprises

EMERGING MARKETS GDP PER CAPITA

Per capita income in developing countries is rising.



Source: IHS Market Economics

Domestic passenger traffic in Turkey will continue to grow over the next 20 years.

Growth in Domestic Passenger (%)	2016-2026 CAGR	2026-2036 CAGR	2016-2036 CAGR
Central Europe	5.0	3.0	4.0
Former Soviet Republics	5.0	3.0	4.0
Developing Asia	8.0	5.4	6.7
India	10.7	6.8	8.8
Middle East	3.7	3.4	3.5
North Africa	4.5	2.8	3.6
Russia	4.1	2.9	3.5
Turkey	**7.4**	**4.3**	**5.9**
U.S.A.	1.9	2.1	2.0
Western Europe	2.1	1.8	1.9

**Source: Airbus*

Macro Data for the Areas We Operate In*

Country	Indicators	Unit	Scale	2015	2016	2017	2018	2019	2020	2021	2022
Croatia	Gross domestic product. current prices	USD	Billion	48.9	50.7	53.5	57.9	60.4	62.9	65.1	68.9
	Gross domestic product per capita, current prices	USD	Thousand	11.6	12.2	12.9	14.0	14.6	15.2	15.8	16.7
	Inflation, average	% Change		-0.5	-1.1	1.1	1.2	1.5	1.7	1.8	1.9
	Population	Persons	Million	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1
Georgia	Gross domestic product. current prices	USD	Billion	14.0	14.3	15.2	16.7	18.0	19.5	21.2	23.0
	Gross domestic product per capita, current prices	USD	Thousand	3.8	3.9	4.1	4.5	4.9	5.3	5.7	6.3
	Inflation, average	% Change		4.0	2.1	6.0	3.0	3.2	3.0	3.0	3.0
	Population	Persons	Million	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Latvia	Gross domestic product. current prices	USD	Billion	27.0	27.7	30.2	33.7	35.8	37.9	39.8	41.7
	Gross domestic product per capita, current prices	USD	Thousand	13.6	14.1	15.4	17.2	18.4	19.5	20.5	21.5
	Inflation, average	% Change		0.2	0.1	3.0	3.0	2.5	2.4	2.3	2.3
	Population	Persons	Million	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9
Macedonia	Gross domestic product. current prices	USD	Billion	10.1	10.9	11.4	12.3	13.0	13.8	14.5	15.4
	Gross domestic product per capita, current prices	USD	Thousand	4.9	5.3	5.5	5.9	6.3	6.6	7.0	7.4
	Inflation, average	% Change		-0.3	-0.2	0.3	2.6	1.9	2.0	2.0	2.0
	Population	Persons	Million	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Saudi Arabia	Gross domestic product. current prices	USD	Billion	654.3	646.4	678.5	708.5	733.1	761.0	793.3	813.7
	Gross domestic product per capita, current prices	USD	Thousand	21.1	20.4	21.0	21.5	21.8	22.1	22.6	22.8
	Inflation, average	% Change		2.2	3.5	-0.2	5.0	2.0	2.2	2.1	2.0
	Population	Persons	Million	31.0	31.7	32.4	33.0	33.7	34.4	35.0	35.7
Tunisia	Gross domestic product. current prices	USD	Billion	43.2	42.1	39.9	39.3	41.3	43.6	46.1	48.8
	Gross domestic product per capita, current prices	USD	Thousand	3.9	3.7	3.5	3.4	3.6	3.7	3.9	4.1
	Inflation, average	% Change		4.9	3.7	4.5	4.4	4.0	3.8	3.6	3.5
	Population	Persons	Million	11.1	11.2	11.3	11.5	11.6	11.7	11.8	11.9
Turkey	Gross domestic product. current prices	USD	Billion	859.4	863.4	841.2	905.7	962.2	1,018.9	1,074.9	1,132.2
	Gross domestic product per capita, current prices	USD	Thousand	10.9	10.8	10.4	11.1	11.7	12.3	12.8	13.4
	Inflation, average	% Change		7.7	7.8	10.9	9.3	8.8	7.9	7.5	7.5
	Population	Persons	Million	78.7	79.8	80.6	81.4	82.2	83.0	83.7	84.4

**IMF, World Economic Outlook Database, October 2017*

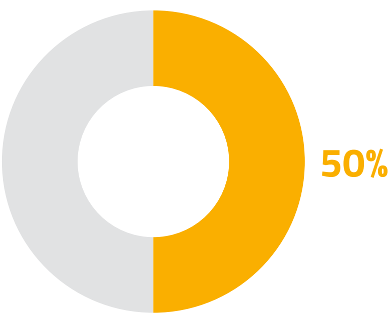
According to State Airports Authority (DHMI) statistics, total passenger traffic at Turkey's airports increased 11% during 2017 compared to the previous year and totaled 193 million.

The airports operated by TAV Airports in Turkey (Istanbul Ataturk, Ankara Esenboga, Izmir Adnan Menderes, Milas Bodrum and Gazipasa Alanya) accounted for 50% of total passenger traffic at Turkish airports in 2017. In the previous year, TAV's market share was 51%.

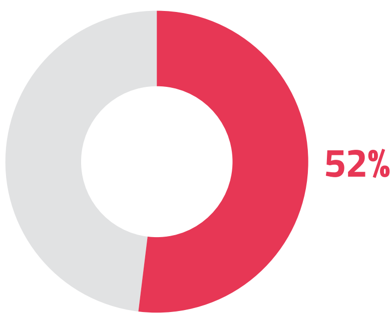
According to State Airports Authority (DHMI) data, total commercial flight traffic at Turkey's airports in 2017 increased 5% and totaled 1.3 million in 2017.

The airports operated by TAV Airports in Turkey (Istanbul Ataturk, Ankara Esenboga, Izmir Adnan Menderes, Milas Bodrum and Gazipasa Alanya) accounted for 52% of total commercial flights Turkish airports in 2017. In 2016, TAV's market share was 53%.

Passengers/Market Share



Commercial Flights/Market Share



FINANCIAL SUMMARY

The proposal for a total dividend payment of TL 406 million and TL 1.1186141 per share from the 2017 net profit will be submitted for the approval of the General Assembly.

Summary Consolidated Balance Sheet (TL thousand)	2016	2017	%
Current Assets	2,941,922	3,733,491	27%
Intangible Assets	6,840,585	7,972,059	17%
Total Assets	11,505,470	13,556,739	18%
Short-term Liabilities	3,339,448	4,120,045	23%
Long-term Liabilities	5,171,798	5,421,134	5%
Total Liabilities	8,511,246	9,541,179	12%
Equity	2,994,224	4,015,560	34%

Summary Consolidated Income Statement (TL thousand)	2016	2017	%
Revenues	3,721,986	4,686,016	26%
Gross Profit	1,656,555	2,059,658	24%
Operating Profit	1,172,260	1,559,893	33%
Financial Expense (net)	-557,259	-669,210	20%
Profit before Tax	702,051	1,009,289	44%
Net Profit	424,341	718,234	69%
EBITDA	1,523,725	2,140,740	40%
EBITDAR	2,031,682	2,818,381	39%
Net Debt	2,824,578	2,646,792	-6%

Summary Consolidated Cash Flow Statements (TL thousand)	2016	2017	%
Cash & Cash Equivalents at 1 January	672,598	1,169,935	74%
Cash Flow Provided from Operating Activities	2,123,525	1,146,460	-46%
Net Cash Used in Investing Activities	-301,626	-133,996	-56%
Net Cash Used in Financing Activities	-1,211,892	-893,671	-26%
Effects of Translation of Cash	-112,670	265,580	a.d.
Cash & Cash Equivalents at 31 December	1,169,935	1,554,308	33%

Financial Ratios	2016	2017
Return on Equity	13%	19%
Return on Assets	3%	6%
Current Ratio	0.88	0.91
Liquidity Ratio	0.87	0.90
Current Assets/Total Assets	0.26	0.28
Short-term Liabilities/Total Liabilities	0.39	0.43
Total Liabilities/Total Assets	0.74	0.70

CONSOLIDATED REVENUE (TL BILLION)

26%

TAV Airports' consolidated revenue in 2017 increased 26% year-on-year to TL 4.69 billion.

EBITDA (TL BILLION)

40%

TAV Airports' EBITDA in 2017 increased 40% year-on-year to TL 2.14 billion.

DIVIDEND DISTRIBUTION (TL MILLION)

TAV Airports 2017 dividend distribution of TL 406 million will be proposed to the General Assembly.

INVESTMENTS IN 2017

TAV Airports continued its business development and investment activities unabated in 2016 and completed the new Istanbul terminal and launched the runway rehabilitation project in Tbilisi.

Investments (TL Million)	2016	2017
Acquisition of Tangible Assets	250	96
Acquisition of Intangible Assets	110	70
Total	**359**	**166**

AWARDS AND ACCOMPLISHMENTS

- Two international projects by TAV Technologies were named the "Best IT Governance Project of the Year" by International Data Corporation (IDC), a world-renowned authority engaged in global research in the information technology field.
- TAV Airports has fulfilled the requirements of the program which was launched to promote female employment and prevent discrimination against women, and received a certification for its efforts. The initiative developed by the Women Entrepreneurs Association of Turkey (KAGIDER) and supported by the World Bank aims to put an end to gender discrimination in the workplace.
- TAV Technologies' Abu Dhabi Midfield Terminal IT Infrastructure Project was voted the winner of the iCMG Global Architecture Excellence Award. The project manager Binnur Guleryuz Onaran, who also serves as TAV Airports Holding CIO and TAV Technologies General Manager, was named the Best Global Business CIO.
- Constructed and operated by TAV, Izmir Adnan Menderes Domestic Terminal was cited as an exemplary project at a report issued by the US Green Buildings Council (USGBC). Adnan Menderes Airport Domestic Terminal holds the distinction of being the first terminal in Turkey to be issued Leadership in Energy and Environmental Design (LEED) certification by the USGBC.
- The Turkish Airlines Lounge at Washington Dulles Airport which is operated by TAV Operation Services was recognized by the Associated Builders and Contractors with an Excellence Award.
- Ankara Esenboga and Izmir Adnan Menderes Airports, operated by TAV Airports, fulfilled the requirements of Level 3+ certification as part of the Airport Carbon Accreditation program and ranked among the world's most environment friendly airports.
- TAV Airports will continue to be included in the Borsa Istanbul Sustainability Index in the 2017-2018 period as a result of independent rating agency assessments.
- Four TAV Airports companies were listed on the Fortune 500 Turkey ranking of the largest enterprises in Turkey. ATU ranked 79th on the list with TAV Istanbul, BTA, and HAVAS coming in at 114th, 289th, and 381st, respectively.
- TAV Airports received an award at the "Value Creators for Turkey" event organized by the monthly economic publication Turcomoney.
- Awarded 2nd prize as "Best IT Governance" for Abu Dhabi Midfield Terminal Building (MTB) and Riyadh Terminal 5 Projects at the IDC (International Data Corporation) Turkey 2017 CIO Summit.
- TAV Airports was the only Turkish company to receive an award from IR Magazine at the annual IR Magazine 2017 Europe awards. TAV Airports ranked first in Europe in the category of "best crisis management" at the 27th annual award ceremony held this year by IR Magazine, one of the most respected publications in investor relations.

OUR SERVICE COMPANIES IN 2017

Our service companies, with their best in class know-how in duty free, catering and IT aim to grow in the global arena.

OUR STRATEGIC SUBSIDIARIES AND SHAREHOLDING RATIOS

ATU	50%
BTA	100%
HAVAS	100%
TGS	50%
TAV TECHNOLOGIES	100%
TAV OPERATION SERVICES	100%
TAV SECURITY	100%
HAVAS LATVIA	100%
HAVAS SAUDI	100%

ATU

ATU ranks among the world's leading companies in duty free shop operations.

HAVAS

Eastern Europe, Russia and the CIS, the Arabian Peninsula and Africa (home to airports transitioning from monopolistic to competitive operation models) top the list of markets closely monitored by Havas for business opportunities.

BTA

Besides the 16 airports in 8 countries, BTA also offers food and beverage services for maritime facilities and life centers, and combines different tastes of the world cuisines with traditional Turkish hospitality.

TAV TECHNOLOGIES

The main objective of TAV Technologies is to provide integrated turn-key airport systems; increase productivity not only by offering IT solutions but also by restructuring business processes and; ensure the use of airport resources at the optimum level.

TAV OPERATION SERVICES

TAV Operation Services is active in a large number of countries such as the United States, Kenya, Switzerland and Chile.

TAV SECURITY

TAV Security is among the top 10 companies in the security sector in Turkey.

ATU

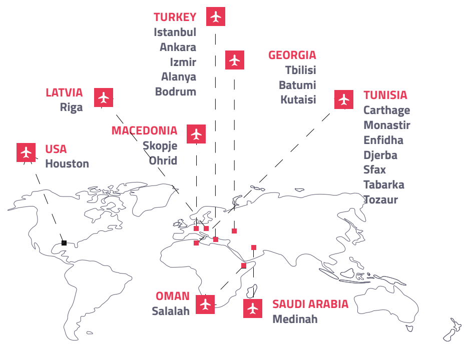
ATU, Turkey's largest duty free shop operator, provides an unparalleled shopping experience to millions of passengers year after year throughout its operations network worldwide.

Major Developments in 2017:

- Arrival 4 duty free shop, located on the Arrivals Floor of Istanbul Ataturk Airport's International Terminal, commenced operation in February.
- Mosafer opened for business as a duty free store in August on the Departures-Mezzanine Floor of Istanbul Ataturk Airport's International Terminal.
- Construction of the new Bazaar duty free shop, located on the Departures Floor of Ankara Esenboga Airport's International Terminal, was completed.
- Located on the Arrivals Floor of Izmir Adnan Menderes Airport's International Terminal, Arrival 2 duty free shop's expansion and renovation project was completed.
- The duty free store construction project on the Arrivals Floor of Milas Bodrum Airport General Aviation Terminal was completed.
- The expansion project for "Sarap," a store located at Tbilisi Airport, was conducted without interrupting sales operations and completed as of end-July.
- As part of the Tbilisi Airport Extension Project, the new Bus Gate Duty Free shop was completed and commenced operation in September.
- Renovation of the Main Duty Free store, located at Monastir Airport, was completed with the shop starting commercial operation in April.
- A new domestic terminal shop at Medinah Airport was completed and the outlet commenced operations in September.
- Toys & Besteller store project in Riga Airport has been completed and commenced operations in September.

Please scan this QR code or visit **www.atu.com.tr** for detailed information.

Locations served by ATU:



AIRPORTS:

- **TURKEY:** Istanbul Ataturk Airport, Ankara Esenboga Airport, Izmir Adnan Menderes Airport, Gazipasa Alanya Airport, Milas Bodrum Airport
- **LATVIA:** Riga International Airport
- **MACEDONIA:** Skopje Alexander the Great Airport, Ohrid St. Paul the Apostle Airport
- **GEORGIA:** Tbilisi International Airport, Batumi International Airport,
- Kutaisi International Airport
- **TUNISIA:** Tunisia-Carthage International Airport, Monastir Habib Bourguiba International Airport, Enfidha Hammamet International Airport, Djerba Airport, Sfax Airport, Tabarka Airport, Tozaur-Nefta International Airport
- **USA:** Houston George Bush International Airport
- **SAUDI ARABIA:** Medinah Airport
- **OMAN:** Salalah Airport

TARGET REGIONS:

Leveraging its international competitive strength to target new tenders in many regions across the globe, ATU will continue to closely monitor new tender opportunities in the United States, Middle East and Africa in the period ahead.

HAVAS

From Havas's perspective, 2017 was a year marked by significant recovery in ground handling services as well as positive developments in the passenger transportation and warehousing business lines.

Major Developments in 2017:

- Havas renewed contracts with a total of 20 airline companies in Turkey, including Air France/KLM, Ural Airlines, Turkmenistan Airlines, Belavia, and Corendon EasyJet.
- Havas renewed contracts with Royal Jordan, Air Arabia, Onur Air, and Sun Express in Saudi Arabia.
- Ground operations contracts have been renewed with the airports serving Turkish Airlines.
- Havas was awarded the Latvia Riga Airport Ground Handling License tender; the license was extended for an additional seven years.
- Havas won the tender for passenger transportation services between Gaziantep Airport and the City Center for a 33-month period.
- Havas was awarded the tender for passenger transportation services between Konya Airport and City Center for a 5-year period.
- The internal corporate assessment process for the Turquality program was completed.
- A passenger transportation contract was signed with Turkish Airlines and Pegasus Airlines for the Ordu-Giresun-Samsun route.
- Havas signed a warehousing and ground handling administrative building space allocation and lease contract to provide ground handling and freight services at the New Istanbul Airport.
- Havas resumed passenger transportation services in Ankara as of August 3, 2017 following the Ankara Administrative Court ruling in the Company's favor in the legal proceeding regarding passenger transportation.
- Havas boosted the number of passenger transportation trips completed by the Bodrum and Dalaman airport shuttle bus lines by 75% following Mugla Administrative Court's ruling in the Company's favor in the legal proceeding regarding passenger transportation.
- Havas began providing freight transportation services for Qatar Airways between Sabha Gokcen Airport and Ataturk Airport; subsequently, these services were expanded to cover freight services at Ataturk Airport.

Please scan this QR code or visit **www.havas.net** for detailed information.

TARGET REGIONS:
Russia and the Commonwealth of Independent States (CIS), the Arabian Peninsula, Africa, and Eastern Europe which are home to fast-growing airports transitioning from monopolistic to competitive operation models are on top of the list of markets that Havas closely monitors.

BTA

In 2017, BTA renovated all its locations to increase customer satisfaction while maintaining its position as one of the market leaders in the food & beverage industry thanks to investments in its production facilities.

Major Developments in 2017:

- Operations at the New Zagreb Airport commenced in March.
- Food & beverage outlets at the Yanbu and Taif Airports began commercial operation in June.
- Negotiations began for the operation of the food & beverage locations at Amman Queen Alia Airport, Tunisia-Carthage Airport, and Bahrain Airport.
- BTA signed a contract with OAMC to run Muscat Airport's food & beverage operations; commercial operation is expected to start in February 2018.
- BTA is providing consulting services to the ADP-TAV-BBI consortium for Cuba's Havana Airport.
- Tbilisi Airport's new terminal commenced operation in October 2017.
- Cakes & Bakes pastry division switched from manual to assembly-line production and began sales to 1,700 Migros stores.
- As a result of Cakes & Bakes's product development efforts, the Company launched production of long shelf life sandwiches; this new product line was added to the gas station, supermarket, and online sales portfolios as a new product channel.

SEA FERRIES
ISTANBUL, BURSA, BALIKESIR, YALOVA, IZMIT

BAKERY PRODUCTION FACILITY
CAKES & BAKES - ISTANBUL

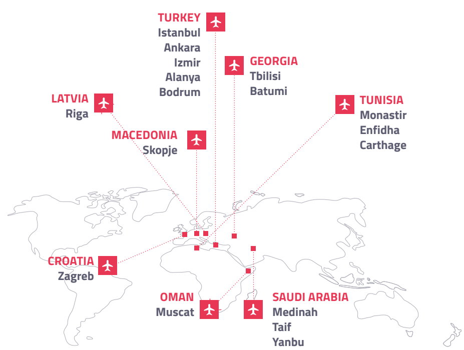
HOTEL MANAGEMENT
TAV AIRPORT HOTEL - ISTANBUL
TAV AIRPORT HOTEL - IZMIR

CITY POINTS
UNIQ ISTANBUL SHOPPING CENTER
CAPITOL SHOPPING CENTER - TADINDA ANADOLU

SUPPLY AND DISTRIBUTION
GIDA 360 - ISTANBUL

Please scan this QR code or visit **www.bta.com.tr** for detailed information.

BTA's Service Locations:



AIRPORTS:

- **ISTANBUL:** Ataturk Airport
- **ANKARA:** Esenboga Airport
- **IZMIR:** Adnan Menderes Airport
- **ANTALYA:** Gazipasa Alanya Airport
- **MUGLA:** Milas Bodrum Airport
- **GEORGIA:** Batumi Airport, Tbilisi Airport
- **TUNISIA:** Monastir Airport, Enfidha Hammamet Airport, Carthage Airport
- **MACEDONIA:** Skopje Alexander the Great Airport
- **SAUDI ARABIA:** Medinah Airport, Yanbu Airport, Taif Airport
- **LATVIA:** Riga Airport
- **OMAN:** Muscat Airport
- **CROATIA:** Zagreb Airport

TARGET REGIONS:
BTA, the largest company of Turkey in its field, continues to innovate and develop its business to become one of the most important players in the Middle East. While diligently following new opportunities in Europe, North Africa and the Middle East, it also makes use of arising opportunities at urban locations and land transportation hubs.

TAV | TECHNOLOGIES

TAV TECHNOLOGIES

TAV Technologies is a technology company that provides technology management in different areas such as aviation, construction, healthcare and manufacturing. The most important feature distinguishing TAV Technology from the other IT companies is its extensive know-how in airport processes and operations, experienced engineers, and experts who use advanced technologies. With 43 proprietary products, it is a global actor at 36 airports and 21 companies in 9 countries across 3 continents.

Major Developments in 2017:

- TAV Technologies successfully conducts operation and maintenance services at the Riyadh and Dammam Airports, which figure among the Company's clients outside of TAV Group.
- TAV Technologies was awarded the tender for operation and maintenance of AOS, BIT and ULV systems at the Riyadh KKIA Terminal 5 building for a 3-year term. Operational support on a 24/7 basis is provided via the control center, installed by TAV Technologies for this purpose, and SLAs that ensure a high level of accessibility to TAV Technologies.
- As of January 1, 2017, TAV Technologies began delivering ULV systems operation and maintenance services at Prince Mohammad bin Abdulaziz Airport (Medinah).
- Isparta City Hospital (PPP) IT Project was completed; operation and maintenance services began in March 2017.
- TAV Technologies successfully completed the certification audits for the ISO 9001: 2015 Quality Management System and the ISO 27001: 2013 Information Security Management System.
- TAV Technologies enhanced its portfolio with the addition of seven new strategic products: TDAS, Passenger Flow Simulation, Scenario Manager, Smart FIDS, Oculus VR, Parking Lot Routing Space Availability System, and Medinah Airport Mobile App.
- The TAV Technologies BRS product replaced the SITA BRS solution at Enfidha-Hammamet Airport.
- The CUPPS product successfully completed the IATA Standards compliance tests and obtained Compliance certification, becoming the first developer to certify this compliance on the Windows 10 operating system. Integration testing for the CUPPS platform was conducted with Lufthansa Systems at Frankfurt Airport.
- TAV Technologies completed six large-scale, strategic projects: EMAAR Project, Isparta Hospital, Tbilisi Airport Extension, Canakkale FIDS, Dammam TDAS, and Jordan QAIA Information Technology Assessment.
- TAV Technologies signed an agreement to provide consulting services to activate 11 critical systems as part of the ULV package in the Eskisehir City Hospital ULV systems consultancy project.
- The ongoing Abu Dhabi Midfield Terminal Building project is scheduled to be delivered in 2019.
- TAV Technologies completed the video-wall and Info Kiosk installation projects at the Riyadh KKIA and Dammam KFIA airports.
- The TAV Technologies FIDS system was activated at the Istanbul Ataturk Airport Domestic Terminal.
- Panaroma Information Technologies e-Ledger Project is completed which is a non-group company project.
- TAV Operations Services ERP Integration project scope is to create a centralized ERP interface to serve third party applications which belong to TAV OS. Project is ongoing.

Please scan this QR code or visit **www.tavtechnologies.aero** for detailed information.

Locations served by TAV Technologies (International)

AIRPORTS:

- **GEORGIA:** Tiflis Airport, Batum Airport
- **TUNISIA:** Monastir Airport, Enfidha Hammamet Airport
- **MACEDONIA:** Skopje Alexander The Great Airport, Ohrid Airport
- **QATAR:** Doha Airport
- **UAE:** Abu Dhabi Airport
- **SAUDI ARABIA:** Medinah Airport, Riyadh Airport, Dammam Airport, Jeddah Airport/ Jeddah GACA Headquarter area
- **THAILAND:** Phuket Airport/Advisory Services
- **INDONESIA:** Jakarta Soekam-Hatta International Airport/Advisory Services
- **JORDAN:** Queen Alia International Airport

Locations served by TAV Technologies (Domestic):

TARGET REGIONS:

TAV Technologies keeps track of and studies any opportunity that may arise wherever it may be around the world, as well as the emerging Middle East region. Having participated in bids to offer IT products and services to new airports in 2017, TAV Technologies has shown its international competitive power entering bids in Hungary, Lithuania, Ireland, United Kingdom in Europe; Chile in South America; Indonesia and Sri Lanka in Asia; Abu Dhabi, Dubai, Bahrain, Jordan in the Middle East; Mauritius and South Africa in Africa; Michigan, Orlando, Nevada in America.

TAV OPERATION SERVICES

TAV OPERATION SERVICES

TAV Operation Services carries out its activities in 57 private passenger lounges at 25 airports in 15 countries and also serves Istanbul Sea Ferries Yenikapi Station and Turkish Railways Ankara Station.

Major Developments in 2017:

- TAV Operation Services was awarded the tender for the operation of the Oman Muscat International Airport private passenger lounge, which is planned to serve 250,000 passengers annually with a 550-person seating capacity in a 3,050 square-meter area. The lounge is scheduled to open in January 2018.
- The Turkish Airlines CIP Lounges at Washington Dulles Airport in the United States and at Nairobi Airport in Kenya, currently operated by TAV Operation Services, serve 125,000 passengers at Dulles Airport and 70,000 passengers at Nairobi Airport each year.
- The 25,000 TAV Passport cardholders enjoy worldwide complimentary wi-fi access and "Fast Track" privileges at Sabiha Gokcen Airport. Cardholders will begin to enjoy exclusive benefits in car park and free shop services in 2017. TAV Operation Services is currently negotiating to add valet services at ISPARK and Istanbul shopping malls to the portfolio of benefits offered to TAV Passport Card members.
- Agreements were executed to enable 15,000 Lounge Card members to enjoy privileges at 200 private passenger lounges in 35 countries, in addition to all private lounges operated by TAV Operation Services. A world leader in its field, TAV Operation Services Global Lounge Card is expected to be made available as a mobile phone app in 2018.
- TAV Operation Services plans to serve 100,000 and 60,000 passengers, respectively, each year in the new private passenger lounges that it plans to open in Zurich Airport in March 2018 and in Copenhagen Airport opened in 2018.
- The Meet & Assist service began at Santiago Airport on November 1, 2017; negotiations are underway to provide Meet & Assist service at Dulles Airport (Washington, DC) and JFK Airport (New York).

Locations served by TAV Operation Services:

Please scan this QR code or visit **www.tavisletmehizmetleri.com.tr** for detailed information.

AIRPORTS:

- **TURKEY:** Istanbul Ataturk Airport, Ankara Esenboga Airport, Izmir Adnan Menderes Airport, Bodrum Milas Airport,
- **MACEDONIA:** Ohrid St. Paul the Apostle Airport, Skopje Alexander the Great Airport,
- **TUNISIA:** Monastir Habib Bourguiba Airport, Enfidha Hammamet Airport,
- **GEORGIA:** Tbilisi Airport, Batumi Airport,
- **SAUDI ARABIA:** Medinah Airport,
- **GERMANY:** Frankfurt Airport, Stuttgart Airport, Munich Airport, Leipzig Airport, Tegel Airport,
- **KENYA:** Nairobi Airport,
- **LATVIA:** Riga Airport,
- **USA:** Washington Airport,
- **OMAN:** Muscat Airport,
- **CHILE:** Santiago de Chile Airport,
- **DENMARK:** Copenhagen Airport,
- **SWITZERLAND:** Zurich Airport,
- **CROATIA:** Zagreb Airport.

Non-airport Commercial Developments:

- In March, TAV Operation Services began to lease commercial areas and market advertising areas at 35 Istanbul Deniz Otobusleri A.S. (IDO) terminals.
- The current agreement between Istanbul Deniz Otobusleri A.S. (IDO) terminals and Global Ports Holding was signed for the sales-marketing of commercial areas and allocation of commercial areas at 14 cruise ports of Global Ports Holding around the world, including Barcelona, Malaga, Lisbon, Valletta, Venice, Dubrovnik, and Kusadasi.
- Negotiations and preparations were launched for TAV Operation Services to assume the leasing operations of commercial areas at Marmaray stations, which are operated by TCDD.

Non-airport locations served by TAV Operation Services include:

- IDO Yenikapi Terminal Lounge Operation.
- TCDD Ankara Rail Station Lounge Operation.
- Commercial and advertising advisory services at 35 IDO terminals.
- Advertising and commercial advisory services at 14 cruise ports of Global Ports Holding.

TARGET REGIONS:

Projects, especially in Germany, Italy, France, Iceland, Switzerland in Europe; Albania, Macedonia, Serbia in the Balkans; Miami, New York, Washington D.C., Atlanta, Dallas in USA; Chile, Brazil, Colombia, Peru in South America; Senegal, Rwanda, Zambia, Kenya in Africa; Oman, Dubai, and Qatar in Middle East are followed.

TAV SECURITY SOLUTIONS

TAV SECURITY

TAV Security strives to provide high-quality services that exceed customer expectations in civil aviation, physical, electronic and personal security.

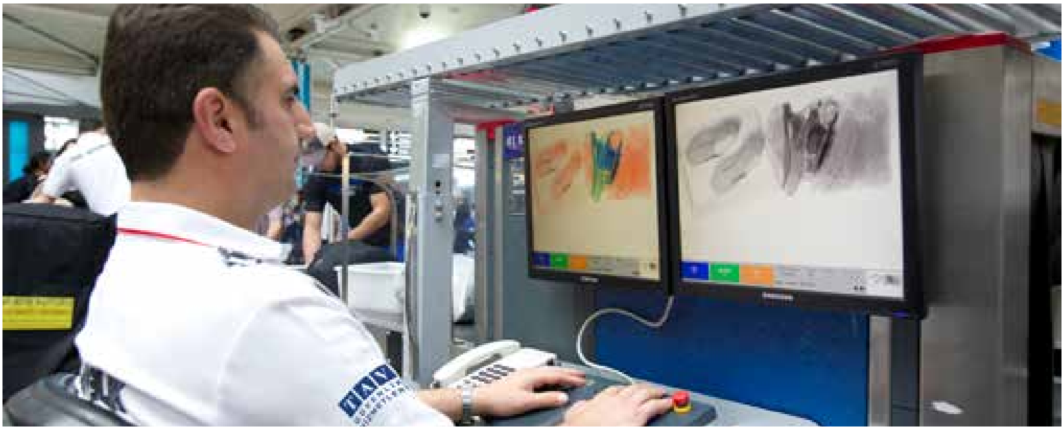
Locations served by TAV Security

AIRPORTS:

- **ISTANBUL:** Istanbul Ataturk Airport
- **ANKARA:** Esenboga Airport
- **IZMIR:** Adnan Menderes Airport
- **ANTALYA:** Gazipasa Alanya Airport
- **MUGLA:** Milas-Bodrum Airport

New Locations Added to the Portfolio in 2017:

- Turkish Airlines (Freight Terminal X-Ray Operation)/ Ataturk Airport
- Sancak Ucak Ici Servisleri A.S./Ataturk Airport
- Saudi Arabian Airlines/Esenboga Airport
- Garanti-Koza Insaat San. ve Tic. A.S. (Garanti-Koza Construction)
- Fulya Saglik Tesisleri A.S. (Fulya Health Care Facilities)/ Fulya-Gayrettepe
- Florence Nightingale Tip Merkezi A.S. (Florence Nightingale Medical Center)/Kadikoy
- Florence Nightingale Group Hospitals
- ATU Turizm Isletmeciligi A.S. (ATU)/Ataturk Airport
- MEF University



Please scan this QR code or visit **www.tavguvenlik.com** for detailed information.

TARGET REGIONS:
TAV Security's target regions encompass the Middle East, countries bordering Turkey, and North Africa.

HIGHLIGHTS OF 2017

FEBRUARY

- TAV Board of Directors resolved to submit for the approval of the General Assembly the decision to distribute TL 0.6825341 (68.25341%) gross cash dividend, corresponding to a net cash dividend of TL 0.5801539, per each share with a nominal value of TL 1 starting on March 22, 2017. The total proposed gross cash dividend to be distributed was TL 247,951,822.

MARCH

- The Saudi Arabian General Authority of Civil Aviation (GACA) issued a formal statement concerning the operation of Yanbu Airport in Saudi Arabia under a 30-year concession contract by the consortium formed by TAV Airports Holding and Al Rajhi Holding Group where each party has a 50% share in the consortium.
- The Ordinary General Assembly Meeting regarding 2016 operations convened on Monday, March 20, 2017 at 2 pm.

APRIL

- GACA, the national civilian aviation agency of Saudi Arabia, officially announced that the consortium comprised of TAV Airports Holding and Al Rajhi Holding Group, where each party has a 50% share in the consortium, was selected to operate the Qassim and Hail Airports for 30 years.

JUNE

- TAV Airports Holding submitted a bid for the tender held by the local authority Pakistan Civil Aviation Authority (PCAA) for the operation and development rights of airports in Pakistan for an operating period of 15 years + 15 years (optional).

JULY

- The share transfer of Akfen Holding's entire 8.119% stake in TAV Airports Holding to Tank OWA Alpha GmbH, which is wholly-owned by Groupe ADP (formerly Aéroports de Paris), a shareholder of TAV Airports, was completed.

- The Board of Directors resolved to appoint Mr. Philippe Eric Pascal to fill the seat vacated by the resignation of Akfen Holding, Mr. Fernando Echegaray del Pozo to fill the seat vacated by the resignation of Bilkent Holding, and Mr. Franck Mereyde to fill the seat vacated by the resignation of Mr. Augustin Pascal Pierre Louis Marie de Romanet de Beaune. All appointments will be presented to the shareholders for approval at the earliest General Assembly meeting.

AUGUST

- The Corporate Governance Rating Periodic Revision Report was completed by SAHA Kurumsal Yonetim ve Kredi Derecelendirme Hizmetleri, a rating firm officially authorized to assess compliance in Turkey with the Corporate Governance Principles as set forth by Turkey's Capital Markets Board. TAV Airports Holding's Corporate Governance rating was revised to 96.17 (9.62 out of 10) on August 18, 2017, up from its prior rating of 95.38 (9.54 out of 10) as of August 19, 2016. This upward revision resulted from the Company's strong focus on making continuous improvement to its corporate governance practices.

SEPTEMBER

- A public announcement stated that the share transfer of Tepe Insaat Sanayi A.S.'s 3.0% stake and Sera Yapi Endustrisi ve Ticaret A.S.'s 0.76% stake in TAV Airports to foreign institutional investors was completed on September 12, 2017.

OCTOBER

- TAV Airports Holding announced that it had reached an agreement to increase its shareholding in BTA Havalimanlari Yiyecek ve Icecek Hizmetleri A.S. from 67% to 100%.

NOVEMBER

- TAV Airports Holding submitted an application to the Capital Markets Board to amend Article 6 and Article 15.1 of the Company's Articles of Association.

SUBSEQUENT EVENTS

The Board of Directors of the Company resolved to present to the General Assembly for approval a dividend amounting to TL 406 million in cash, corresponding to cash dividend per share of TL 1.1186141.

INVESTOR RELATIONS AND BIST PERFORMANCE

There are four main principles TAV Investor Relations abides by in its day to day activities: accuracy, fairness, speed and

Investor Relations

TAV Investor Relations (TAV IR)'s main duty is to make sure that capital markets instruments issued by TAV Airports Holding are fairly valued. In order to attain this goal, TAV IR uses an arsenal of investor relations tools to communicate the equity story of TAV Airports in a thorough and accurate manner to different constituents of capital markets. TAV IR also makes sure that the Company is in full compliance vis-a-vis its obligations arising from capital markets legislation. TAV IR also coordinates all relevant stakeholders to make sure that the Company adheres to the highest corporate governance standards.

There are four main principles TAV IR abides by in its day to day activities: accuracy, fairness, speed and proactiveness.

Accuracy

TAV IR pays special attention to making sure that all information shared with capital markets participants is well researched, accurate and thorough. TAV IR believes that the flow of accurate and thorough information is paramount to establishing trust between the Company and capital markets participants.

Fairness

TAV IR is keen on making sure that all constituents of capital markets receive the same information regardless of function (buyside, sellside) or relative size.

Speed

TAV IR is highly aware that information also has a time dimension in capital markets, and that quick information is superior to slow information. With this awareness, TAV IR strives to respond to all requests for information promptly.

Proactiveness

TAV IR keeps a vigilant eye on the Company and its economic and legal ecosystem and identifies investor, legislative and corporate governance related issues before they are raised by capital markets participants and stakeholders. TAV IR then promptly and thoroughly addresses these issues.

In 2017, TAV Airports Investor Relations participated in a total of 12 roadshows and conferences and conducted meetings with approximately 400 investors and analysts in regards to the Company's operations, financials and other developments.

Stock Performance

The Company's shares, listed on Borsa Istanbul with the ticker TAVHL, traded between a low of TL 13.01 and a high of TL 22.46 in 2017. The Company's shares gained 69% in nominal terms and over 14% relative to the benchmark Borsa Istanbul index in 2017.

Corporate Governance Rating

The "Periodic Revision Corporate Governance Rating Report" issued by SAHA Corporate Governance and Credit Rating Services, a corporate governance rating agency that is also licensed to conduct corporate governance rating activities in Turkey, has been completed.

The Company's Corporate Governance Rating score that stood at 95.38 (9.54 out of 10) on August 19, 2016 was revised upwards to 96.17 (9.62 out of 10) as of August 18, 2017 thanks to the ongoing improvements made by the Company in implementing corporate governance principles. The Company's Corporate Governance Ratings by subcategory are presented below.

Subcategories	Weight	Score
Shareholders	0.25	95.77
Public Disclosure and Transparency	0.25	97.34
Stakeholders	0.15	98.82
Board of Directors	0.35	94.48
Total	**1.00**	**96.17**

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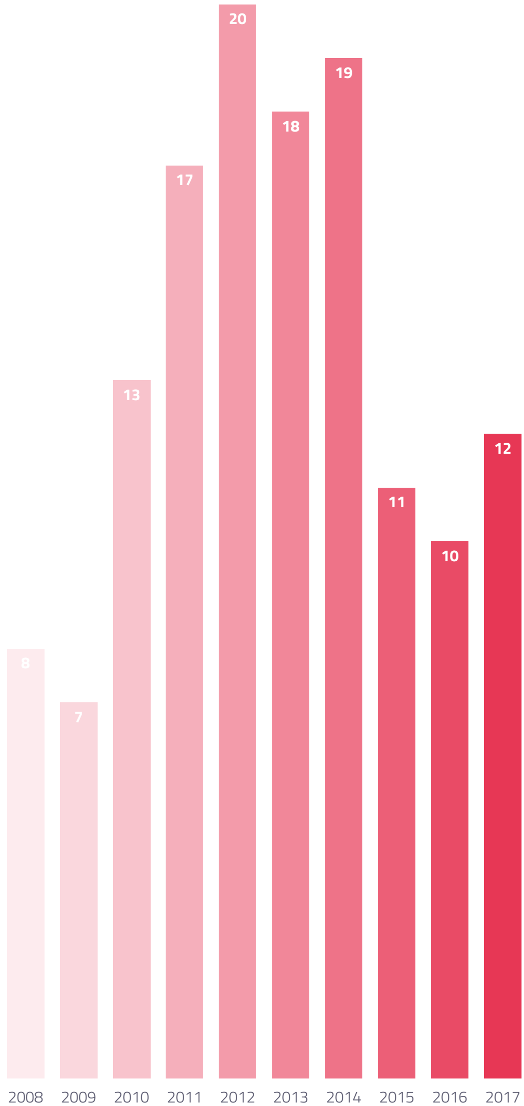
TAV Investor Relations Mobile Application	

ROADSHOWS AND CONFERENCES



CORPORATE GOVERNANCE AND SUSTAINABILITY

SUSTAINABILITY

1. Introduction

As globalization continues to broaden and deepen in the present day, the economic, environmental and social challenges as well as market opportunities become increasingly varied and diverse, at the same time, while enterprises that cannot overcome these challenges and take advantage of the opportunities available lose their ability to compete effectively. Economic and social changes impact global equilibrium and reverberate across various regions; problems such as climate change and depletion of natural resources necessitate cooperation between otherwise diverse stakeholders. Under these circumstances, companies need to constantly evolve their business models toward more participatory, transparent, and accountable conduct that respects people and nature in order to be an ongoing concern in today's highly competitive operating environment.

TAV Airports, which figures among the signatories of the United Nations Global Compact (UNGC) and the Women's Empowerment Principles (WEPs), strives to mitigate its environmental impacts and create social benefits while generating maximum value for its stakeholders in every country where it operates.

The principles required to achieve sustainable growth are at the core of all Company operations. A bottom-up and interdisciplinary organizational structure has been put in place to disseminate existing know-how within the Company and to conduct measurement, reporting and development efforts in a coordinated manner. The sustainability teams at the airport terminal operating companies report to the General Manager and Deputy General Manager of the respective enterprise and are responsible for carrying out measurement, assessment and reporting tasks related to key performance indicators set forth in the TAV Airports Holding Sustainability Strategy and Action Plan, and developing projects and recommendations to improve sustainability performance. The sustainability teams are comprised of representatives from energy management, waste management, water management, human resources, corporate communications, financial affairs and other related departments within the enterprises under the guidance of the General Manager and Deputy General Manager of each company. The TAV Airports Sustainability Committee is tasked with putting together and developing the Company's Sustainability Strategy and Action Plan; coordinating and steering the sustainability teams formed within the terminal operating companies and service companies as part of this effort; measuring, improving and reporting on the Company's sustainability performance. The Committee consists of representatives delegated by the managers of the related departments within the Company and the service companies. The chairs of the Sustainability Teams of operating companies also serve as members of the Committee.

TAV Airports is committed to disclosing its sustainability performance openly, transparently and comprehensively to all Company stakeholders. As part of this effort, TAV has reported not only on its economic performance, but also on the Company's environmental and social impact in compliance with internationally accepted standards since 2010. TAV Airports takes special heed of stakeholder participation and embraces a participatory management approach at every phase of its operations. TAV employs the internationally recognized Global Reporting Initiative (GRI) standards in order to present its reporting initiatives in a comparative and understandable manner.

2. Economic Impacts

TAV Airports strives to create maximum value for all stakeholders while also contributing to cultural and social development in every region it operates in. Airport operators generate direct economic value through the employment and income opportunities they create while producing ancillary benefits such as the development of various industries such as tourism. Believing in the importance of socially responsible investment, TAV Airports continues to be a component of the Borsa Istanbul Sustainability Index during the November 2017 – October 2018 period after initially becoming part of this key index in 2014.

3. Environmental Impacts

In order to strike an optimal balance between the soaring demand for air transport and efficient use of natural resources, TAV Airports strives to adopt and implement environmental best practices in every area it conducts operations. To this end, above and beyond complying with local and national legal and regulatory requirements, the Company engages in energy and environmental management at global standards to minimize its environmental impact.

Prioritizing climate change as one of the most significant environmental risks it faces, TAV's airport operating companies actively participate in the Airport Carbon Accreditation program administered by ACI Europe, the European arm of the Airports Council International. With this effort, TAV aims to measure, manage, reduce and neutralize carbon emissions at the airports it operates. In addition to issuing sustainability reports, TAV also discloses its performance in directly addressing climate change transparently and regularly to investors and the public at large via the Carbon Disclosure Project (CDP).

Soaring passenger traffic is also increasing the importance of waste management with each passing day. Making efforts to protect biodiversity in the terminal areas and to minimize the loss of natural habitats, TAV Airports takes measures to reduce waste production and to reclaim as much of it as possible during reuse, recycling and disposal processes. TAV Airports has been reporting to the CDP Water Program since 2014. Engaging in effective water management at the Company's terminals to ensure efficient use of water resources, TAV Airports regularly measures and reports its water consumption per passenger. Wastewater is treated and reused at every opportunity; when that is not possible, it is disposed of properly.

4. Social Impacts

TAV supports a wide variety of projects and initiatives in education, sports, and culture as part of its corporate social responsibility approach. Customer satisfaction and employee satisfaction form the basis of the Company's social impact in the regions where it operates.

TAV has adopted a world class human resources policy to ensure the satisfaction and engagement of all its personnel. Striving to be preferred employer in its markets, TAV's human resources policy is built on occupational safety, comprehensive opportunities for the professional and personal development of staff members, and equal opportunity for all. In addition, the personal development needs of employees are served via training activities in various arts and crafts categories under the name TAV Workshop. As part of TAV Cup, tournaments are held throughout the year for staff members to experience teamwork in a wide range of sports.

Setting customer satisfaction as a strategic corporate goal, TAV strives to provide guests with a quick, comfortable and safe travel experience. As safety is paramount in the aviation business, TAV fully complies with all international and domestic requirements in full cooperation with the relevant authorities. In recognition of its social responsibilities and to make all the Company's terminals fully accessible to special-needs passengers, TAV has implemented the "Obstacle-Free Airport Project," which was initiated by the Directorate General of Civil Aviation of Turkey (SHGM).

RISK MANAGEMENT AND INTERNAL AUDIT

BOARD OF DIRECTORS' ASSESSMENT OF RISK MANAGEMENT

a) Information on Risk Management Policy

Corporate Risk Management Policy:
The objective of TAV Airports and the group companies Enterprise Risk Management (ERM) Policy is to set forth the methods and principles for the execution of the responsibilities and functions that can be summarized as follows:

- Identifying risk factors that may have an impact on the processes carried out to attain TAV Airports' corporate objectives,
- Assuring senior management and shareholders that the risks assumed are compatible with the Company's risk-taking appetite,
- Assessing the risks that have the potential to create uncertainty and pose threats, formulating effective control and action plans commensurate with the levels of these risks, taking advantage of opportunities that arise, and working in cooperation with risk owners and enterprise risk management (ERM) officers to ensure the continuity of this cycle,
- Ensuring that management decisions are made with full awareness of related risks by carrying out prompt reporting to facilitate the functioning of decision mechanisms,
- Supporting the management of risks that are identified in different units and that have different impacts, but that can have an effect on each other in the most appropriate manner for the greater benefit of the Company rather than that of the individual unit, thus contributing to increased effectiveness and lower losses at the corporate level.

b) Information on the Activities and Reports of the Risk Assessment Committee

TAV Airports' Risk Assessment Committee was established and commenced activity in accordance with the Turkish Commercial Code* (TCC), and the communiques and framework of the Corporate Governance Principles* of the Capital Markets Board. The Committee was chartered to undertake activities related to the early detection and management of all types of financial, operational, strategic and regulatory risks that threaten the existence, development and continuity of TAV Airports companies as well as to implement action plans for risks that need to be mitigated. In addition, the Committee oversees the functioning of the Enterprise Risk Management System and gathers information from Company executives, legal counsel and related units and performs assessments on a variety of matters including major lawsuits filed against the Company, provisions set aside against potential risks, exchange rate risk and determination of the Company's strategy against potential threats. The Committee meets regularly every two months and additionally as needed to ensure the effectiveness of its activities. Related management staff may be invited to the meetings of the Committee based on the meeting agenda. All activities and resolutions of the Risk Assessment Committee are documented as written meeting minutes and shared with senior management in the form of official reports.

c) Information about Risk Management Policies Applied

1. Financial Risk Management

The Company may be exposed to the following risks depending on its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

Credit Risk
Credit risk is the risk that a customer or a counter party to a financial instrument fails to honor its contractual obligations. Essentially, the Group's customer receivables and financial losses that may arise from its bank balances constitute its credit risk. The Group's primary financial assets are cash and cash equivalents, and trade and other receivables. The credit

** Principle no. 4.5.12 of the "Communiqué on the Determination and Implementation of Corporate Governance Principles" Series: IV, No: 56 as replaced by Communiqué Series: IV, No: 57 of the Capital Markets Board and Article 378 of the Turkish Commercial Code that went into effect in July 2012.*

risk on cash and cash equivalents is limited since the counter parties are banks with high creditworthiness.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its future cash payments or other financial obligations. The Group's liquidity risk is managed by securing adequate financing facilities from various financial institutions to fund existing and future borrowing requirements under normal circumstances or crisis conditions so as not to inflict damage on the Group or harm its reputation.

Market Risk

Market risk consists of all changes in exchange rates, interest rates and prices of securities market instruments that can directly impact the Company's revenues and the market value of its financial assets. TAV's market risk management aims to keep its risk exposure within acceptable parameters while optimizing potential returns.

2. Management of Strategic & Operational Risks

The Company continuously undertakes improvement and development related activities at all airports operated by TAV Airports Holding in order to ensure efficient and safe operations amid the demands of growing passenger traffic. Medium and large scale problems that the Group may be exposed to within the expanding and evolving aviation industry are assessed by the Risk Committee and senior management on an ongoing basis and long-term strategies are formulated promptly to counter potential risks. Primary operational risks the Company may be exposed to include unexpected business interruptions, deterioration in service quality standards and the inability of aging terminal buildings to meet the Company's needs. In accordance with its high quality service strategy, TAV Airports ensures that its service quality standard is maintained at the same high level by way of regular maintenance, repair, investment, renovation and extension related projects at the terminals. The Company constantly monitors, updates and practices emergency operations plans against contingencies, preventing potential business interruptions and minimizing their impact on passengers. Infrastructure of the terminal buildings has been designed in accordance with specific standards against force majeure events; the Company is appropriately insured against losses from natural disasters and business interruptions. While it is impossible to fully eliminate risks, the Company takes these measures in order to minimize their consequences and impacts.

3. Management of Environmental Risks

TAV Airports takes an environmentally responsible stance and embraces the principle of environmental protection to achieve sustainable long-term development. Adopting a large number of measures and carrying out numerous initiatives to manage environmental risks, TAV Airports strives to implement solutions above and beyond what is required by applicable laws, rules and regulations. TAV Istanbul Terminal Isletmeciligi (TAV Istanbul) has become the first airport operator to be awarded "Green Enterprise" certification in the field of airport operating, as part of the "Green Airport" project of the Directorate General of Civil Aviation of Turkey (SHGM) of the Ministry of Transportation. TAV Group initiated efforts to obtain the "Level 1 Carbon Accreditation Certification" that is awarded by Airports Council International (ACI), the leading international organization of the global aviation industry. As part of this project, the Company is formulating sustainable development policies and undertaking environmental initiatives in order to reduce and contain the impacts of air, water, soil and noise pollution on natural life and habitats.

4. Management of Security, Safety and Health Risks

Ensuring the physical security of airports and general aviation safety is a fundamental part of the operations of TAV Airports. To this end, the Group conducts security services through a private security subsidiary company that boasts ample experience and superior service quality. This security component can only be ensured through close collaboration with key stakeholders such as airlines, governmental authorities and the police. In accordance with this approach, TAV Group implemented Safety Management System practices while setting as a key criterion of sustainability the minimization of occupational health and safety-related incidents. Given the growing passenger traffic and the threats inherent in the nature of civil aviation, airport security issues will inevitably remain an ongoing concern. Nevertheless, it is possible to provide a high level of security service thanks to advanced safety and security measures, as well as effective equipment and system installations. Similarly, step-by step emergency response plans and preparations are ready to be implemented in conjunction with relevant stakeholders in the event of an epidemic risk at the airport facilities.

5. Management of Information Technology Risks

Effectiveness and security of information technology systems are a key component of uninterrupted high-quality service provision at the airports. To this end, TAV Group regularly reviews the course of its IT infrastructure and projects in keeping with the corporate strategy and objectives. Risks related to IT security, which have proliferated rapidly in recent years, are monitored closely and countered with proactive measures. Still, even a minor interruption in IT systems can have major adverse consequences for the business continuity of airport operations. In an effort to mitigate this risk, the Company undertakes every possible preventive maintenance, improvement, protection and back-up initiative, thereby minimizing IT-based problems that may threaten business continuity.

6. Management of Legal, Regulatory and Compliance Risks

The aviation industry is the most heavily regulated sector in Turkey and across the globe. Even involuntary non-compliance with regulatory guidelines or breach of laws or contractual obligations may result in reputational damage, business interruption or financial losses for a company. While legal risk may appear to be a standalone risk type, it is in most cases linked with operational, financial, reputational, or tax risks. TAV Airports' proactive and forward-looking approach toward monitoring the legal and regulatory changes in the industry helps the Company to avoid such risks. The Company thoroughly assesses precedent-bearing resolutions, anticipated changes by regulatory authorities, and the impacts of operational changes on statutory liability; identifies the potentially risk-bearing areas; and takes action in a timely manner.

Information on the Internal Control System and Internal Audit

TAV Airports Internal Audit Department performs the audit of the operational, financial, information systems and technical operation processes of TAV Airports and all of its subsidiaries. The Department carries out its auditing activities in accordance with an annual audit plan that is drawn up based on the results of the risk assessment performed annually and approved by the Audit Committee. The Department shares its reports that summarize the audit results and ongoing findings with the Audit Committee and the CEO.

The Internal Audit Department also contributes to the sustainability of the Company by identifying and reporting the deficiencies in risk management and corporate governance processes, and the practices that cause inefficiencies and result in waste of resources. The Unit collaborated with all audited units and provided support in implementing the recommended actions.

As part of its auditing activities, the Internal Audit Department also liaises with the independent auditor and examines the reports drafted by the independent audit team.

TAV Airports Internal Audit Department operates in compliance with international internal audit standards.

Consolidation Process

All Group companies in consolidation fall under the Internal Audit Department's auditing scope. As a result, the Department assesses the internal control system with respect to the operations that impact the financial statements and provides reasonable assurance to the management on the accuracy and reliability of the figures appearing in the financial statements.

Similarly, the Department assesses the effectiveness and efficiency of the management of the risks inherent in the preparation process of standalone and consolidated financial statements as well as the information systems used in the process.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Principles Compliance Statement
TAV Airports ("the Company") makes every effort to comply with the Capital Markets Board's ("CMB") Corporate Governance Principles and all regulations. The Company has embraced the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by CMB.

We continuously develop structures and principles that suit our Company in order to provide the best services for the benefit of all relevant groups such as; our Company's shareholders, stakeholders (employees, passengers, suppliers etc.) and board of directors.

The "Corporate Governance Principles" as stipulated by the Capital Markets Board are also embraced by the Company and these universal principles are fully implemented by TAV Airports.

The "Corporate Governance Rating Periodic Revision Report" has been issued by SAHA Corporate Governance and Credit Rating Services, an international rating agency officially authorized to rate compliance with the Corporate Governance Principles as set forth by Turkey's Capital Markets Board.

The Company's Corporate Governance Rating score that stood at 95.38 (9.54 out of 10) on August 19, 2016 was revised upwards to 96.17 (9.62 out of 10) as of August 18, 2017 thanks to the ongoing improvements made by the Company in implementing the Corporate Governance Principles. The Company's Corporate Governance Ratings by subcategory are presented in the table below.

Subcategories	Weight	Score
Shareholders	0.25	95.77
Public Disclosure and Transparency	0.25	97.34
Stakeholders	0.15	98.82
Board of Directors	0.35	94.48
Total	**1.00**	**96.17**

The Corporate Governance Rating Report can be accessed at the TAV Investor Relations website at ir.tav.aero.

Reasons for the Corporate Governance Principles not Implemented
TAV Airports' Corporate Governance Committee continues to carry out initiatives to improve the Company's corporate governance practices. The Company has not yet achieved full compliance with the principles due to various reasons. These include the difficulties encountered in the implementation of some of the principles; ongoing debate on compliance with certain principles, both in Turkey and in the international arena; and the imperfect fit of some of the principles with the Company's existing structure. Compliance was achieved with all compulsory principles as per the CMB Corporate Governance Communiqué while non-compulsory principles that are not implemented completely are listed below. There is no conflict of interest in our Company due to not complying with these non-obligatory principles.

- Although there is no provision in the Articles of Association, General Assembly meetings are held in Istanbul at the Company Headquarters, as stipulated in the General Assembly Internal Directive, open to the public including stakeholders and media. Pursuant to the new Turkish Commercial Code, the Ordinary General Assembly Meeting of Shareholders that was held in 2013, 2014, 2015, 2016 and 2017 was accommodative of electronic voting.
- While not stipulated in the Articles of Association, the Chair of the Board of Directors has never been the same person as its Chief Executive Officer since the day the Company was founded.
- Several members of the Board of Directors were assigned to multiple committees. This is due to compliance with various legal and regulatory obligations, such as the Company's shareholding structure and the requirement for committee chairs to be selected from among independent Board members pursuant to the Capital Markets Board's Corporate Governance communiqué, as well as the requirement to create four committees.

- As per Article no. 4.6.5 of the "Corporate Governance Principles," salaries paid and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. However, the disclosure is not made on an individual basis; it only provides a distinction between the Board of Directors and senior executives.

Chair of the Corporate Governance Committee

Tayfun Bayazit

Corporate Governance Committee Members

Franck Mereyde
Didar Sevdil Yildirim
Ali Haydar Kurtdarcan
Fernando Echegaray
Nursel Ilgen

SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholder Rights

Pursuant to its Disclosure Policy, it is the Company's principle to treat all shareholders, potential investors and analysts equally with respect to the exercise of the right to obtain and analyze information, as well as to make all disclosure to everyone simultaneously and with identical content. All information sharing is undertaken within the scope of information that has previously been disclosed to the public. As part of the information sharing effort, all information of interest to shareholders and market participants is announced via material event disclosures in both Turkish and English; the English translations of these disclosures are transmitted electronically to all people and entities who share their e-mail addresses with the Company; shared in social media, published on the investor relations application (TAV IR app) and past material event disclosures are posted on the Company's website in both Turkish and English.

1.1.1. The Investors Relations Department's main objective is presenting accurate, timely and coherent information to existing and potential investors about TAV Airports, increasing the recognition and credibility of the Company, positioning the Company among the publicly-traded airport operation companies in the world, lowering the Company's cost of capital by implementing the Corporate Governance Principles, and establishing communication between the Board of Directors and capital markets participants. In line with these objectives, the Company strives to maintain close communication with its shareholders and investors and conducts an active investor relations program. The Investor Relations Department has presented reports to the Corporate Governance Committee and the Board of Directors and Chairman of the Executive Board about the activities conducted 6 times in 2017. Moreover, Investor Relations Department prepared a monthly report about the developments regarding the sector and the Company. In 2017, more than 400 face to face meetings were made with domestic and foreign, corporate and individual investors, shareholders and analysts regarding the activity results, performance of the Company and other developments during the period. TAV Airports attends conferences and other meetings organized in and outside Turkey to communicate with shareholders and investors. Within this scope, TAV Airports attended 12 conferences organized in and outside the country in 2017.

TAV Investment Relations Department

Name Surname	Title	Phone	License	License Document Number	E-mail
Nursel Ilgen, CFA	Director	212 463 3000 / 2122	Capital Markets Level 3 and Corporate Governance Rating License	200275/ 700367	nursel.ilgen@tav.aero
Ali Ozgu Caneri	Coordinator	212 463 3000 / 2124	Capital Markets Level 3	206272	ali.caneri@tav.aero
Besim Meric	Coordinator	212 463 3000 / 2123	Capital Markets Level 3, Derivative Financial Instruments and Corporate Governance Rating License	203748/ 301161/ 700341	besim.meric@tav.aero

1.1.2. All information and announcements that may impact the exercise of shareholding rights are disclosed promptly to investors via the Company's website at www.tavyatirimciiliskileri.com.

1.2. The Right to Obtain and Analyze Information

Questions directed to the Investor Relations Department aside from confidential information and trade secrets, are quickly responded to, via telephone or in writing after consulting with the most relevant person in the related subject matter.

1.2.1. The Company avoids all conduct that obstructs the performance of special audits. The matter of requesting appointment of a Special Auditor is not individually mentioned in the Articles of Association but Article 20.1 of the Articles of Association entitles the shareholders to point out any items considered suspicious to the auditors and demand necessary clarifications. Company management avoids any procedures that would hinder a special audit. There were no demands to appoint a Special Auditor within this period. In addition, the activities of the Company are audited periodically by an Independent Audit Company assigned by the General Assembly.

1.3. General Assembly

1.3.1. Besides all notifications and announcements that are compulsory as per legislation, our Company organizes its General Assembly meetings in conformity with all principles stipulated within the scope of "General Assembly" topic of the Corporate Governance Principles. The announcement of General Assembly meeting is on the Company's corporate website and Public Disclosure Platform and also the documents to be kept available for review of the shareholders pursuant to the Turkish Commercial Code dated 13.01.2011 and numbered 6102, and Article number 437, statements and declarations to be made by the partner pursuant to the legislation are announced to investors minimum three weeks before the general assembly meeting, excluding the dates of announcement and meeting, and this announcement shall highlight the matters explained on Article 1.3.1.

The General Assembly Information Document and the General Assembly meeting announcements posted on the Company website included the meeting date and time, meeting location, agenda, the fact that the invitation was being extended by the Board of Directors and the procedures for the shareholders to attend the General Assembly. Since the Company does not have any registered shares, no accommodations were made to facilitate the participation of this class of shareholders in the General Assembly meetings.

In addition, the total number of shares and voting rights reflecting the Company's ownership structure; the number of shares and voting rights representing each class of preferred shares, if there are preferred shares in the Company's capital; changes in the management or activities of the Company or its major subsidiaries or affiliates that transpired in the previous reporting period or are planned for the coming period, which may have a significant impact on the Company's operations, the justifications for these changes, and the annual reports and annual financial statements for the last two fiscal years of all entities that are a party to such changes; the justification for discharge or change as well as information on the persons who will be nominated for a seat on the Board of Directors, if the General Assembly meeting agenda includes the release, change or election of the members of the Board of Directors; the resolution of the Board of Directors related to the amendment to the Articles of Association included in the agenda as well as the former and current versions of the Articles of Association amendments; backgrounds of the persons to be nominated for a seat on the Board of Directors, positions they held during the last 10 years and the reasons for leaving those posts, nature and materiality level of their relationship with the Company and the Company's affiliated parties, whether they meet the criteria for being an independent Board member, and information on other related matters that have the potential to impact the Company's operations if these persons were to be elected as members of the Board of Directors were disclosed to the public within one week of the date of the publication of the memorandum for the General Assembly meeting. As there have been no requests from shareholders, the Capital Markets Board (CMB) and /or other public institutions related to the Company to add items to the General Assembly agenda, no additions have been made.

Financial statements and reports and the General Assembly agenda have been made available for review both in an easily accessible location and on the investor relations website since the announcement of the invitation to the meeting of shareholders.

The Ordinary General Assembly Meeting of shareholders regarding the Company's 2016 activities was held on Monday March 20, 2017, at 14:00 pm at TAV Academy (A) Hall, located at Ataturk Airport International Terminal Gate A – Next to VIP, at TAV Airports Headquarters, in Yesilkoy-Istanbul. The memorandum for the Ordinary General Assembly, including the necessary information about the meeting date and time, meeting location, agenda items, procedures related to the attendance of shareholders at the meeting, proxy forms and arrangement procedures, was published on pages 102 and 103 of the Turkish Trade Registry Gazette, Issue no. 9271, dated February 24, 2017. The memorandum was also published in the Daily Dunya and Star Newspapers, dated February 25, 2017. Of the 363,281,250 shares representing the Company's share capital as of the date of the meeting, 282,351,500.5 shares, or approximately 78% of the total, were represented at the Ordinary General Assembly meeting. In order to maximize reach, the announcements pertaining to the General Assembly have been made available on the Company website (www. tavyatirimciiliskileri.com) and at Company headquarters in addition to the means required by the applicable legislation 21 days before the General Assembly.

1.3.2. While preparing the agenda of the General Assembly, each agenda item is added under a different title and expressions which are vague and open-ended are avoided wherever possible while writing the agenda items. Words such as "other" and "miscellaneous" are to be avoided in agenda items and the information to be provided prior to a General Assembly Meeting are stated by referring to the related agenda items.

1.3.3. The General Assembly Meetings are held in a manner avoiding any inequalities between the shareholders and ensuring participation of the shareholders with minimum cost in order to increase the level of participation by shareholders and thus the meeting is organized at Istanbul which is a place where head office is and majority of the shareholders reside provided that it is included in the Articles of Association.

1.3.4. The Meeting Chair makes the necessary preparations related to the General Assembly meeting previously and duly obtains the required information pursuant to the Turkish Commercial Code, Law and related legislations.

1.3.5. In the General Assembly, issues on the agenda are communicated to the shareholders at an impartial and thorough, clear and understandable manner to allow them to express their opinions under the same conditions and are given the opportunity to ask questions. If a question asked is not related to the meeting agenda or if it is such a comprehensive question that it cannot be answered right away, the question asked is answered by the Investors Relations Department in writing within a maximum period of 15 days. All questions asked during the General Assembly Meeting and answers given are announced to be public on the website within a maximum period of 30 days following the date of General Assembly Meeting. There were no questions asked on matters not related to the General Assembly Meeting's agenda and not answered during the 2017 Meeting held for the 2016 fiscal year. The questions posed by shareholders, audience and meeting attendees during the course of the General Assembly meeting were responded to via appropriate explanations by the Chief Executive Officer, members of Board of Directors and senior executives.

1.3.6. If the shareholders controlling the management, Board members, executives having administrative responsibilities and their spouses, first and second degree blood relatives and relatives by marriage execute a significant transaction which might conflict with the interests of the Company or its subsidiaries and/or personally deal with a business with similar trading activities conducted by the Company or subsidiaries or join another Company dealing with the same line of business as an unlimited partner, the transactions in question shall be included on the General Assembly agenda as an individual item in order to inform the General Assembly in details and the discussions shall be documented on the general assembly's meeting minutes.

1.3.7. Parties having privileged access to Company information, excluding the parties listed on article (1.3.6.), inform the Board of Directors so that the transactions performed in their own names under the scope of Company's line of activity can be added to the agenda as a new headline and the General Assembly can be revealed.

1.3.8. Members of the Board of Directors, other related parties, officers responsible for preparing the financial statements and auditors attend the General Assembly meeting in order to inform participants about agenda items prioritized and to answer questions.

1.3.9. The principles listed under Article no. 1.3.9 of the Corporate Governance Principles were abided by at the meeting.

1.3.10. The Company's donation and aid policy was approved by the General Assembly. Information is presented to the shareholders at the General Assembly meeting as a separate agenda item regarding the amount of all donations and charitable contributions made during the year in light of the policy approved by the General Assembly and the beneficiaries of these donations and charitable contributions, as well as policy changes. The Company made donations amounting to TL 299 thousand in 2016. The upper limit for total donations to be made in 2017 was set at TL 500 thousand.

1.3.11. While not provided for in the Articles of Association, General Assembly meetings are open to the public as per the General Assembly Internal Directive. Pursuant to the new Turkish Commercial Code, the Ordinary General Assembly Meeting of Shareholders that was held in 2013, 2014, 2015, 2016 and 2017 was accommodative of electronic voting.

1.4. The Right to Vote

1.4.1. The Company avoids practices that make it difficult to exercise voting rights. All shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient manner possible.

1.4.2. Each share is entitled to one vote in the Company. According to the Company's Articles of Association, there are no privileges associated with voting rights. Therefore, there are no preferred stocks or different classes of shares in the Company. There is no Company regulation that restricts the exercise of shareholders' voting rights for a certain time period following the acquisition date of the shares. The Company's Articles of Association do not contain any provision that prevents non-shareholders from voting in proxy as a representative of a shareholder.

1.4.3. The share capital of the Company does not involve any cross-shareholdings.

1.5. Minority Rights

1.5.1. The exercise of minority rights in the Company is governed by the Turkish Commercial Code, the Capital Markets Law, related regulations, and the communiqués and resolutions of the Capital Markets Board. TAV Airports pays utmost attention to this matter.

1.5.2. The Company's Articles of Association contain a provision which stipulates that minority rights can be exercised by shareholders holding at least 5% of the share capital.

1.6. Right to Dividends

1.6.1. The dividend policy approved by the General Assembly can be found in the annual report and on the investor relations website. There are no privileges with respect to participation in the Company's profit. The Company makes its dividend distribution decisions taking into account the Turkish Commercial Code, Capital Markets Law, Capital Markets Board Communiqués and Resolutions, the Tax Laws and the provisions of other related laws and regulations, as well as the Company's Articles of Association.

1.6.2. The dividend policy contains the information that will allow shareholders to anticipate the procedures and principles of dividend distribution the Company will employ in the years ahead.

1.6.3. In the event that the Board of Directors proposes to the General Assembly that the profit not be distributed to shareholders, information on the reasons for such recommendation and how the retained earnings will be used are provided in the agenda item on dividends.

1.6.4. The dividend policy strikes a balance between the interests of the shareholders and the interests of the Company. As per Item 6 of the Agenda of the Company's Ordinary General Assembly Meeting held on March 20, 2017, as a result of the Company's activities executed between January 1, 2016 and December 31, 2016 and based on the Company's statutory accounts as of the end of the 2016 accounting year, the following resolution has been submitted to the General Assembly for approval, approved, included in the annual report, and posted on the Company's website:

1. The Company's profit from its operations during the period between January 1, 2016 and December 31, 2016 according to the independently-audited consolidated financial statements prepared in accordance with the provisions of the Capital Markets Board's Communiqué on the Principles of Financial Reporting in Capital Markets Series: II, No: 14.1 is TL 424,341,000, and its commercial profit calculated as stipulated by the provisions of the Turkish Commercial Code and Tax Procedure Law is TL 1,096,529,296,

2. Of the after-tax profit based on consolidated financial statements, TL 424,341,000 of profit is subject to profit distribution pursuant to the Capital Markets Board's Communiqué Series: II No: 19.1,

3. Article 519 of the Turkish Commercial Code obligates the Company to set aside primary legal reserve until 20% of the paid-in capital is reached. Accordingly, TL 0 shall be set aside as primary legal reserve for 2016,

4. TL 424,639,903 according to consolidated financial statements is determined as the first dividend basis amount,

5. TL 247,951,822 in accordance with the Capital Markets Board's Communiqué Series: II No: 19.1, shall be distributed as the first cash dividend,

a) The entirety of the TL 247,951,822 that will be paid in cash shall be distributed from the net profit for the period,

b) Consequently, the Company shall pay a gross dividend of TL 0.6825 (68.25%) to each share with a nominal value of TL 1 for a total gross cash

6. Pursuant to the Capital Markets Law and Turkish Commercial Code, the amount remaining after deducting the profit to be distributed to the shareholders shall be set aside as extraordinary reserve.

1.7. Transfer of Shares

The Company's Articles of Association do not contain any provisions that make it difficult for the shareholders to freely transfer their shares. Despite the fact that there is a Share Repurchase Program approved by our Company's General Assembly, no transactions were made within the scope of the program in 2017. The share purchase program of our Company is available in our Company's website.

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

All publicly disclosed information by the Company is also available on the Company website. The Company letterhead clearly indicates the address of its website and this information can be accessed at the web address http://www.tavyatirimciiliskileri.com.
Of the information stipulated in the Capital Markets Board Corporate Governance Principles, all items applicable to the Company are posted and updated on the website.

Thanks to the new features implemented on the Company's website, investors can submit all types of questions to the TAV Investor Relations Department and establish active communication with the Company's management by sending messages to the Company's Board of Directors. By joining the Company's e-mail distribution list, users can have regular access to the reports and information related to the Company; institutional investors can send meeting requests through the related section of the website. In addition, analysts issuing reports on the Company can also access the website and post their reports, major financial and operational forecasts regarding the Company, and their expectations of the macroeconomic outlook for the coming years by using the personal user IDs and passwords provided to them.

2.1.1. All information stipulated in Article no. 2.1.1. of the Corporate Governance Principles is available on the Company's website.

2.1.2. TAV Airports Holding's ownership structure, updated at least every 6 months, is disclosed so as to reveal the names, ownership amounts and ratios in the Company's capital of real persons who own more than 5% of the Company's share capital as well as the privileges such shareholders possess, after deducting indirect and cross shareholding relationships.

2.1.3. Except for material event disclosures and footnotes, financial statement disclosures that the Company is required to announce publicly as stipulated by capital markets regulations are published on the Public Disclosure Platform in English and Turkish. The disclosures in English are drafted as summary documents that are consistent with the original disclosure in Turkish and are sufficiently accurate, complete, direct, comprehensible and adequate for the decision-making purposes of the parties who will benefit from the announcement.

2.1.4. Information on the Company's website is also presented in English, with the exact same content as the information provided in Turkish, for the benefit of international investors.

2.2. Annual Report

2.2.1. The Company's Board of Directors prepares the Annual Report in order for the public at large to have Access to complete and accurate information on the Company's activities.

2.2.2. In addition to the matters specified by relevant legislation and in other sections of Corporate Governance Principles, in the annual reports;
a) Information on the positions held by the members of the Board of Directors and managers outside of the Company and the statement of independence by the members of the Board of Directors,
b) Operating principles of the committees formed within the Board of Directors including committee members, meeting frequency and the activities they carry out as well as the board of directors' assessment on the effectiveness of the committees,
c) The number of meetings the Board of Directors held during the year and attendance of the members of the Board of Directors at these meetings,
d) Information on legislative and regulatory changes that may have a material impact on the Company's activities,
e) Information on major lawsuits filed against the Company and potential outcomes,
f) Information on the conflicts of interest that arise between the Company and the companies it procures services from such as investment advisory or rating, and the measures taken by the Company to prevent such conflicts of interest,
g) Information on cross-shareholdings that exceed 5% of direct ownership of the Company's share capital,
h) Information on fringe benefits and Professional development of employees as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts.

3. STAKEHOLDERS

3.1. Company Policy regarding the Stakeholders

3.1.1. The Company's corporate governance practices and code of ethics safeguard the rights of stakeholders as stipulated in laws and regulations as well as in mutual agreements. Stakeholders are continually kept informed within the framework of the Company's Information Disclosure Policy, established with respect to governing legislation and the Company's code of ethics. In addition, the Company strives to provide information to all stakeholders via press releases, annual reports, the Company website and other practices within the framework of the Company's transparency-oriented Disclosure Policy. Information sharing in the company is undertaken through the company intranet and "TAV FACE," the social company intranet since 2016, designed fully in house by TAV Technologies. The Company's employees are expected to fulfill their responsibilities and hold the Company's interests above their own interests and the interests of their families or acquaintances while performing their jobs. Employees shall avoid any conduct that may be construed as pursuing their own or acquaintances' interests. Foreseeable conflict of interest situations as well as situations defined by the Company management in such manner are shared with the employees and Company management takes necessary measures when required.

3.1.2. The Company offers an effective and timely damage compensation opportunity in case of breach of stakeholders' rights that are protected by applicable law and regulations, as well as by mutual agreements. The Company acts meticulously in ensuring the presence of clear provisions regarding damages in all of its contracts and takes into consideration every request and feedback provided by stakeholders. A "Severance Pay Policy" that was published internally by the Company is also made available on our website. Some exceptional situations that need to be addressed explicitly due to the scope or nature of the job are stipulated as an additional damages clause in employment contracts executed with personnel and are shared with employees.

3.1.3. The Company discloses information to shareholders and investors in accordance with, and via the methods stipulated in, the Capital Markets Law and the Regulations and Resolutions of the Capital Markets Board. Company management is encouraged to participate in the various non-governmental organizations (NGOs) established by our stakeholders and the rights of stakeholders are safeguarded meticulously.

3.1.4. Stakeholders have the opportunity to directly contact via e-mail, the members of the Corporate Governance Committee or the Audit Committee as well as individuals authorized to disseminate information as prescribed by the Company's Disclosure Policy with regard to the Company's conduct or transactions in breach of applicable law and regulations or ethical norms.

3.1.5. In the event that conflict of interest situations arise between stakeholders or a stakeholder belongs to multiple interest groups, the Company pursues as balanced a policy as possible in order to safeguard every right of all parties and strives to protect each and every right independently from each other.

3.2. Encouraging Stakeholder Participation in Management

3.2.1. In order to encourage and support the Stakeholders to participate in the management, our Company issued a directive. This Directive was prepared in order to specify the guidelines of the activities carried out and the support given by the Company to the practices that encourage stakeholders' participation in the Company management, and entrepreneurship and creativity in TAV Airports Holding and its associate companies in line with the Company targets and strategies.

The independent members of the Board of Directors allow for the representation of all stakeholders, as well as the Company and the shareholders, in management. In addition, the Collaborative Decision Making mechanism formed with Turkish Airlines and Turkey's General Directorate of State Airports Authority is one of the key initiatives to increase the effectiveness of our operations.

3.2.2. The Company heeds the opinions and suggestions of its employees, suppliers, various non-governmental organizations and all other stakeholders as well as customer satisfaction surveys. A single phone number was put into service to field customer requests/suggestions/complaints and to solicit feedback and suggestions from employees and stakeholders. The number is intended for all terminals operated by TAV as well as at Company offices, and for the call centers of airports the Company operates in Turkey in order to effectively address passenger complaints and demands. TAV Call Center, which provides service on a 24/7 basis, can be reached by dialing 444 9 TAV (828).

3.3 Human Resources Policy

3.3.1. TAV Airports embraces the principle of providing equal opportunity to people in equal positions when formulating its recruiting policies and undertaking its career planning. The Company makes succession planning in determining the managers to be appointed in situations where changes in managerial positions may have a foreseeable effect in the Company's operations.

- The criteria for hiring employees are documented in writing and the Company complies with these criteria.
- The Company treats all of its employees with fairness and equality in terms of the benefits provided to them; provides training programs to enhance employee knowledge, skills and conduct; and formulates training policies.
- Informational meetings are organized for employees about the Company's financial position as well as compensation, career, training and health related issues where opinions are exchanged.

▪ Since the employees of the TAV Group companies are generally not unionized, the matter of resorting to the opinion of the trade unions in decisions about the employees and collective bargaining agreements stipulated in the human resources policy is not applicable. However, the constitutional provisions regarding the right of association stipulated in the Constitution of the Republic of Turkey remain; in addition, as a member of the International Labor Organization (ILO), pursuant to the Freedom of Association and Protection of the Right to Organize Convention (convention 87) and Right to Organize and Collective Bargaining Convention (convention 98), the Company shall abide by its related commitments regarding associations that may transpire in the future and the Company respects the free will of its employees on every platform.

▪ Job descriptions and distribution of the Company's employees, as well as performance and rewarding criteria are announced to employees. Productivity is a major criterion in determining the salary and other benefits provided to employees. The Company may create stock acquisition plans for its employees.

▪ The Company takes measures to prevent discrimination between employees on the basis of race, religion, language and gender and to protect its personnel against physical, mental and emotional abuse within the Company. As of December 31, 2017, TAV Airports, including all of its consolidated subsidiaries, has a total of 16,836 employees. No complaints related to discrimination were received from employees.

3.3.2. Criteria for hiring personnel are documented in writing and the Company complies with the criteria listed in articles 3.3.3., 3.3.4., 3.3.5., 3.3.6., 3.3.7., 3.3.8. and 3.3.9. of the Capital Markets Board's Corporate Governance Principles Communiqué.

3.4. Relations with Customers and Suppliers

3.4.1. The Company takes all necessary measures to ensure customer satisfaction in the marketing and sales of its products and services.

3.4.2. Customer requests related to the products and services they purchased are addressed expeditiously while delays are communicated to customers before the expiration of the response deadline.

3.4.3. The Company complies with global quality standards of products and services and strives to maintain these standards. To this end, the Company provides a certain level of quality guarantee.

3.4.4. Information on customers and suppliers is kept confidential as part of the Company's treatment of trade secrets.

3.5. Code of Ethics and Social Responsibility

3.5.1. The Company's social responsibility activities are conducted in accordance with its code of ethics, which is made available to the public on its website. The Company expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its subsidiaries to behave in the same manner. The Company's terminal operating subsidiaries conduct their operations in compliance with environmental regulations and the directives and guidelines of international aviation organizations such as the ICAO, ECAC, EUROCONTROL and IATA, as well as the Equator Principles of the World Bank.

3.5.2. Due to the nature of their operations, the Company and its subsidiaries are not legally required, within the scope of Environment Law and its related regulations, to produce environmental impact assessment reports. Nevertheless, the Company's related subsidiaries have prepared environmental reports and environmental management plans during both the construction and operation phases of terminals and they comply with updated environmental management plans.

As part of the new organization created in 2017, the head of the Internal Audit Department serves as the Officer responsible for the Company's Regulatory Compliance.

The Company's subsidiaries have international quality control plans for their operation areas and quality control audits are conducted in compliance with international standards. The Company's "Sustainability Report," can be accessed at http://www.tavyatirimciiliskileri.com.

4. BOARD OF DIRECTORS

4.1. Function of the Board of Directors

4.1.1.TAV Airports Board of Directors governs and represents the Company by taking strategic decisions, maintaining an optimal balance between risk, growth and return, pursuing a rational and prudent risk management approach, and giving priority to the Company's long-term plans.

4.1.2. Our Board of Directors defines the strategic objectives of the Company, determines the workforce and financial resources to be required by the company and controls the management performance.

4.2. Operating Principles of the Board of Directors

4.2.1. The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner.

4.2.2. Delegation of duties among the members of the Company's Board of Directors as well as the duties and authorities of the Board members are stipulated in the annual report.

4.2.3. The Board of Directors creates the Company's internal control systems, including information systems and processes as well as risk management systems that will minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders, and by also seeking the opinion of the relevant Board of Directors committees.

4.2.4. The Board of Directors reviews the effectiveness of the risk management and internal control systems at least once per year and presents information on the functioning and effectiveness of the internal auditing system in the annual report.

4.2.5. The Company embraces the principle of clearly separating the powers of the Chair of the Board of Directors from those of the Chief Executive Officer and stipulating this distinction in writing in the Articles of Association. No one in the Company is endowed with unilateral, unlimited decision-making authority.

4.2.6. While not stipulated in the Articles of Association, the Chair of the Board of Directors has never been the same person as its Chief Executive Officer since the day the Company was established.

4.2.7. The Board of Directors has a pioneering role in maintaining effective communications between the Company and its shareholders, and eliminating and resolving potential conflicts. To this end, the Board of Directors works in close cooperation with the Corporate Governance Committee and the Investor Relations Department.

4.2.8. The Company has USD 30 million of insurance coverage against losses the Company may incur due to negligence of the members of the Board of Directors. The coverage level exceeds 25% of the Company's capital.

4.3. Structure of the Board of Directors

4.3.1. The number of Board of Directors members is determined in a manner enabling board of directors' members to work efficiently and positively, make rational decisions fast and organize formation and works of committees effectively but the number of members shall not be less than five under any circumstances.

4.3.2. Majority of the Board of Directors' members do not have executive duties.

4.3.3. There are independent members who do not have executive duties, capable of functioning without any outside influence on Board matters among the members of the Board of Directors.

4.3.4. The composition and election of the Board of Directors are conducted in compliance with the Corporate Governance Principles and the principles governing this process are stipulated in the Company's Articles of Association. As set forth in the Company's Articles of Association, one-third of the Board of Directors is made up of independent members as prescribed in the Corporate Governance Principles.

The names and surnames of the members of the Board of Directors are presented below as stipulated by the Company's Articles of Association. In compliance with the Corporate Governance Principles, the majority of the members of the Board of Directors are non-executive members.

Board of Directors*	**Duty**	**Duty Term**
Edward Arkwright	Chair	Between 2015-2017
Antonin Beurrier	Deputy Chair	Between 2015-2017
Tepe Insaat Sanayi A.S. (Representative: Ali Haydar Kurtdarcan)	Deputy Chair	Between 2015-2017
Sera Yapi Endustrisi ve Ticaret A.S. (Representative: Mustafa Sani Sener)	Member of Board of Directors	Between 2015-2017
Franck Mereyde	Member of Board of Directors	2017
Philippe Pascal	Member of Board of Directors	2017
Fernando Echegaray	Member of Board of Directors	2017
Tayfun Bayazit	Independent Member of Board of Directors	Between 2015-2017
Necmi Bozanti	Independent Member of Board of Directors	Between 2015-2017
Jerome Calvet	Independent Member of Board of Directors	Between 2015-2017
Sevdil Yildirim	Independent Member of Board of Directors	Between 2015-2017

** It was announced that the share transfer of Akfen Holding's entire 8.119% stake in TAV Airports Holding to Tank OWA Alpha GmbH, which is wholly-owned by Groupe ADP (formerly Aéroports de Paris), a shareholder of TAV Airports, was completed on July 7, 2017.*

Pursuant to this share transfer, the Board of Directors resolved to appoint Mr. Philippe Eric Pascal to fill the seat vacated by the resignation of Akfen Holding, Mr. Fernando Echegaray del Pozo to fill the seat vacated by the resignation of Bilkent Holding, and Mr. Franck Mereyde to fill the seat vacated by the resignation of Mr. Augustin Pascal Pierre Louis Marie de Romanet de Beaune. All appointments will be presented to the shareholders for approval at the earliest General Assembly meeting.

The Nomination Committee evaluates the proposed candidates, including the management and shareholders, for independent Board members based on whether the candidates meet the criteria for independence and present its assessment in a report to the Board of Directors for approval.

4.3.5. The term of office of the independent members of the Board of Directors is three years, as stipulated by the Capital Markets Board's Corporate Governance Principles.

4.3.6. Our independent members of the Board of Directors meet the independency criteria stipulated on Article 4.3.6.

4.3.7. Within the framework of the Nomination Committee's report, the Board of Directors is responsible for preparing the independent member nominees list and sending it prior to the General Assembly meeting within the time period specified by the CMB.

4.3.8. Independent members of the Board of Directors are required to submit a written statement of independence to the Board of Directors and immediately inform the Board of Directors when their independent status ceases.

The statements of independence issued by the independent members of the Board of Directors are included in our 2017 Activity Report.

As a matter of principle, the Member of Board of Directors who loses his or her independent status resigns. In order to re-establish the minimum number of Independent Members of the Board of Directors, the Nomination Committee performs an evaluation to elect independent members to the vacated seats on the Board of Directors to serve until the earliest General Assembly meeting and presents the result of its evaluation in writing to the Board of Directors.

4.3.9. Upon the recommendation of Corporate Governance Committee, "Women Board Members Policy" was created in order to ensure that at least 25% of the Board Members are women. In light of the aforementioned policy, women will be prioritized when selecting Board of Directors Members from among candidates that possess equal knowledge, experience and competency. The aim is to increase the number of women Directors, which is currently one, gradually to three to the end of 2022.

4.3.10. The members of our Audit Committee have at least 5-year experience in auditing/accounting and finance. The resumes of our Board of Directors' members are available on 2017 Activity Report and our Company's website.

4.4. Structure of Board of Directors Meetings

4.4.1. The Board of Directors convenes at least once every 2 months. In 2017, the Board of Directors had a total of six meetings. The average attendance of members of the Board of Directors to the meetings is 84%. The chair of the Board of Directors sets the agenda of the Board meetings in consultation with other Board members and the chief Executive Officer. Members make every effort to attend every meeting and voice their opinions at the meetings. The Company accommodates Board of directors meetings to be held in an electronic environment.

4.4.2. The Chair of the Board of Directors is responsible for ensuring that the information and documents related to the items on the Board of Directors meeting agenda are made available to the members of the Board of Directors for their examination sufficiently before the meeting, while abiding by the principle of equal information dissemination.

4.4.3. The opinions of members who cannot attend the meeting, but who present their opinions to the Board of Directors in writing are provided to the other Board members.

4.4.4. Each member is entitled to one vote on the Board of Directors.

4.4.5. The structure of Board of Directors meetings was set down in writing as internal regulation of the Company.

4.4.6. Agenda items are deliberated openly and from many perspectives at the Board of Directors meetings. The Chair of the Board of Directors expends maximum effort to ensure active participation of non-executive members in the Board of Directors meetings. The Board of Directors passes resolutions with the approval of a simple majority of its entire membership. Provisions of Articles 17.3 and 19 of the Company's Articles of Association prevail. Alternative opinions expressed and opposing votes cast by members of the Board of Directors at the Board meetings are also recorded in the resolution book with their reasonable and detailed justifications.

4.4.7. The members of the Board of Directors spend a sufficient amount of time on their tasks at the Company. The members of the Board of Directors who hold positions in other companies do not create a conflict of interest and do not impede their jobs at the Company. Therefore, the Board members' assumption of duties in other companies is not subjected to certain prescribed rules or otherwise restricted. Shareholders are informed about the positions a member of the Board of Directors holds outside of the Company and the justification for them, with a distinction drawn between duties within the Group and externally. At the General Assembly meeting the election of members is discussed as part of the related agenda item.

4.5. Committees Formed under the Board of Directors

In accordance with the provisions of the Capital Markets Board's Communiqué on the Determination and Implementation of Corporate Governance Principles, the Company's Board of Directors reviewed the structure and activities of the existing committees and resolved to constitute them as follows:

Audit Committee
Chair
Necmi Riza Bozanti
Member
Tayfun Bayazit

Corporate Governance Committee
Chair
Tayfun Bayazit
Members
D. Sevdil Yildırim
Franck Mereyde
Fernando Echegaray
Ali Haydar Kurtdarcan
Nursel Ilgen

Nomination Committee
Chair
Didar Sevdil Yildırim
Members
Tayfun Bayazit
Edward Arkwright
Antonin Beurrier

Risk Committee
Chair
Jerome Paul Jacques Marie Calvet
Members
Necmi Riza Bozanti
Antonin Beurrier
Ali Haydar Kurtdarcan
Philippe Pascal

It was resolved unanimously that:

"1. The resignations of the Company's Nomination Committee members Mr. Hamdi Akin, Mr. Ali Haydar Kurtdarcan, and Mr. Augustin Pascal Pierre Louis Marie de Romanet de Beaune from the Nomination Committee be accepted and Mr. Edward Rodolphe Paul Arkwright be appointed as member of the Nomination Committee;

2. The resignations of the Company's Corporate Governance Committee members Mr. Augustin Pascal Pierre Louis Marie de Romanet de Beaune, Ms. Pelin Akin Ozalp, and Mr. Julien Pierre Coiffinier from the Corporate Governance Committee be accepted, and Mr. Fernando Echegaray del Pozo and Mr. Franck Mereyde be appointed to the Corporate Governance Committee;

3. The resignations of the Company's Early Identification of Risk Committee members Mr. Julien Pierre Coiffinier and Mr. Selim Akin from the Early Identification of Risk Committee be accepted, and Mr. Philippe Eric Pascal be appointed to the Early Identification of Risk Committee;

4. All committee compositions of the Company remain unchanged aside from the resignations and new member appointments in the Nomination Committee, Corporate Governance Committee, and Early Identification of Risk Committee outlined above.

4.5.2. The areas of activity and operating principles of the committees were determined by the Board of Directors and disclosed publicly.

4.5.3. Committee chairs were elected from among independent members of the Board of Directors. All members of the Audit Committee are independent members of the Board of Directors.

4.5.4. The Chief Executive Officer is not a member of any committee.

4.5.5. A number of the members of the Board of Directors serve on multiple committees due to the Company's ownership structure and constituted 4 different committees.

4.5.6. The Board of Directors provides all resources and support to the committees in execution of their functions; committees can invite the persons they deem necessary to their meetings to elicit their opinions.

4.5.7. The committees seek independent expert opinions as they see fit to pursue their respective activities. While no such support service has been procured by the Company to date, advisory services the committees require shall be paid for by the Company. Information about the person/firm providing the services and whether such person/firm is affiliated with the Company will be provided in the annual report.

4.5.8. Committees document all of their work in writing and keep a record of it. The committees convene as frequently as required for the effectiveness of their activities as stipulated in the committee operating principles. They present the reports about their activities and meeting results to the Board of Directors.

4.5.9. The Audit Committee formed within the Company carries out the responsibilities stipulated in Article no. 4.5.9 of the Capital Markets Board's Corporate Governance Principles Communiqué. The Audit Committee convenes once every three months for a total of four meetings a year and presents the results of its meetings as an official report to the Board of Directors. The annual report presents information on the activities of the Audit Committee and the results of its meetings, as well as how many times it submitted a written report to the Board of Directors during the fiscal year.

4.5.10. Corporate Governance Committee

The Corporate Governance Committee determines whether the corporate governance principles are implemented at the Company; assesses the rationale for incompliance, if any, and the conflicts of interest caused by such incompliance; makes suggestions to the Board of Directors in order to improve the implementation of corporate governance; and oversees the activities of the Investor Relations Department. The Corporate Governance Committee convened 6 times during 2017.

4.5.11. Nomination Committee

The Nomination Committee is responsible for:

a) Undertaking efforts to create a transparent system to identify, assess and train the qualified candidates for Board of Directors and executive management positions and to formulate policies and strategies related to this subject,

b) Conducting regular assessments on the structure and efficiency of the Board of Directors and reporting its recommendations on the changes that can be made in these areas to the Board of Directors. Nomination Committee held meetings 2 times in 2017.

4.5.12. Risk Assessment Committee

The Risk Assessment Committee established by the Company is responsible for undertaking efforts for early detection of the risks that threaten the existence, development and continuity of the Company, implementation of measures against the risks identified, and management of risk. The Risk Assessment Committee reviews the risk management systems at least once a year. The Risk Assessment Committee convened to enable reporting to the Board of Directors every two months.

4.5.13. Compensation Committee

The Company has not established a Compensation Committee. The duties listed below are executed by the Corporate Governance Committee:

a) Setting forth the remuneration principles, criteria and practices for members of the Board of Directors and executives in light of the Company's long-term objectives and overseeing the resulting compensation policy and practices,

b) Making recommendations to the Board of Directors relating to the pay packages to be offered to the members of the Board of Directors and executives, taking into consideration the level of achievement with respect to the criteria used in remuneration.

Company's Strategic Objectives

The vision and strategic objectives of the Company are regularly discussed and determined by the members during the Board of Directors Meeting held on minimum of every 2 months and, if necessary, they are revised and restated. If necessary, the Board of Directors might agree to assign a senior executive and/or department with the task of determining and monitoring strategic objectives.

4.6. Financial Benefits Provided to Members of the Board of Directors and Senior Executives

4.6.1. The Board of Directors is responsible for achieving the Company's predetermined and publicly announced operational and financial performance targets. Assessment of whether the Company achieved its publicly announced operational and financial performance targets, and the reasons for failing to meet them in the event that the targets are missed, are presented in the annual report. The Board of Directors performs a critical self-assessment and performance evaluation for the Board of Directors as a whole, for individual Board members, and for senior executives. Members of the Board of Directors and senior executives are rewarded or dismissed based on these assessments.

Assessment of the performances of the Board of Directors and the committees is carried out by the Nomination Committee at our company through self-assessment method since 2014. Performance Assessment covers the following topics: Strategy, Company's Commercial Activities and Relations with Top Management, Risk Management and Control, and finally Performance of the Board of Directors.

As a result of the assessment made in 2017, performance was higher compared to 2016 while performance increase in each category mentioned above was noticed. Detailed information about the Performance Assessment was shared with the Members of the Board of Directors at the last Board of Directors meeting of the year, and Nomination Committee's suggestions to improve performance regarding 2017 were evaluated and discussed.

In 2017, the Nomination Committee conducted a survey to identify the structure of the Board of Directors and qualifications of the Independent Members for the new fiscal year. Pursuant to the survey findings, interviews were conducted with new Independent Board Member candidates and an Independent Member Candidate List was presented to the Board of Directors.

4.6.2. Remuneration principles for members of the Board of Directors and senior executives have been set down in writing; this matter is presented for the information of shareholders as a separate agenda item at the General Assembly meetings and shareholders are given the opportunity to voice their opinions. The remuneration policy developed for this purpose is made available on the Company's corporate website.

4.6.3. Profit sharing, share options or payment plans based on the Company's performance are not used in remunerating the independent members of the Board of Directors. Pursuant to the Capital Markets Board's Corporate Governance Principles, the Company pays a salary of USD 65,000 per year to each independent member of the Board of Directors commensurate with the time investment and efforts necessary for executing the duties of serving on the Board.

4.6.4. The Company did not lend money or extend credit to any member of the Board of Directors or senior executives.

4.6.5. Salaries paid and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. The disclosure is not made on an individual basis; it encompasses the Board of Directors and senior executives.

Financial Benefits Provided to Members of the Board of Directors and Senior Executives (TL thousand)	2016	2017
Short-term benefits (salaries and bonuses)	55,887	69,487

OPERATING PRINCIPLES OF THE COMMITTEES

ASSESSMENT OF THE BOARD OF DIRECTORS REGARDING COMMITTEES

The committees shall meet prior to each meeting of the Board of Directors whose agenda incorporates a decision concerning matters that are of relevance to them. The committees shall meet at least one day prior to the meeting of the Board of Directors, barring an urgency or material impediment. The chair of each committee, or, in case the chair is unavailable, one of the committee members who is designated for that purpose, shall report on the committee's work to the meeting of the Board of Directors that is held following the committee's meeting; the reporting shall comprise a summary of the committee's proceedings and transactions.

The Audit Committee, which is responsible for taking any and all necessary measures to ensure that all internal and independent audits are carried out adequately and transparently. The Audit Committee convened at least four times during the year, at least once every three months, and reported its resolutions to the Board of Directors while recording the resolutions in the minutes book.

The Audit Committee

The Committee assists the Board of Directors in assessing the accuracy and integrity of the Company's standalone and consolidated accounts. In addition, the Committee advises the Board of Directors with respect to the reliability and quality of the information obtained. Executing its duties under the mandate of the Board of Directors, the Audit Committee does not have the authority to make decisions on its own.

i. Accounts:

- Evaluated the validity and consistency of the accounting methods used to prepare the accounts, with a special emphasis on the scope and methods of consolidation;
- Ensured that the extraordinary operations or business activities that have a material impact on the Group are implemented in accordance with the accounts;
- Reviewed the standalone and consolidated accounts along with the notes to the accounts and management reports while creating the semi-annual and annual accounts prior to their submission to the Board of Directors;
- Assessed the financial standing of subsidiaries and affiliates once a year.

ii. Control, Internal Audit, Independent Audit Company:

- Verified the implementation of all mandatory internal procedures to collect and inspect information in order to ensure integrity;
- Assessed the internal control system;
- Reviewed the Audit Department's work plan and its results and recommendations as well as the actions and outcomes that resulted from these efforts;
- Supervised the effectiveness of internal control systems;
- Made recommendations to the Board of Directors related to the selection of the Independent Audit Company that will be systematically invited to participate in the tender as well as on its compensation. To this end, the Board of Directors has overseen the offer and selection process of the Independent Audit company (pursuant to the applicable provisions of the related legislation) and ensured that the best offer for the Independent Auditor role was submitted for the approval of the General Assembly in circumstances where such approval is required by the relevant laws, rules and regulations;
- Verified the quality and independence of the work performed by the Independent Audit Company, including the annual review of the tasks performed, along with the certification of the balance sheet;
- Reviewed the work plan of the Independent Audit Company as well as the findings and recommendations;
- Set forth the methods and criteria to be used in examining and resolving the complaints communicated to the Company relating to the Company's accounting and internal control system and its independent audit; and in evaluating the information submitted by the Company's employees pertaining to the Company's accounting and independent audit adhering to the principle of confidentiality.
- The Audit Committee reported in writing its assessments on the integrity, accuracy and compliance with the accounting principles of the Company's publicly disclosed annual and quarterly financial statements to the Board of Directors along with its own recommendations after soliciting the opinions of the Company's relevant executives and the independent auditors.

iii. Financial Policy:

- Analyzed the budgets of the Company and the Group;
- Reviewed the financial, accounting and overall tax policy of the Company and the Group as well as its implementation; particularly with respect to the Committee's debt management policy (targets, risk scope, financial instruments) for the Company and the Group;
- Reviewed and analyzed all information gathered within the Company including forecasts.

The Audit Committee may also undertake; i) other issues which will be assigned by the Board of Directors; ii) issues which are subject to mandatory provisions of the relevant legislation and which the Board of Directors will require the Committee to undertake.

Corporate Governance Committee

The Corporate Governance Committee convened six times during 2017.

- Identified whether corporate governance principles are implemented;
- Identified the root causes for any non-compliance and the conflicts of interest arising from such non-compliance;
- Made recommendations to the Board of Directors to improve corporate governance practices;
- Oversaw the activities of the Investor Relations Department;
- Made recommendations pursuant to the related laws, rules and regulations in Turkey, as well as corporate governance principles regarding general compensation of the Company's senior management and the scope of, and changes to, incentive packages, or alternative forms of remuneration where applicable;
- Set forth and oversaw the approach, principles and practices pertaining to the performance evaluation and career planning of the members of the Board of Directors and the Company's executives;
- Recommended rules for the determination of the fixed and variable elements as well as the level of the compensation of the Company's senior management, oversaw the implementation of these rules, and ensured that the rules are consistent with the Company's annual performance assessment;
- Developed a proposal, to be submitted for the approval of the shareholders at the General Assembly meeting, for the rules governing the overall level of compensation to be awarded to the members of the Board of Directors by also taking into consideration the Board members' individual attendance records at Board of Directors Meetings, their committee participation, and the duties and responsibilities they assumed. The Corporate Governance Committee also recommended to the Board of Directors a policy for the reimbursement of the expenses incurred by the members of the Board of Directors while carrying out their duties;
- Approved the information related to the compensation of the members of the Board of Directors that was disclosed to the shareholders and to the public at large;
- Oversaw compliance with Company regulations and policies that were designed to prevent the misuse of the Company's trade secrets and conflicts of interest among the Board of Directors, executives and other employees.

Nomination Committee

The Nomination Committee convened two times: in November and December.

- Identified suitable candidates for open positions on the Board of Directors and the management team;
- Undertook efforts to create a transparent system to identify suitable candidates for open positions on the Board of Directors and the management team;
- Assessed and trained the suitable candidates for open positions on the Board of Directors and the management team;
- Developed policies and strategies to identify suitable candidates for open positions on the Board of Directors and the management team;
- Effected the written declaration of candidates for Independent Board Membership stating that, as of the date of their nomination to the Committee, they meet the independence criteria stipulated in the relevant regulation and in the Company's Articles of Association;
- Performed regular evaluations on the composition and effectiveness of the Board of Directors and reported recommendations for potential changes to the Board of Directors membership;
- Assessed whether the nominees for Independent Board Member positions, including the management and shareholders, met the independence criteria at the election process of independent members of the Board of Directors and submitted conclusions to the Board of Directors for approval;
- Oversaw the public disclosure of the final list of nominees for Independent Board Member positions at the same time as the announcement for the General Assembly meeting.

Risk Assessment Committee

The Risk Assessment Committee convened to enable reporting to the Board of Directors every two months, while considering the Company's risk conditions.

- Ensured that initiatives were carried out for advance identification and management of all risks that could endanger the existence, development and continuity of TAV Airports Holding and Group companies and for the implementation of necessary measures to mitigate the risks identified;
- Oversaw the functioning of Enterprise Risk Management (ERM) and made recommendations for its improvement;
- Supported the Board of Directors in identifying the opportunities that can enhance the profitability and the effectiveness of the operations of the Company, overseeing the undertaking of necessary actions to take advantage of these opportunities and sharing these with the Board of Directors in a timely manner, evaluating major investment and sale/divestiture decisions, and setting the proper strategy for the Company by prudently assessing potential risks and opportunities;
- Carried out other tasks that the Committee is responsible for pursuant to applicable laws, rules and regulations and reviewed risk management systems at least once a year.

ORDINARY GENERAL ASSEMBLIES

TAV HAVALIMANLARI HOLDING A.S. 2017 GENERAL ASSEMBLY AGENDA

The Ordinary General Shareholders' Meeting of our Company will be held to discuss and settle the following agenda at TAV Academy Meeting Hall (A) in the headquarter of the Company addressed Ataturk Havalimani Dis Hatlar Terminali – A Kapisi VIP Yani Yesilkoy Istanbul on March 26, 2018, Monday at 11:00 a.m.

1. Opening and forming of the Presidential Board,
2. Review, discussion and approval of the Annual Report of the Board of Directors of the year 2017,
3. Review, discussion and approval of the summary statement of the Independent Audit Report of the fiscal year 2017,
4. Review, discussion and approval of the year-end Financial Statements for the fiscal year 2017,
5. Releasing severally the Members of the Board from their activities for the year 2017,
6. Accepting, accepting by amendment or declining the proposition of distribution of the dividend of 2017 and the date of dividend distribution,
7. Determining the rights of the members of the Board of Directors regarding the wages and attendance fee, and rigths such as bonus, premium,
8. Approval of the General Assembly the change of the Board membership executed in accordance with the Article 363 of the Turkish Commercial Code,
9. Electing new Board members including the independent members in place of the board members whose duties period will be expired and to determine the duties' period of the new board members,
10. Approval of the nomination of the Independent Audit Company conducted by the Board of Directors pursuant to the Turkish Commercial Code and the regulations of the Capital Markets Board,
11. As the validity period of the upper limit of registered share capital will expire, submitting for the approval of the General Assembly the authorization to be obtained from the General Assembly of the extension of its validity period and further submitting for the approval of the General Assembly the amendment of the clause 6 of the Articles of the Association of the Company due to extension of validity period under the registered capital system according to Capital Market Legislation and the amendment of the clause 15.1 to restructure Board Meetings' frequency of the Company, the required permissions of which have been obtained from Capital Market and T.R. Ministry of Customs and Trade,
12. Submitting the Remuneration Policy written as per the Capital Markets Board regulations for the information and consideration of the General Assembly,
13. Informing the General Assembly on the donations and aids which were provided by the Company in 2017 and determining the upper limit of donation to be made in the year 2018,
14. Giving information to the General Assembly regarding the transactions of the "Related Parties" as per third section of Corporate Governance Communique (II-17.1) of the Capital Markets Board,
15. Giving information to the General Assembly regarding pledges, collaterals, and mortgages to the shareholders as per fourth section of Corporate Governance Communique (II-17.1) of the Capital Markets Board,
16. Granting authorization to the Chairman and the Members of the Board on the fulfillment of the written transactions pursuant to Article 395 and 396 of the Turkish Commercial Code,
17. Wishes and requests,
18. Closing.

MINUTES OF THE ORDINARY GENERAL ASSEMBLY MEETING REGARDING THE YEAR 2016

The Ordinary General Assembly Meeting of TAV HAVALIMANLARI HOLDING ANONIM SIRKETI regarding the year 2016 was held on the 20st of March 2017 at 14.00 at the TAV Academy Meeting Room (A) in the Company Headquarters, which is located at the address of Ataturk Havalimani Dis Hatlar Terminali – A Kapisi VIP Yani Yesilkoy Istanbul. The meeting was held under the supervision of the Ministry representatives Mr. Feyyaz BAL and Ms. Nevin OKTAY who were appointed with the letter dated 17th March 2017 (n. 23484072) of the Governorship of Istanbul Provincial Directorate of Commerce.

The invitation for the meeting was published within the stipulated time limit – in the appropriate format that covered the agenda and that complied with the law and the articles of association – at page 102 and 103 of the Turkish Trade Registry Gazette on the 24th of February 2017 (edition n. 9271) and, at the newspapers Dunya and Star on the 22nd February 2016 and, on the Company website and the Electronic General Assembly System.

The List of Attendees was examined and it was seen that 282,351,500.5 out of 363,281,250 shares equivalent to the company's total capital of TL 363,281,250 were represented at the meeting and that the minimum meeting quorum stipulated in the law and the articles of association was present. It was seen that the Executive Member of the Board of Directors of the Company Mr. Mustafa Sani SENER, the Member of the Board of Directors Ms. Didar Sevdil YILDIRIM and Ms. Seda Akkus TECER on behalf of the Independent Audit Company were present at the meeting, and the agenda was opened after the meeting was launched physically and electronically (simultaneously) by the Executive Member of the Board of Directors Mr. Mustafa Sani SENER.

1. As per the first agenda item, the issue of electing Mr. Mehmet ERDOGAN as the Chair of the Meeting Council, Mr. Besim MERIC as the Vote Collector and Mr. Nihat Kamil AKKAYA as the Scribe and, the issue of authorizing the Meeting Council to sign the General Assembly Minutes and, the issue about making the voting both physically and electronically (on the electronic environment), were voted and approved – by majority – by 280,960,323.5 affirmative votes vs 33,665 negative votes.

2. As per the second agenda item, the issue about the Company's Board of Directors Annual Report regarding 2016 to be deemed as read was submitted to the vote of the assembly and the issue was discussed and approved - by majority - by 282,317,836.5 affirmative vote's vs 33,664 negative votes. The Board of Directors Annual Report 2016 was approved – by majority – by 282,317,836.5 affirmative votes, vs 33,664 negative votes.

3. As per the third agenda item, the issue of the Audit Report given by the Independent Audit Company regarding the year 2016 to be deemed as read was submitted to the vote of the assembly and the issue was discussed and approved -by majority - by 282,317,836.5 affirmative votes, vs 33,664 negative votes. The summary of the Independent Audit Report was read and discussed and the Independent Audit Report for 2015 was approved – by majority - by 282,317,836.5 affirmative votes, vs 33,664 negative votes.

4. As per the fourth agenda item, the issue of the Financial Statements of the Company regarding the accounting period of 2016 to be deemed as read was submitted to the vote of the assembly and the issue was discussed and approved by 282,317,836.5 affirmative votes, vs 33,664 negative votes. The Financial Statements of the Company regarding the accounting period of 2015 were approved - by majority - by 282,317,836.5 affirmative votes, vs 33,664 negative votes.

5. As per the fifth agenda item, the acquaintances of the Members of the Board of Directors (who held office in 2015) regarding their activities in 2015 was submitted to the vote of the assembly and decision was taken - by majority - by 280,900,978.5 affirmative votes, vs 93,010 negative votes.

Members of the Board of Directors did not cast votes for their acquaintances.

6. As per the sixth agenda item,

   1. As a result of Company's operations carried out by our Company between the 1st of January 2016 and 31st of December 2016; the profit calculated in the independently audited consolidated financial statements that were prepared in accordance with the provisions of the Capital Markets Board "Communiqué on the Principles Regarding Financial Reporting in Capital Markets" n.14.1, Series: I is TL 424,341,000, while the profit calculated within the framework of the provisions of the Turkish Code of Commerce and Tax Procedure Law is TL 1,096,529,296,

   2. As per the Capital Markets Board Communiqué on Dividends (II-19.1), TL 424,341,000 of the profit after tax calculated in the Consolidated financial statements is subject to profit distribution,

   3. Within the framework of the 519th Article of the Turkish Code of Commerce it is obligatory to allocate primary legal reserve funds up to 20% of the paid in capital. Accordingly; primary legal reserve funds was not allocated due to reaching to 20% of paid in capital for 2016,

   4. In the consolidated financial statements; TL 424,639,903 was calculated as the first dividend distributable profit,

   5. It was decided to distribute the TL 247,951,822 according to Capital Markets Board Communiqué (II-19.1) on Dividends, as the first dividend in cash,

      a. It was decided to distribute the entire amount of the TL 247,951,822 (to be distributed in cash) from the net profit for the period,

      b. In that respect, it was decided to pay our shareholders a total gross amount of TL 247,951,822 in cash with TL 0.6825 (68.25%) gross value per share of 1 TL nominal value,

   6. As per the Capital Markets Legislation and Turkish Code of Commerce, it was decided to allocate the remaining amount (after the deducting the profit that will be distributed) as extraordinary reserves. The decisions were taken - by majority - by 282,324,115.5 affirmative votes, vs 27,385 negative votes.

   7. The issue about beginning the profit distribution on the 22nd of March 2017 was submitted to the vote of the assembly and the issue was approved - by majority – by 282,324,115.5 affirmative votes, vs 27,385 negative votes.

7. As per the seventh agenda item, issues about remuneration, honorarium, premiums, and bonuses of the Members of the Board of Directors were discussed. It was decided to pay net US$ 65,000 per year to each Independent Member of the Board of Directors, and it was decided to pay the other Members of the Board of Directors no fees or honorariums. The decision was taken - by the majority of attendees - by 238,951,305 affirmative votes, vs 43,400,195.5 negative votes.

8. As per the eighth item on the agenda, the issue was discussed about the new Member of the Board of Directors, appointed for the vacant position of the resigning Member of the Board of Directors, to complete the remaining term of office. As per Article n.363 of the Turkish of Code of Commerce, a decision was taken by majority with 275,257,019.5 affirmative votes against 7,094,481 negative votes, for approving; I) to appoint Antonin Gaetan Pacome Benoit Florent BEURRIER – nationality: French, tax ID: 1670585751 – elected with our Company's Board of Directors' decision n. 2016/16 taken on July 26, 2016 for the vacant position of Patrick Raymond Marie JEANTET, the resigning Member of the Board of Directors, and II) to have the new Member of the Board of Directors, appointed for the vacant position of the resigning Member of the Board of Directors, complete the remaining term of office of the resigning Member of the Board of Directors.

9. As per the ninth agenda item, it was decided to appoint Guney Serbest Denetim and Serbest Muhasebeci Mali Musavirlik Anonim Sirketi registered at Istanbul Registry Office with 479920 trade number for one year as an Independent Audit Company to audit the financial reports of the 2017 accounting period in accordance with the Turkish Code of Commerce and Capital Markets Board regulations and to carry out other tasks within the scope of the relevant regulations in these laws. The decision was approved by majority votes of the 276,017,123.5 affirmative votes, vs 6,335,377 negative votes.

10. As per the tenth agenda item, the issue about the Remuneration Policy to be deemed as read was submitted to the vote of the assembly, and the issue was discussed and approved by 252,968,074.5 affirmative votes, vs 29,383,426 negative votes. In accordance with the Capital Markets Board regulations, the General Assembly was informed about the Company's "Remuneration Policy".

11. Within the scope of the eleventh item of the Agenda; TL 298,903 of aid and donation was made by our Company in 2016 while the General Assembly was informed about this issue. Decision was taken by the majority votes of 282,306,874.5 affirmative votes, vs 44,626 negative votes to determine the upper limit for the donations to be made regarding 2017 as TL 500,000.

12. As per the twelfth item on the agenda, General Assembly was informed regarding the transactions of the "Related Parties" as per the third section of Corporate Governance Communique (II-17.1) of the Capital Markets Board.

13. As per the thirteenth agenda item, General Assembly was informed regarding pledges, collaterals, and mortgages to the shareholders as per the fourth section of Corporate Governance Communique (II-17.1) of the Capital Markets Board,

14. As per the fourteenth agenda item, it was decided - by majority / by unanimity of the attendees - by 259,290,521 affirmative votes, vs 23,060,979 negative votes to authorize the Chair and the Members of the Board of Directors to exercise the transactions specified in the 395th and 396th Articles of the Turkish Code of Commerce.

15. As per the fifteenth agenda item, wishes & requests were listened to at this part of the meeting.

16. Lastly, the meeting was finalized and the minutes to the meeting (composed of four copies) and the List of Attendees, were issued and signed by the Meeting Council and Ministry Representatives.

Chair of Meeting Council **Mehmet ERDOGAN**	Scribe **Nihat Kamil AKKAYA**	Vote Collector **Besim MERİC**
Ministry Representative **Feyyaz BAL**	Ministry Representative **Nevin OKTAY**	

BOARD OF DIRECTORS

Edward Arkwright
Chair

Antonin Beurrier
Deputy Chair

Ali Haydar Kurtdarcan
Deputy Chair

Mustafa Sani Sener
Board Member and President & CEO

Franck Mereyde
Board Member & Deputy CEO

Philippe Pascal
Board Member

Fernando Echegaray
Board Member

Tayfun Bayazit
Board Member (Independent)

Necmi Bozanti
Board Member (Independent)

Jerome Calvet
Board Member (Independent)

Sevdil Yildirim
Board Member (Independent)

Edward Arkwright
Chair

Edward Arkwright was born on April 26, 1974, is a graduate of the IEP in Paris and studied at the ESSEC Business School. He also holds a Master's of Advanced Studies in Modern History. In 1997, he became a civil servant appointed to the Senate, the second in the legislation department (1997-1999) and in the Finance Committee (1999-2002). From 2002 to 2007, Mr. Arkwright held several positions as advisor to the Minister of Budget and the Minister of Finance in charge of the implementation of budgetary reform, State Reform and public finance. In 2007, he was principal private Secretary to the General Director of the Caisse des Dépôts Group and member of the executive committee. In 2010, Mr. Arkwright became Strategy Director for the Caisse des Dépôts Group. From 2007 to 2012, he was Member of the Board of companies of the Caisse des Dépôts Group, in real estate (as Icade, a listed company), tourism and services for local government (chairman of SCET, a company dedicated to advisory for local government). When he joined Aéroports de Paris in December 2012, his first appointment was as Special Advisor to the Chairman & CEO of Aéroports de Paris, and Member of Executive Committee. On September 1, 2013, Edward Arkwright was appointed Chief Financial Officer, in charge of Finance, Strategy, Law Department, Accountability and Purchasing. Since May 2016, Edward Arkwright has served as Deputy CEO, particularly in charge of development, engineering and transformation. He is also Chairman of Hub One, the IT company of ADP Group; Chair of the Board of Directors of TAV Airports; and Member of the Supervisory Board of Royal Schiphol Group.

Antonin Beurrier
Deputy Chair

Born in 1970, Antonin Beurrier is a graduate of Columbia Business School, New York, a former student of the Ecole Nationale d'Administration (class of 1997) and a graduate of Sciences Po, Paris. He began his career in France as Chief of Staff to the Prefect in the district of the Puy-de-Dôme, before moving to French Polynesia. Then, from 2000 to 2005, he joined the MICHELIN Group as Manager of the Northern Europe region, based in Stockholm. He went on to become the Group's Director of Investor Relations. In 2005, he joined the Inspection générale des Finances, the internal audit body of the French Ministry of Finance. In 2007, he joined the management team of the Swedish industrial group SANDVIK Mining & Construction. Then, based in Shanghai and Singapore, he was in charge of the Group's development strategy for emerging markets (China, India, and Russia), before becoming SANDVIK's Manager for Eastern Asia (mainly China, Japan, and Korea). In 2011, he joined the Executive Committee of the Nickel division of the XSTRATA mining and metallurgical group (Toronto), and took up the presidency of the group's New Caledonian subsidiary. After launching his own investment and consulting firm, Anamorphose, in 2013, he went on the following year to join the Brazilian mining group VALE as President of Vale New Caledonia and member of VALE Base Metals' Executive Committee in Toronto. In May 2016, Antonin Beurrier joins Groupe ADP's Executive Committee.

Ali Haydar Kurtdarcan
Deputy Chair

Ali Haydar Kurtdarcan is the Chairman of the Board of Directors of Tepe Insaat (Tepe Construction), a shareholder of TAV Airports Holding. Mr. Kurtdarcan graduated from Middle East Technical University (ODTU), Department of Civil Engineering in 1973. Since 1987, he has served in different managerial positions for Bilkent Holding. He was appointed CEO of Bilkent Holding in 2016. He was the Chairman of IDO Board of Directors between 2011 and 2013. Mr. Kurtdarcan currently serves as the Chairman of the Board of Directors of TAV Insaat A.S. (TAV Construction), Tepe Guvenlik A.S. (Tepe Security), Sports International A.S., Bilintur A.S., Meteksan Matbaa A.S. (Meteksan Printing), Tepe Home A.S., Tepe Emlak A.S. (Tepe Real Estate), Tepe Prefabrik A.S. (Tepe Prefabricated), Tepe Betopan A.S., and Bilenerji A.S.

Mustafa Sani Sener
Board Member and President & CEO

Member of the Board of Directors and President & CEO Mustafa Sani Sener was appointed member of the Board of Directors, President and CEO of TAV Airports in 1997. After graduating from the Black Sea Technical University (KTU) Department of Mechanical Engineering in 1977, Mr. Sener earned his Master's degree (M.Phil) in fluid mechanics in 1979 from University of Sussex in the UK. He has been awarded an Honorary Doctorate in engineering from KTU for his invaluable contributions to the development of Turkish engineering at the international level, as well as an Honorary Doctorate in Business Administration from American New Hampshire University for his accomplishments in Project and Risk Management throughout his tenure at TAV. Prior to his career at TAV Airports Holding, Mr. Sener served in various positions, from project manager to general manager, in many national and international projects. He attended training on the management of complex systems at the Massachusetts Institute of Technology (MIT.) Mustafa Sani Sener is also a member of the Board of Directors of the Airports Council International (ACI) World and was elected the President of Foreign Economic Relations Board's Turkish- French Business Council in 2012. Mr. Sener was honored with the "Legion d'honneur" of the Chevalier order by France thanks to his contributions to the bilateral relations between Turkey and France.

In the voting carried out by Thomson Extel among national and international finance corporations, he was chosen first in the category of "The Best CEO" in Turkey in 2010, 2011, 2014, 2015 and 2016, and third in the European Transport Sector in 2014.

Franck Mereyde
Board Member & Deputy CEO

Franck Mereyde was born on April 6, 1972. He is a Civil Engineer and the holder of a postgraduate degree in Geophysics and Space Techniques. Mr. Mereyde commenced his professional career with Environment Canada and then Météo France. In 2002, he joined the Office of the Minister for Infrastructure as Technical Advisor in the Research and Intermodal Transportation Department, then as Advisor for the Budget, Financial Affairs and Civil Aviation departments. In 2005, Mr. Mereyde started work at ADP as Deputy Director of Operations at Paris-Charles de Gaulle Airport and was subsequently promoted to Director of Operations. He was also in charge of freight for Aéroports de Paris. In 2007, Mr. Mereyde was appointed Director of Terminals 2A, 2B, 2C and 2D at Paris-Charles de Gaulle Airport and, in January 2010, Director of Terminals 2E, 2F and 2G, as well as of the TGV/RER connection at Paris-Charles de Gaulle Airport with high-speed rail. On March 1, 2011, he was appointed Director of Paris-Orly Airport. Franck Mereyde is a member of the Board of Directors at Aéroports de Paris Management and at Hub Safe.

Philippe Pascal
Board Member

Philippe Pascal was born on November 27, 1971. He is an alumnus of the Ecole Nationale des Impôts and holds a Master's degree in Public Law. Mr. Pascal began his professional career at the Directorate of Tax Administration where he held several positions between 1998 and 2007 in real estate taxation, agricultural tax and the taxation of individuals. In 2007, he joined the Office of the Minister of State in charge of the budget, public accounts and public service and was appointed Financial Auditor (Inspecteur des Finances) in April 2008. From 2008 to 2013, Mr. Pascal took part in and then headed several departments in audit, evaluation and consulting within the Inspection Générale des Finances (Finance Ministry audit division). Joining Groupe ADP in February 2013 as Director of Financial Operations and Shareholdings, Mr. Pascal was then appointed Director of Finance and Strategy, and subsequently, in November 2015, as Director of Finance, Control and Strategy. Since May 2016, Philippe Pascal has served as Executive Director of Strategy, Finance, and Administration (CFO). Within Groupe ADP, Mr. Pascal is a member the Board of Directors at EPIGO, Média Aéroports de Paris, ADP Investissement Nederland B.V., ADP Ingénierie, and Aéroports de Paris Management. He is also a member the Board of Directors at Cœur d'Orly Commerces Investissement and Cœur d'Orly Investissement.

Fernando Echegaray
Board Member

Fernando Echegaray was born in Spain. He holds an industrial engineering degree from the Universitat Politècnica de Catalunya (Polytechnic University of Catalonia) and a computer engineering degree from the Universitat de les Illes Balears (University of the Balearic Islands). Mr. Echegaray also obtained a degree in Business Management and Administration from IESE Business School. He has held several management positions within the Spanish airport operator AENA. From 1985 to 1999, Mr. Echegaray served as the Deputy Director of Palma de Mallorca Airport. In 2000, he became the Director of Operations at Grupo Aeroportuario del Pacifico (GAP) in Mexico. From 2003 to 2004, Mr. Echegaray was the CEO at Tenerife South Airport, and from 2004 to 2006 he was the CEO at Canary Islands Airports. Fernando Echegaray was the CEO at Barcelona-El Prat Airport from 2006 to 2012. Between 2012 – 2017, he was the Airport Network Director of Aena in charge of 46 airports in Spain. He was appointed Director of International Operations at ADP as of July 1, 2017.

Tayfun Bayazit
Board Member (Independent)

After receiving a bachelor's degree in Mechanical Engineering in 1980, Tayfun Bayazit received an MBA from Columbia University in Finance and International Business. Beginning his banking career at Citibank in 1983, he subsequently worked in senior executive positions within Cukurova Group for 13 years, including Yapi Kredi Bank (Senior Executive Vice President and Executive Committee Member), Interbank (CEO) and Banque de Commerce et de Placements S.A. Switzerland (President and CEO). In 1999, he was appointed as the Vice Chair of Dogan Holding and an Executive Director of Disbank. He assumed the CEO position at Disbank in 2001 and was appointed as the Chair of the Board of Directors in 2003. He became the CEO of Fortis Turkey and Member of the Executive Committee of Fortis Global after the acquisition of the majority shares of Disbank in July 2005. Tayfun Bayazit assumed the position of the Chair of the Board of Directors of Fortis Turkey after the General Assembly Meeting of Shareholders in 2006. In 2007, Mr. Bayazit returned to Yapi Kredi (a partnership of Unicredit and Koc Groups) as Managing Director and CEO, and was appointed Chairman of the Board of Directors in 2009. Mr. Bayazit resigned from his duties at Yapi Kredi in August 2011 to establish Bayazit Management & Consulting Services, where he currently serves as President. In addition to being a member of the Boards of Directors of various companies, Mr. Bayazit is also actively engaged in the management of numerous civil society organizations including the Turkish Industry and Business Association (TUSIAD), Educational Volunteers Foundation of Turkey (TEGV), Corporate Governance Association of Turkey (TKYD), WRI Turkey, and Darussafaka.

Necmi Bozanti
Board Member (Independent)

After graduating from Marmara University in 1977 Necmi Bozanti received his Master's degree in Production Management from the same university and a Master's degree in Accounting-Finance from Istanbul University, Faculty of Economics. Following his doctoral studies in General Economics, Mr. Bozanti served as planner in the Planning Department of Turkiye Sise ve Cam Fabrikalari A.S. Beginning his banking career at Interbank in 1984, Necmi Bozanti worked at Iktisat Bank from 1984 until 1987, and at Turkiye Emlak Bankasi between 1991 and 1992. He served as Deputy General Manager of Alternatifbank between 1992 and 1995, after which he was the General Manager of Dis Factoring for six years. Mr. Bozanti has been the Chairman of the Bilkent Holding Corporate Risk Committee since the beginning of 2015 as well as Member of the Boards of Directors of Bilkent Holding subsidiaries Tepe Home and BCC Catering since the beginning of 2016. Mr. Bozanti has served as Chairman of the Board of Directors of IDO Deniz Otobusleri A.S. since September 2016. He is the founder of Ekip Consulting Company. Mr. Bozanti also serves on the Executive Committees of My Technic, ACT Kargo, Mapek Dis Ticaret, and Bordrill.

Jerome Calvet
Board Member (Independent)

Mr. Jerome Calvet received his law degree in 1978 and graduated from Institut d'Etudes Politiques in 1979 and from Ecole Nationale d'Administration in 1983. Jerome Calvet received his law degree from Institut d'Etudes Politiques de Paris in 1983. He worked in the Finance Ministry of France between 1983 and 1997 and as Financial Secretary of the France Mission of EU between 1988 and 1990, while also serving on the Boards of Directors of many companies. From 1998 until 2004 he led the Corporate Finance (France) Department of Société Générale and later on became the Head of the Mergers & Acquisitions Department of the same bank. Between 2004 and 2008 he directed the Investment Banking Department (France) of Lehman Brothers. He has also been the CEO of Nomura (France) since 2009.

Sevdil Yildirim
Board Member (Independent)

Since 2012, Mrs. Yildirim has been serving as the Independent Board Member of leading publicly-held companies; i.e., TAV Airports Holding Co. (of Aeroports de Paris Group), Is Real Estate Investment Co. and Denizli Cam (of Sisecam) in Turkey as well as of a privately-held manufacturing company. She has been either the Chairperson or the member at Corporate Governance Committees, Audit Committees, Nomination Committees, Risk Assessment and Management Committee. Besides, she has been the mentor at the Women in Management Association as well as for the StartupBoothCamp. Among awards, she was awarded as the assigned fund management company by the Scientific and Technological Research Council of Turkey TUBITAK (2014), and also became the finalist at the European Investment Fund Venture Capital Tender (2013). As the continuation of her consultancy work, she is running projects in renewable energy, agriculture and manufacturing sectors, mainly with the Far Eastern and GCC corporations. Mrs. Yildirim has been the Board Member at the Association of Listed Companies in Turkey (KOTEDER), the Founding Member of the Association of Board of Directors (YÜD), and the member of the Women Corporate Directors (WCD). Since 2002, she has been the Board Member of Forum Istanbul Conferences. She also serves at NGOs, such as the Foundation for Children in Need of Protection, and the Association of Art for Benevolence.
Formerly, Mrs. Yildirim worked at the Capital Markets Board of Turkey, in departments of Audit, Market Surveillance &Supervision, R&D as well as IOSCO and OECD projects in the period of 1988-1999. Afterwards, she served as the Assistant General Manager at Yapi Kredi Investment Inc (1999-2006), at Turkish Investment Inc (2007) and at BGC Partners (2008). Joined into Yildiz Holding in 2009 as the Finance Coordinator, and then she formed and developed Gozde Private Equity Investment Company and worked in Gozde as the Assistant General Manager and Member of the Investment Committee till early 2012. Mrs. Yildirim served as the Executive Vice President in the Business Councils of Kuwait and Saudi Arabia as well as the Board Member at Qatar and Bahrain Business Councils at the Foreign Economic Affairs Council of Turkey (DEIK) between 2007 and 2011. Previously, she was the President of the Association of Capital Markets Board Experts, and also the Founding Chairperson of London Business School Turkey Alumni Group. Married with two children, Mrs. Yildirim has two books published by the Capital Markets Board of Turkey, i.e.; "Establishment and Design of a Financial Futures-Options Market in Turkey", and "Risk Management Through Futures Markets in Agricultural Sector and Evaluations for Turkey". Graduated from the Middle East Technical University (METU) Department of Business Administration (BA) in 1988, Mrs. Yildirim got a MSc degree in Economics from METU (1989-1995) and a Master's degree in Finance from London Business School (1995-1996).

SENIOR MANAGEMENT

Mustafa Sani Sener
Board Member and President & CEO

Franck Mereyde
Member of Board of Directors & Deputy CEO

Serkan Kaptan
Deputy CEO

Burcu Geris
Vice President and CEO

Kemal Unlu
Vice President, TAV Istanbul

Murat Ornekol
COO, Vice President

Hakan Oker
Vice President Human Resources

Mustafa Sani Sener
Board Member and President & CEO

Member of the Board of Directors and President & CEO Mustafa Sani Sener was appointed member of the Board of Directors, President and CEO of TAV Airports in 1997. After graduating from the Black Sea Technical University (KTU) Department of Mechanical Engineering in 1977, Mr. Sener earned his Master's degree (M.Phil) in fluid mechanics in 1979 from University of Sussex in the UK. He has been awarded an Honorary Doctorate in engineering from KTU for his invaluable contributions to the development of Turkish engineering at the international level, as well as an Honorary Doctorate in Business Administration from American New Hampshire University for his accomplishments in Project and Risk Management throughout his tenure at TAV. Prior to his career at TAV Airports Holding, Mr. Sener served in various positions, from project manager to general manager, in many national and international projects. He attended training on the management of complex systems at the Massachusetts Institute of Technology (MIT.) Mustafa Sani Sener is also a member of the Board of Directors of the Airports Council International (ACI) World and was elected the President of Foreign Economic Relations Board's Turkish- French Business Council in 2012. Mr. Sener was honored with the "Legion d'honneur" of the Chevalier order by France thanks to his contributions to the bilateral relations between Turkey and France.

In the voting carried out by Thomson Extel among national and international finance corporations, he was chosen first in the category of "The Best CEO" in Turkey in 2010, 2011, 2014, 2015 and 2016, and third in the European Transport Sector in 2014.

Franck Mereyde
Board Member & Deputy CEO

Franck Mereyde was born on April 6, 1972. He is a Civil Engineer and the holder of a postgraduate degree in Geophysics and Space Techniques. Mr. Mereyde commenced his professional career with Environment Canada and then Météo France. In 2002, he joined the Office of the Minister for Infrastructure as Technical Advisor in the Research and Intermodal Transportation Department, then as Advisor for the Budget, Financial Affairs and Civil Aviation departments. In 2005, Mr. Mereyde started work at ADP as Deputy Director of Operations at Paris-Charles de Gaulle Airport and was subsequently promoted to Director of Operations. He was also in charge of freight for Aéroports de Paris. In 2007, Mr. Mereyde was appointed Director of Terminals 2A, 2B, 2C and 2D at Paris-Charles de Gaulle Airport and, in January 2010, Director of Terminals 2E, 2F and 2G, as well as of the TGV/RER connection at Paris-Charles de Gaulle Airport with high-speed rail. On March 1, 2011, he was appointed Director of Paris-Orly Airport. Franck Mereyde is a member of the Board of Directors at Aéroports de Paris Management and at Hub Safe.

Serkan Kaptan
Deputy CEO, TAV Airports

Serkan Kaptan graduated from the Istanbul University, Department of Business Administration in 1995 and received his MBA from Marmara University in 2002. He has been serving as Business Development Director of TAV Airports Holding since 2003. Mr. Kaptan joined TAV Airports Holding in 1998 with the build-operate-transfer project of the Istanbul Ataturk Airport. Between 1998 and 2001, he served as airport operation consultant at Airport Consulting Vienna, a company owned by VIE, which is a partner of TAV Airports Holding. Before joining TAV Airports, Mr. Kaptan worked at Birgenair Charter Group as Dispatcher and Operations Supervisor. Having 18 years of experience in airport and airline operations and public-private sector partnership infrastructure projects, Serkan Kaptan was in charge of long-term country and relationship management within the scope of the country operations of TAV Airports in Iran and Georgia. Mr. Kaptan has also been the Chairman of the Turkish-Latvian Business Council of the Foreign Economic Relations Board of Turkey (DEIK) since 2010.

Burcu Geris
Vice President and CFO

Burcu Geris graduated from Bosphorus University, Department of Business Administration in 1999 and received her MBA degree from London Business School and Columbia Business School. MS. Geris began her professional career at Garanti Bank where she took part in Treasury and Project Finance departments from 1999 until 2005. She has 15 years of professional experience in project finance, corporate finance and treasury. Joining TAV Airports in 2005, Ms. Geris led the Project & Structured Finance Department of the Company between 2005 and 2012. Burcu Geris was appointed CFO in 2012 and Vice President in 2014. She was named a "Young Global Leader" by the World Economic Forum in 2015 as well as a "Rising Talent" by the Women's Forum in 2013. She was voted Second Best CFO in Turkey in Thomson Reuters Extel's 2015 European Investor Relations Survey, Best CFO in Turkey in the same survey in 2016, and one of Turkey's 50 Most Influential CFOs by Fortune magazine. In addition to serving as a Member of the Boards of Directors of TAV Group companies, Ms. Geris is also a member of Women Corporate Directors (WCD), Professional Women's Network (PWN), Global Board Ready Women (GBRW), Global Relations Forum Young Professionals Program, and BUMED, CBS and LBS Alumni Associations. She is married with two children.

Kemal Unlu
Vice President TAV Istanbul

Kemal Unlu began his carrier as an Electrical Technician in 1978 at Ankara Esenboga Airport. He graduated from Gazi University, Department of Electrical Engineering in 1983. He served as Electricity Manager of the Turkish State Airports Authority (DHMI)'s Antalya Airport in 1988; the Deputy to the Manager-in-Chief in Charge of DHMI Ataturk Airport in 1994; and the Manager-in-Chief in Charge of Ataturk Airport at DHMI between August 1999 and March 2004. Mr. Unlu joined TAV Airports in 2004 after leaving his post as the Principal in charge of Ataturk Airport at the General Directorate of State Airports Authority (DHMI) and took part in the Iranian Project. After completing his duty in Iran in four months, Mr.Unlu returned Istanbul and was assigned General Manager of TAV Istanbul in 2006. Mr. Kemal Unlu has been serving as Vice Chair of the Turkish Private Aviation Enterprises Association (TOSHID) for the past four terms since 05.12.2006. He has served as the Vice Chair of the Board of Directors of the Turkish Private Aviation Enterprises Association (TOSHID) since December 5, 2006.

Murat Ornekol
COO, Vice President

Murat Ornekol graduated from Middle East Technical University, Department of Industrial Engineering in 1980 and served as General Manager of TAV Esenboga between 2006 and 2008. Prior to joining TAV Airports he worked as Planning Engineer, IT Manager and Commerce Manager at Kutlutas Holding. Mr. Ornekol also served as General Manager at Bordata, an IT company, as well as Logistics & Business Development Coordinator, Head of the Healthcare Group, Telecom Project Director and Vice Chair of the Holding's Executive Board at Bayindir Group companies. Murat Ornekol joined TAV Airports in 2006 and served as General Manager at TAV Esenboga between 2006 and 2008. He was appointed Operations Director at TAV Airports in 2008. He has served as TAV Airports Holding's Vice President of Operations since 2014.

Hakan Oker
Vice President, Human Resources, TAV Airports Holding

Mr. Hakan Oker graduated from Hacettepe University's Department of Sociology in 1986. He started his professional career in 1988 as a Personnel Specialist at Beksa, Bekaert-Sabanci Celik Kord Steel Cord Plc. After assuming various responsibilities in Beksa between 1988 and 1998, he continued his career as Human Resources Director at Kordsa Turkey, Quality and Information Systems Joint Services Director and then Projects Director within the Tire, Tire Reinforcement Materials and Automotive Group of Sabanci Holding. In January 2007, he was appointed as Kordsa Global, Global Director of Human Resources. He was appointed as Vice President responsible for Human Resources and Information Technologies in January 2009. In June 2015, He was appointed as the Kordsa Global, Chief Human Resources Officer. He has been working as Vice President, Human Resources in TAV Airports Holding since January 4, 2016.

FINANCIAL BENEFITS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Limits of Authority of Members of the Board of Directors

The Chair and the members of the Board of Directors have the powers and duties stipulated in the related articles of the Turkish Commercial Code and articles 17 and 18 of the Company's Articles of Association.

Financial Benefits Provided to the Members of the Board of Directors and Senior Management and Other Various Expenses

(TL Million)	2016	2017
Short-term Benefits (salaries and bonuses)	56	69
Travel and Transportation Expenses	15	25
Representation Expenses	5	8

As of 2017 and 2016, the Group does not have any payable balances to the directors and senior management.

Information Regarding Expenses for Donation and Aid and for Social Responsibility Projects

In 2017, our Company made TL 492,298 aid and donation within the framework of its Social Responsibility approach. Within the scope of our Donation Policy accepted by the General Assembly, information about aid and donations that were made during the period is provided at the General Assembly with a separate agenda item.

Related Party Transactions

The total amount of transactions between our Company and ATU whose 50% shares are owned by our Company, surpassed 10% of 2017 consolidated revenues, as of 31 December 2017. Detailed information about these transactions is explained in our consolidated financials footnotes. Note that TAV adopted the IFRS 11 "Joint Venture" standard starting from 1 January 2012.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Amended Articles of Association, which already received approval from the Capital Markets Board and the Ministry of Customs of Trade, will be voted on by the shareholders at the Ordinary General Assembly Meeting.

Old Style

ARTICLE 6 – CAPITAL
The company has adopted the registered capital system pursuant to the provisions of the Capital Markets Law No. 2499 and with the permission of the Capital Markets Board numbered 27/1073 dated October 15, 2018.

The registered capital ceiling of the Company is TL 1,500,000,000 (one billion five hundred million Turkish Liras) divided into 1,500,000,000 (one billion five hundred million) shares having a nominal value of TL 1 (one Turkish Lira) each.

The registered capital ceiling authorized by the Capital Markets Board is valid between 2013 and 2017 (for five years). At the end 2017, even if the authorized registered capital ceiling has not been attained, in order for the Board of Directors to pass a resolution for a capital increase after 2017, it is obligatory to obtain authorization from the General Assembly for a new period, after obtaining the authorization of the Capital Markets Board for the ceiling authorized previously, or for a new ceiling amount. The Company is deemed to have dropped out of the registered capital system in the event that it is unable to obtain this authorization.

The Company's issued capital is TL 363,281,250 (three hundred sixty three million two hundred eighty one thousand two hundred fifty Turkish Liras). This entire amount is paid-in. This issued capital is divided into 363,281,250 (three hundred sixty three million two hundred eighty one thousand two hundred fifty) bearer shares having a nominal value of TL 1 (one Turkish Lira) each.

The Board of Directors of the Company is authorized to raise the issued share capital by issuing new registered or bearer shares up to the registered capital ceiling between 2013 and 2017, in compliance with the Capital Markets Law and its related regulations.

New Style

ARTICLE 6 – CAPITAL
The company has adopted the registered capital system pursuant to the provisions of the Capital Markets Law No. 2499 and with the permission of the Capital Markets Board numbered 27/1073 dated October 15, 2018.

The registered capital ceiling of the Company is TL 1,500,000,000 (one billion five hundred million Turkish Liras) divided into 1,500,000,000 (one billion five hundred million) shares having a nominal value of TL 1 (one Turkish Lira) each.

The registered capital ceiling authorized by the Capital Markets Board is valid between 2017 and 2021 (for five years). At the end 2021, even if the authorized registered capital ceiling has not been attained, in order for the Board of Directors to pass a resolution for a capital increase after 2021, it is obligatory to obtain authorization from the General Assembly for a new period, after obtaining the authorization of the Capital Markets Board for the ceiling authorized previously, or for a new ceiling amount. The Company's capital cannot be increased through a Board of Directors resolution in the event that it is unable to obtain this authorization.

The Company's issued capital is TL 363,281,250 (three hundred sixty three million two hundred eighty one thousand two hundred fifty Turkish Liras). This entire amount is paid-in. This issued capital is divided into 363,281,250 (three hundred sixty three million two hundred eighty one thousand two hundred fifty) bearer shares having a nominal value of TL 1 (one Turkish Lira) each.

The Board of Directors of the Company is authorized to raise the issued share capital by issuing new registered or bearer shares up to the registered capital ceiling between 2017 and 2021, in compliance with the Capital Markets Law and its related regulations.

The Board of Directors of the Company is also authorized to pass resolutions regarding the issuance of premium shares and to resolve to restrict, partly or wholly, the pre-emption rights of the shareholders. The resolutions of the Board of Directors adopted pursuant to the authority granted in this Article are published in compliance with the principles set forth by of the Capital Markets Board.

The shares representing the capital are registered and accounted for as per the principles of dematerialization.

ARTICLE 15 - BOARD OF DIRECTORS MEETINGS

15.1 The Board of Directors convenes as necessitated by the Company's business and transactions. However, it is mandatory for the Board of Directors to convene at least once every 2 (two) months. The Chairman, Vice Chairman and each Member of the Board of Directors have the right to call for a Board of Directors meeting by inviting all other Board members with a notice of at least 10 (ten) business days and/or add any matter to the agenda of a Board of Directors meeting. Meeting invitations that take this form are transmitted by electronic mail/fax message. Members of the Board of Directors may waive this formal procedure by written notice.

15.2. Board of Directors meetings are held at the Company's Main Office unless otherwise resolved by the Board of Directors.

15.3. Persons who have the right to participate in the Board of Directors meetings of the Company may participate in these meetings via electronic media pursuant to Article 1527 of the Turkish Commercial Code. The Company may set up its own electronic meeting system, or subscribe to services from the systems formed by service providers for this purpose, that will enable the right holders to participate and vote at these meetings via electronic media pursuant to the provisions of the Communiqué Regarding Boards to be Convened via Electronic Media in Commercial Companies other than General Assemblies of Joint Stock Companies. It is required to ensure that the right holders exercise their rights specified in the related legislation on the basis set forth in the provisions of the above mentioned Communiqué in meetings to be held via the system set up or the system subscribed to from commercial vendors pursuant to this provision of the Articles of Association herein.

The Board of Directors of the Company is also authorized to pass resolutions regarding the issuance of premium shares and to resolve to restrict, partly or wholly, the pre-emption rights of the shareholders. The resolutions of the Board of Directors adopted pursuant to the authority granted in this Article are published in compliance with the principles set forth by of the Capital Markets Board.

The shares representing the capital are registered and accounted for as per the principles of dematerialization.

ARTICLE 15 - BOARD OF DIRECTORS MEETINGS

15.1 The Board of Directors convenes as necessitated by the Company's business and transactions. However, it is mandatory for the Board of Directors to convene at least 6 (six) times each year. The Chairman, Vice Chairman and each Member of the Board of Directors have the right to call for a Board of Directors meeting by inviting all other Board members with a notice of at least 10 (ten) business days and/or add any matter to the agenda of a Board of Directors meeting. Meeting invitations that take this form are transmitted by electronic mail/fax message. Members of the Board of Directors may waive this formal procedure by written notice.

15.2. Board of Directors meetings are held at the Company's Main Office unless otherwise resolved by the Board of Directors.

15.3. Persons who have the right to participate in the Board of Directors meetings of the Company may participate in these meetings via electronic media pursuant to Article 1527 of the Turkish Commercial Code. The Company may set up its own electronic meeting system, or subscribe to services from the systems formed by service providers for this purpose, that will enable the right holders to participate and vote at these meetings via electronic media pursuant to the provisions of the Communiqué Regarding Boards to be Convened via Electronic Media in Commercial Companies other than General Assemblies of Joint Stock Companies. It is required to ensure that the right holders exercise their rights specified in the related legislation on the basis set forth in the provisions of the above mentioned Communiqué in meetings to be held via the system set up or the system subscribed to from commercial vendors pursuant to this provision of the Articles of Association herein.

DIVIDENDS

Dividend Policy

In accordance with the Communique numbered II-19.1 of the Capital Markets Board, our Company's "Dividend Policy" to be determined as follows: Our Company determines the resolutions for distribution of profit by considering the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, the provisions of the other relevant legislations and Articles of association of our Company.

Accordingly, 50% of the "consolidated net profit for the relevant period", calculated by considering the period financial statements that have been prepared under the Capital Market legislation and in conformity with the International Financial Reporting Standards (IFRS), will be distributed in cash or as gratis shares, which will be issued by means of adding such amount to the share capital subject to the resolution to be rendered by the General Assembly of shareholders of our Company.

Sustainability of this dividend policy is one of the basic purposes of our Company, except for such special cases necessitated by investments and any other fund requirements that may be required for the long-term development of the Company, its subsidiaries and affiliates and any extraordinary developments in economic conditions.

Dividend proposal for 2017 earnings:

It is unanimously resolved that this resolution to be submitted to the approval of our shareholders in the Ordinary General Assembly Meeting of our Company to be held for the year 2017;

TAV Airports Board of Directors has resolved to propose a dividend of TRY 406 million (50% dividend payout in EUR terms), or TRY 1.1186141 gross dividend per share to commence on March 28, 2018, to the approval of the first General Assembly.

SUBSIDIARY REPORT

The Subsidiary Company Report of the TAV Airports Board of Directors for 2017 Prepared Pursuant to Article 199 of the Turkish Commercial Code

Pursuant to Article 199 of the Turkish Commercial Code, Law No. 6102, that became effective on July 1, 2012, TAV Airports Board of Directors is obligated to issue a report within the first three months of the fiscal year regarding the Company's relationships with its controlling shareholder and the subsidiaries of its controlling shareholder during the previous fiscal year, and to include the conclusion section of this report in the annual report. The transactions TAV Airports executed with its affiliated parties are presented in the relevant note of the financial report. The report issued by the Board of Directors states: "It was concluded that in each and every transaction TAV Airports executed with its controlling shareholders and the subsidiaries of its controlling shareholders in 2017, based on the situation and conditions known to us at the time the transaction was executed, or the measure was taken, or the measure was refrained from being taken, the Company had a commensurate gain in return and there was no measure taken or refrained from being taken that will lead to losses for the Company and, within this framework, there are no transactions or measures that require compensation."

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of
TAV Havalimanlari Holding A.S.

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards
We have audited the annual report of TAV Havalimanlari Holding A.S. and its subsidiaries (together referred to as "the Company") for the year ended December 31, 2017.

The responsibility of the Board of Directors on the Annual Report
In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor
Our responsibility is to express and opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements there on which auditor's report dated February 17, 2017 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements
In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern" no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited

Seda Akkus Tecer, SMMM
Partner

February 28, 2018
Istanbul, Turkey

AUDITOR'S REPORT ON RISK ASSESSMENT COMMITTEE AND RISK MANAGEMENT

To the Board of Directors of TAV Havalimanlari Holding A.S.,

We have audited the Early Identification of the Risk System and Committee established by TAV Havalimanlari Holding A.S.

Responsibility of the Board of Directors
Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor
Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These Principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee
The Company established the Early Identification of the Risk System and Committee which consists of 6 members. For the period between January 1 – December 31, 2017, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion
Based on our audit, we have reached the conclusion that except for the matter(s) stated in the paragraph below, the early identification of the risk system and committee of TAV Havalimanlari Holding A.S. is, in all material respects, in compliance with article 378 of the TCC.

The Early Identification of the Risk Committees have to submit their report to the Board of Directors at least bimonthly in accordance with Article 378 of TCC. The Early Identification of the Risk Committee of the Company has submitted their report 6 times during the year to the Board of Directors.

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited

Seda Akkus Tecer
SMMM Partner

February 21, 2018
Istanbul, Turkey

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED PURSUANT TO ARTICLE 9 OF THE COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS NO. II-14.1 OF THE CAPITAL MARKETS BOARD

RESOLUTION DATE: 21/02/2018
RESOLUTION NO: 5
OF THE BOARD OF DIRECTORS REGARDING THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORTS

In accordance with the regulations of the Capital Markets Board and in light of the Statement of Financial Position with footnotes, Comprehensive Income Statement, Cash Flow Statement, Statement of Changes in Equity, and interim Annual Report ("Financial Statements") for the period between January 1, 2017 and December 31, 2017 prepared by the Company in compliance with the formats established by Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the Capital Markets Board pursuant to the "Communiqué on the Principles of Financial Reporting in Capital Markets" ("Communiqué") No. II-14.1 of the Capital Markets Board and audited within limited scope by the independent audit firm Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S.;

-We hereby declare that:

-Based on the information we possess within the scope of our duties and responsibilities in the Company, the consolidated financial statements do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of issuance,

-Prepared in accordance with the financial reporting standards in effect, the financial statements provide an accurate view of the assets, liabilities, financial position and profit or loss of the Company including its consolidated participations, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company including its consolidated participations as well as the principal risks and uncertainties the Company is exposed to.

Audit Committee Chair Necmi Rıza BOZANTI	Audit Committee Member Tayfun BAYAZIT	Vice President and CFO Burcu GERIS

STATEMENT OF INDEPENDENCE

To TAV Havalimanlari Holding A.S. Board of Directors:

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of TAV Havalimanlari Holding (Company), within the scope of the criteria stipulated in the legislations, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

d) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethic standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interests between the company's shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare the sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.

Respectfully yours,

D. Sevdil YILDIRIM

Necmi Rıza BOZANTI

Tayfun BAYAZIT

STATEMENT OF INDEPENDENCE

To TAV Havalimanlari Holding A.S. Board of Directors:

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of TAV Havalimanlari Holding (Company), within the scope of the criteria stipulated in the legislations, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

d) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethic standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interests between the company's shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare the sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,
h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

h) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

i) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.

Respectfully yours,

Jérome Paul Jacques Marie CALVET

OPERATIONAL AND FINANCIAL FIGURES

EURO BASED FINANCIALS

Consolidation Table Summary

	2016		2017	
Subsidiary Name	**Consolidation**	**%**	**Consolidation**	**%**
TAV Istanbul	Full Consolidation	100	Full Consolidation	100
TAV Esenboga	Full Consolidation	100	Full Consolidation	100
TAV Ege	Full Consolidation	100	Full Consolidation	100
TAV Gazipasa	Full Consolidation	100	Full Consolidation	100
TAV Macedonia	Full Consolidation	100	Full Consolidation	100
TAV Latvia	Full Consolidation	100	Full Consolidation	100
TAV Tunisia	Full Consolidation	67	Full Consolidation	67
TAV Urban Georgia (Tbilisi)	Full Consolidation	76	Full Consolidation	76
TAV Batumi	Full Consolidation	80	Full Consolidation	80
TIBAH Development	Equity	33	Equity	33
TIBAH Operation	Equity	51	Equity	51
Havaş	Full Consolidation	100	Full Consolidation	100
BTA	Full Consolidation	67	Full Consolidation	100
TAV O&M	Full Consolidation	100	Full Consolidation	100
TAV Technologies	Full Consolidation	100	Full Consolidation	100
TAV Security	Full Consolidation	100	Full Consolidation	100
Havaş Europe (NHS)	Full Consolidation	100	Full Consolidation	100
ATU	Equity	50	Equity	50
TGS	Equity	50	Equity	50
BTA Marine	Equity	50	Equity	50
TAV Academy	Full Consolidation	100	Full Consolidation	100
Havaş Saudi	Equity	67	Equity	67
MZLZ	Equity	15	Equity	15
TAV Milas-Bodrum	Full Consolidation	100	Full Consolidation	100
Tunisia Duty Free*	Proportional Consolidation	30	Proportional Consolidation	30

**TDF is 30% held and proportionately consolidated to ATU because ATU has 65% of the voting rights*

GUIDANCE AND ACTUALS*

DEVELOPMENTS IN 2017

Consolidated revenue increased 3% while we expected it to rise 1-3%, and EBITDAR grew 12%, well above the expected rate of 6-8%. Net profit grew by an astounding 37%, a significant increase we had expected at the beginning of the year. International passenger traffic at Istanbul Atatürk Airport increased 7%, well above our estimated increase of 4-6%. Outbound passenger traffic at Istanbul Atatürk Airport and TAV's total passenger traffic grew 9% and 10%, respectively, and both figures exceeded our estimations (6-8%) at the beginning of the year. Our capital investments amounted to EUR 41 million, which remained below the planned investment spending of about EUR 50 million.

** IFRIC 12 adjusted*

GUIDANCE FOR 2018*

Our Company's 2018 expectations, which are based on our passenger traffic and exchange rate forecasts, are as below:

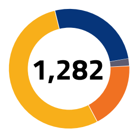
- 6-8% growth in international passenger traffic at Istanbul Atatürk Airport,
- 9-11% growth in outbound passenger traffic at Istanbul Atatürk Airport (origin and destination),
- 10-12% growth in total passenger traffic of TAV Airports Holding,
- 2-4% growth in revenue,
- 5-7% growth in EBITDA,
- A double-digit growth in net profit,
- About EUR 80 million capital investment.

** Prepared based on the assumption that Istanbul Atatürk Airport operations will continue until year-end 2018. All financial projections are in Euro, and have been adjusted for IFRIC 12.*

OPERATIONAL AND FINANCIAL PERFORMANCE

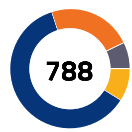
Breakdown of Revenue and Operational Expenses in Foreign Currency (Euro, Million)

Revenue[1]



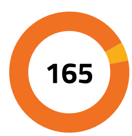
- TL **%22** (281)
- EUR **56%** (716)
- USD **18%** (230)
- OTHER **4%** (54)

Opex[1] [2]



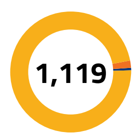
- TL **57%** (452)
- EUR **10%** (75)
- USD **23%** (182)
- OTHER **10%** (79)

Concession Rent Expense



- USD **96%** (158)
- EUR **4%** (7)

Gross Debt



- EUR **98%** (1,092)
- USD **1%** (22)
- TL **0%** (4)

[1] Based on combined financials before elimination, includes equity pick-up (EUR 16 million) and adjusted for IFRIC 12
[2] Includes concession rent expenses (EUR 165 million), but excludes depreciation and amortization (EUR 141 million).

OPERATIONAL AND FINANCIAL FIGURES

AIPORT COMPANIES*

TAV ISTANBUL	2016	2017	17/16 Change
Number of Passengers (million)	60.4	63.7	5%
Flights (thousand)	448.0	449.4	0%
Revenue (€ million)	500.9	506.3	1%
EBITDA (€ million)	245.8	249.6	2%
EBITDA Margin (%)	49	49	0
Number of Employees	2,936	2,993	2%

TAV IZMIR	2016	2017	17/16 Change
Number of Passengers (million)	12.1	12.8	6%
Flights (thousand)	78.8	82.9	5%
Revenue (€ million)	66.5	68.5	3%
EBITDA (€ million)	39.5	44.0	12%
EBITDA Margin (%)	59	64	5
Number of Employees	878	928	6%

TAV TUNISIA	2016	2017	17/16 Change
Number of Passengers (million)	1.6	1.7	6%
Flights (thousand)	12.6	12.0	-5%
Revenue (€ million)	24.3	23.0	-5%
EBITDA (€ million)	-3.7	-2.5	-32%
EBITDA Margin (%)	a.d.	a.d.	a.d.
Number of Employees	672	778	16%

TAV MACEDONIA	2016	2017	17/16 Change
Number of Passengers (million)	1.8	2.0	13%
Flights (thousand)	16.9	18.1	7%
Revenue (€ million)	26.6	28.0	5%
EBITDA (€ million)	11.6	11.7	1%
EBITDA Margin (%)	44	42	-2
Number of Employees	675	681	1%

TAV BODRUM	2016	2017	17/16 Change
Number of Passengers (Million) (Domestic)	3.2	3.5	9%
Flights (Thousand) (Domestic)	22.8	23.3	2%
Revenue (€ million)	24.4	24.0	-2%
EBITDA (€ million)	13.2	14.1	7%
EBITDA Margin (%)	54	59	5
Number of Employees	75	78	4%

TAV ESENBOGA	2016	2017	17/16 Change
Number of Passengers (million)	13.0	15.8	21%
Flights (thousand)	94.2	106.7	13%
Revenue (€ million)	67.5	67.4	0%
EBITDA (€ million)	40.6	44.5	9%
EBITDA Margin (%)	60	66	6
Number of Employees	928	941	1%

TAV GAZIPASA	2016	2017	17/16 Change
Number of Passengers (thousand)	0.72	0.82	15%
Flights (thousand)	5.3	5.7	6%
Revenue (€ million)	4.5	4.4	-1%
EBITDA (€ million)	0.9	1.1	25%
EBITDA Margin (%)	20	25	5
Number of Employees	57	62	9%

TAV GEORGIA	2016	2017	17/16 Change
Number of Passengers (million)	2.6	3.7	43%
Flights (thousand)	27.8	37.9	36%
Revenue (€ million)	62.8	85.5	36%
EBITDA (€ million)	47.1	68.1	45%
EBITDA Margin (%)	75	80	5
Number of Employees	781	876	12%

TIBAH	2016	2017	17/16 Change
Number of Passengers (million)	6.6	7.8	19%
Flights (thousand)	54.5	58.0	7%
Revenue (€ million)	59.8	70.2	17%
EBITDA (€ million)	26.8	15.1	-43%
EBITDA Margin (%)	45	22	-23
Number of Employees	464	531	14%

**Adjusted for IFRIC 12 by excluding construction revenues and expenses and including guaranteed passenger revenues in Ankara and Izmir.*

SERVICE COMPANIES

ATU	2016	2017	17/16 Change
Revenue (€ million)	336.4	342.1	2%
EBITDA (€ million)	27.4	28.7	5%
EBITDA Margin (%)	8	8	0
Number of Employees	2,706	2,627	-3%

BTA	2016	2017	17/16 Change
Revenue (€ million)	170.2	158.4	-7%
EBITDA (€ million)	13.5	13.7	1%
EBITDA Margin (%)	8	9	1
Number of Employees	2,904	3,165	9%

HAVAS	2016	2017	17/16 Change
Revenue (€ million)	131.6	139.5	6%
EBITDA (€ million)	31.8	49.1	54%
EBITDA Margin (%)	24	35	11
Number of Employees	3,853	4,135	7%

OTHER	2016	2017	17/16 Change
Revenue (€ million)	155.0	155.1	3%
EBITDA (€ million)	18.2	25.9	42%
EBITDA Margin (%)	12	16	4
Number of Employees	1,865	2,199	18%

**Adjusted for IFRIC 12 by excluding construction revenues and expenses and including guaranteed passenger revenues in Ankara and Izmir.*

TAV IN FIGURES

	2016*	2017
Revenue (€ million)	1,104	1,143
EBITDA (€ million)	459	519
Passengers (million)	105	115
Number of Employees (eop)	15,624	16,836

**Restated.*

Revenue +3%

Despite the depreciation of the Turkish Lira and the fact that BTA Logistics stopped providing services to companies outside of the Group, the number of passengers increased and ground handling services improved significantly, resulting in strong growth. Aviation and non-aviation services respectively account for 47% and 53% of total revenue.

EBITDA +13%

EBITDA grew as a result of the decrease in cash operating expenses.

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

21 February 2018
This report contains the "Independent Auditors' Report" comprising 3 page and "Consolidated Financial Statements and their explanatory notes" comprising 122 pages.

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

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EY
Building a better working world

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Ticaret Sicil No 479920

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TAV Havalimanları Holding A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TAV Havalimanları Holding A.Ş. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Cessation of operations of TAV Istanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul")	
As discussed in Note 1, in May 2013, a tender has been made for the construction of a third airport in Istanbul. A joint venture consortium won the tender for a 25-year lease starting from 2017. The operations of TAV Istanbul will be terminated, before the official termination end date of its concession agreement which is January 3, 2021, when the new airport will commence its operations. The Group did not change the useful lives of related property, plant and equipment, rights and prepaid rent and development expense (or provided reserve for impairment thereof) carried at an amount of EUR 167,160 in the consolidated financial statements, because of the uncertainty about the exact cessation date of operations cease date. On the other hand, the General Directorate of State Airports Authority ("DHMİ") has confirmed thorough its letter dated January 22, 2013 that, losses incurred by TAV Istanbul due to early termination of the concession agreement will be covered by DHMİ. Based on this confirmation by DHMİ, the Group expects that in case the assets will not be recovered through use because of early cessation, they will be covered through compensation of losses by DHMİ. This is a significant matter in determining the carrying amount of property, plant and equipment, rights and prepaid rent and development expense.	During our audit, we have obtained and reviewed the letter sent by DHMİ that confirmed compensation of TAV Istanbul's losses. We have reviewed the recoverability of the assets of TAV İstanbul based on estimated compensation alternatives.

Key audit matter	How our audit addressed the key audit matter
Recoverability of airport operation rights in TAV Tunisie SA	
As discussed in Note 26, due to terrorist attacks in Tunisia, the operations of TAV Tunisie SA ("TAV Tunisia" – a consolidated subsidiary) have diminished significantly. The consolidated statement of financial position as of December 31, 2017 includes intangible assets of EUR 410,595 that comprises related operation rights representing 19% of total consolidated non-current assets. Management's assessment of the recoverable amount of Airport Operation Rights in TAV Tunisia requires estimation and judgement, which are disclosed in note 2.d, around assumptions used. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting potential impairment charges.	Component team audited the projections of the Company and in addition our internal valuation specialists reviewed their work to evaluate the methods (recoverable amount determined based on value in use calculations) and assumptions used by management. We examined the business plans approved and assumptions used by management. We tested the reasonableness of the discount rates used. We validated the main assumptions against external data such as risk free rates and beta. We tested the mathematical accuracy of the models used by management. We also examined the related disclosures in the financial statements.
Covenants compliance of TAV Tunisie SA	
Financing and covenants compliance is a key audit matter also for TAV Tunisie SA's ("TAV Tunisia") since its credit facility is subject to several covenants. In the course of 2016 and 2017, TAV Tunisia was in breach of its financial covenant as a result of significant decrease in its operations due to terrorist attacks, as discussed in Note 26. Due to breach of financial covenants, non-current loan liabilities of TAV Tunisia were reclassified to current loan liabilities in the consolidated financial statements.	Component team audited the debt covenant calculation and compliance of the accounting treatment with IAS 1 Presentation of Financial Statements and we reviewed their work.

Other information Included in The Group's 2017 Annual Report

Management is responsible for the other information. The other information comprises the information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer
Partner

February 21, 2018
Istanbul, Turkey

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	31 December 2017	31 December 2016
ASSETS			
Property and equipment	14	192,364	230,318
Intangible assets	15	11,803	14,112
Airport operation right	16	1,617,634	1,693,930
Equity-accounted investees	37	88,232	94,371
Goodwill	15	136,050	135,831
Prepaid concession and rent expenses	17	6,191	9,258
Derivative financial instruments	32	26	-
Trade receivables	21	78,963	90,231
Non-current due from related parties	36	1,779	1,752
Other non-current assets		7,846	1,500
Deferred tax assets	18	34,561	36,993
Total non-current assets		**2,175,449**	**2,308,296**
Inventories	19	9,895	8,793
Prepaid concession and rent expenses	17	71,654	92,300
Trade receivables	21	129,562	130,141
Due from related parties	36	22,338	20,402
Other receivables and current assets	20	60,813	60,706
Cash and cash equivalents	22	344,214	316,832
Restricted bank balances	23	188,344	163,828
Total current assets		**826,820**	**793,002**
TOTAL ASSETS		**3,002,269**	**3,101,298**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	31 December 2017	31 December 2016
EQUITY			
Share capital	24	162,384	162,384
Share premium		220,286	220,286
Legal reserves	24	109,935	110,724
Other reserves		(79,298)	(68,449)
Purchase of shares of entities under common control		40,064	40,064
Cash flow hedge reserve		(52,637)	(59,087)
Translation reserves		(48,488)	(33,318)
Retained earnings		541,233	435,499
Total equity attributable to equity holders of the Company		**893,479**	**808,103**
Non-controlling interests	**37**	**(4,193)**	**(1,011)**
Total Equity		**889,286**	**807,092**
LIABILITIES			
Loans and borrowings	26	551,068	674,244
Reserve for employee severance indemnity	27	23,240	21,370
Derivative financial instruments	32	36,192	49,188
Deferred income	29	20,968	36,181
Other payables	28	553,602	598,101
Deferred tax liabilities	18	15,491	14,976
Total non-current liabilities		**1,200,561**	**1,394,060**
Bank overdraft	22	-	1,483
Loans and borrowings	26	567,649	566,301
Trade payables	31	46,332	56,051
Due to related parties	36	691	2,880
Derivative financial instruments	32	2,303	-
Current tax liabilities	13	19,767	23,146
Other payables	28	251,843	229,875
Provisions	30	6,102	6,790
Deferred income	29	17,735	13,620
Total current liabilities		**912,422**	**900,146**
Total Liabilities		**2,112,983**	**2,294,206**
TOTAL EQUITY AND LIABILITIES		**3,002,269**	**3,101,298**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	2017	2016
Construction revenue	6	17,085	31,518
Operating revenue	7	1,121,431	1,083,904
Construction expenditure	6	(17,085)	(31,518)
Cost of catering inventory sold		(41,406)	(52,892)
Cost of services rendered		(71,627)	(68,297)
Personnel expenses	8	(243,629)	(255,680)
Concession and rent expenses	9	(164,640)	(152,197)
Depreciation, amortisation and impairment expenses	11	(141,125)	(105,315)
Other operating income		493	133
Other operating expenses	10	(119,375)	(133,510)
Share of profit of equity-accounted investees, net of tax	37	16,374	17,074
Operating profit		**356,496**	**333,220**
Finance income		12,494	15,306
Finance costs		(123,773)	(138,178)
Net finance costs	**12**	**(111,279)**	**(122,872)**
Profit before tax		**245,217**	**210,348**
Tax expense	13	(59,918)	(90,681)
Profit for the year		**185,299**	**119,667**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit obligation actuarial differences		(4,061)	(5,241)
Defined benefit obligation actuarial differences from equity accounted investees		(1,114)	(1,229)
Tax on defined benefit obligation actuarial differences		812	1,048
Tax on defined benefit obligation actuarial differences from equity accounted investees		221	246
Total items that will not be reclassified to profit or loss		**(4,142)**	**(5,176)**
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		23,608	(21,423)
Effective portion of changes in fair value of cash flow hedges from equity accounted investees		(1,202)	545
Portion of cash flow hedges charged to profit or loss		(12,015)	29,985
Foreign currency translation differences for foreign operations		(15,439)	(8,253)
Foreign currency translation differences for foreign operations from equity accounted investees		(4,952)	(5,764)
Tax on cash flow hedge reserves		(2,603)	44
Tax on cash flow hedge reserves from equity accounted investees		79	(36)
Total items that are or may be reclassified subsequently to profit or loss		**(12,524)**	**(4,902)**
Other comprehensive income for the year, net of tax		**(16,666)**	**(10,078)**
Total comprehensive income for the year		**168,633**	**109,589**

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

TAV HAVALİMANLARI HOLDİNG A.Ș. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	2017	2016
Profit attributable to:			
Owners of the Company		174,502	127,145
Non-controlling interest		10,797	(7,478)
Profit for the year		**185,299**	**119,667**
Total comprehensive income attributable to:			
Owners of the Company		159,854	116,206
Non-controlling interest		8,779	(6,617)
Total comprehensive income for the year		**168,633**	**109,589**
Weighted average number of shares outstanding		**363,281,250**	**363,281,250**
Basic and diluted earnings per share	**25**	**0.48**	**0.35**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Attributable to owners of the Company											
	Share Capital	Share Premium	Legal Reserves	Other Reserves	Revaluation Surplus	Purchase of Shares of Entities Under Common Control	Cash Flow Hedge Reserve	Translation Reserves	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at 1 January 2016	**162,384**	**220,286**	**114,735**	**(60,762)**	**273**	**40,064**	**(65,476)**	**(20,949)**	**417,026**	**807,581**	**5,852**	**813,433**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	127,145	127,145	(7,478)	119,667
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(273)	-	-	-	273	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	6,389	-	-	6,389	2,726	9,115
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(4,959)	(4,959)	(217)	(5,176)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(12,369)	-	(12,369)	(1,648)	(14,017)
Total other comprehensive income	-	-	-	-	(273)	-	6,389	(12,369)	(4,686)	(10,939)	861	(10,078)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(273)**	**-**	**6,389**	**(12,369)**	**122,459**	**116,206**	**(6,617)**	**109,589**
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Dividend distributions	-	-	-	-	-	-	-	-	(107,997)	(107,997)	(7,730)	(115,727)
Change in non-controlling interest (Note 26)	-	-	-	(7,687)	-	-	-	-	-	(7,687)	7,484	(203)
Total transactions with owners of the Company	**-**	**-**	**-**	**(7,687)**	**-**	**-**	**-**	**-**	**(107,997)**	**(115,684)**	**(246)**	**(115,930)**
Transfers	-	-	(4,011)	-	-	-	-	-	4,011	-	-	-
Balance at 31 December 2016	**162,384**	**220,286**	**110,724**	**(68,449)**	**-**	**40,064**	**(59,087)**	**(33,318)**	**435,499**	**808,103**	**(1,011)**	**807,092**
Balance at 1 January 2017	**162,384**	**220,286**	**110,724**	**(68,449)**	**-**	**40,064**	**(59,087)**	**(33,318)**	**435,499**	**808,103**	**(1,011)**	**807,092**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	174,502	174,502	10,797	185,299
Other comprehensive income												
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	6,450	-	-	6,450	1,417	7,867
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(4,142)	(4,142)	-	(4,142)
Foreign currency translation differences for foreign operations	-	-	(1,786)	-	-	-	-	(15,170)	-	(16,956)	(3,435)	(20,391)
Total other comprehensive income	-	-	(1,786)	-	-	-	6,450	(15,170)	(4,142)	(14,648)	(2,018)	(16,666)
Total comprehensive income for the year	**-**	**-**	**(1,786)**	**-**	**-**	**-**	**6,450**	**(15,170)**	**170,360**	**159,854**	**8,779**	**168,633**
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Dividend distributions (Note 24)	-	-	-	-	-	-	-	-	(63,629)	(63,629)	(13,147)	(76,776)
Change in non-controlling interest (Note 26)	-	-	-	(3,685)	-	-	-	-	-	(3,685)	3,522	(163)
Purchase of non-controlling interest (Note 3 and 37)	-	-	-	(7,164)	-	-	-	-	-	(7,164)	(2,336)	(9,500)
Total transactions with owners of the Company	**-**	**-**	**-**	**(10,849)**	**-**	**-**	**-**	**-**	**(63,629)**	**(74,478)**	**(11,961)**	**(86,439)**
Transfers	-	-	997	-	-	-	-	-	(997)	-	-	-
Balance at 31 December 2017	**162,384**	**220,286**	**109,935**	**(79,298)**	**-**	**40,064**	**(52,637)**	**(48,488)**	**541,233**	**893,479**	**(4,193)**	**889,286**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		185,299	119,667
Adjustments for:			
Amortisation and impairment of airport operation right	11-16	85,955	60,110
Depreciation of property and equipment	11-14	51,083	40,668
Amortisation of intangible assets	11-15	4,087	4,537
Concession and rent expenses	9	164,640	152,197
Provision for employee severance indemnity	8-27	3,447	3,305
Provision for doubtful receivables	34	3,441	1,531
Discount on receivables and payables, net	(51)	(38)	
Gain on sale of property and equipment	(42)	-	
Provision set for unused vacation	30	400	539
Interest income	12	(12,443)	(9,008)
Interest expense on financial liabilities	12	59,258	87,111
Tax expense	13	59,918	90,681
Unwinding of discount on concession receivable and payable	7, 12	24,037	24,271
Share of profit of equity-accounted investees, net of tax	37	(16,374)	(17,074)
Unrealized foreign exchange differences on statement of financial position items		(18,457)	(2,924)
Cash flows from operating activities		**594,198**	**555,573**
Change in current trade receivables		1,744	(31,907)
Change in non-current trade receivables		22,223	21,165
Change in inventories		(1,124)	2,325
Change in due from related parties		(1,963)	14,507
Change in restricted bank balances		(37,957)	246,717
Change in other receivables and other assets		5,989	(7,827)
Change in trade payables		(9,719)	6,034
Change in due to related parties		(2,189)	(2,587)
Change in other payables and provisions		(75,942)	(29,370)
Cash provided from operations		**495,260**	**774,630**
Income taxes paid	13	(62,064)	(50,908)
Interest paid		(34,816)	(42,606)
Retirement benefits paid	27	(4,372)	(4,243)
Additions to prepaid concession and rent expenses		(134,138)	(130,260)
Dividends from equity-accounted investees		18,677	24,233
Net cash provided from operating activities		**278,547**	**570,846**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,441	7,053
Proceeds from sale of property, equipment and intangible assets	3,738	9,954	
Acquisition of property and equipment	14	(23,235)	(74,748)
Additions to airport operation right	16	(15,583)	(29,524)
Acquisition of non-controlling interest net of cash acquired	3 - 37	(9,500)	-
Acquisition of intangible assets	15	(1,417)	(3,330)
Net cash used in investing activities		**(32,556)**	**(90,595)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		55,320	284,342
Repayment of borrowings		(181,664)	(514,730)
Cash inflows and outflows from derivative instruments		(12,015)	(29,985)
Financial provision for employee benefit obligation	27	2,401	2,011
Dividends paid		(76,776)	(115,727)
Change in finance lease liabilities		(4,392)	(2,479)
Net cash used in financing activities		**(217,126)**	**(376,568)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**28,865**	**103,683**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**22**	**315,349**	**211,666**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**22**	**344,214**	**315,349**

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

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

1. REPORTING ENTITY

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

The Company is listed in Borsa İstanbul since 23 February 2007 and the Company's shares are traded as "TAVHL".

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in joint ventures. The Company's subsidiaries as at 31 December 2017 and 2016 are as follows:

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

			31 December 2017		31 December 2016	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul")	İstanbul Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa")	Ankara Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Ege Terminal Yatırım Yapım ve İşletme A.Ş. ("TAV Ege")	İzmir Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Milas Bodrum Terminal İşletmeciliği A.Ş. ("TAV Milas Bodrum")	Bodrum Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Tunisie SA (" TAV Tunisia")	Airport Operator	Tunisia	67.00	67.00	67.00	67.00
TAV Urban Georgia LLC ("TAV Tbilisi")	Airport Operator	Georgia	80.00	80.00	80.00	80.00
TAV Batumi Operations LLC ("TAV Batumi")	Airport Management Service Provider	Georgia	76.00	100.00	76.00	100.00
Batumi Airport LLC	Airport Operator	Georgia	-	100.00	-	100.00
TAV Macedonia Dooel Petrovec ("TAV Macedonia")	Airport Operator	Macedonia	100.00	100.00	100.00	100.00
TAV Gazipaşa Alanya Havalimanı İşletmeciliği A.Ş. ("TAV Gazipaşa")	Airport Operator	Turkey	100.00	100.00	100.00	100.00
SIA TAV Latvia ("TAV Latvia")	Commercial Area Operator	Latvia	100.00	100.00	100.00	100.00
Havaş Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ")	Ground Handling Services	Turkey	100.00	100.00	100.00	100.00
Havaş Latvia SIA ("HAVAŞ Europe")	Ground Handling	Latvia	100.00	100.00	100.00	100.00
North Hub Services Finland OY ("HAVAŞ Europe Helsinki")	Ground Handling	Finland	100.00	100.00	100.00	100.00
North Hub Services Stockholm Ab ("HAVAŞ Europe Stockholm")	Ground Handling	Sweden	-	-	100.00	100.00
HAVAŞ Germany Gmbh ("HAVAŞ Germany")	Ground Handling	Germany	100.00	100.00	100.00	100.00
Havaalanları Yolcu Taşımacılığı A.Ş. ("HYT İzmir")	Bus Operator	Turkey	100.00	100.00	100.00	100.00

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

			31 December 2017		31 December 2016	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
Havaalanları Araç Kiralama veYolcu Taşımacılığı A.Ş. ("HYT Muğla")	Bus Operator	Turkey	100.00	100.00	100.00	100.00
Havaalanları Taşımacılık ve Ticaret A.Ş. ("HYT Samsun")	Bus Operator	Turkey	100.00	100.00	100.00	100.00
BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA")	Food and Beverage Services	Turkey	100.00	100.00	66.66	66.66
BTA Georgia LLC ("BTA Georgia")	Food and Beverage Services	Georgia	100.00	100.00	66.66	66.66
BTA Tunisie SARL ("BTA Tunisia")	Food and Beverage Services	Tunisia	100.00	100.00	66.66	66.66
BTA Macedonia Dooel Petrovec ("BTA Macedonia")	Food and Beverage Services	Macedonia	100.00	100.00	66.66	66.66
BTA Unlu Mamülleri Pasta Üretim Turizm Gıda Yiyecek İçecek Hizmetleri San. ve Tic. A.Ş. ("Cakes & Bakes")	Food and Beverage Services	Turkey	100.00	100.00	66.66	66.66
BTA Tedarik Dağıtım ve Ticaret A.Ş. ("BTA Tedarik")	Food and Beverage Services	Turkey	100.00	100.00	66.66	66.66
BTA Yiyecek İçecek İşletme Danışmanlık Ticaret A.Ş. ("BTA Danışmanlık")	Food and Beverage Services	Turkey	100.00	100.00	66.66	66.66
SIA Cakes and Bakes Latvia ("BTA Latvia")	Food and Beverage Services	Latvia	100.00	100.00	66.66	66.66
TAV İşletme Hizmetleri A.Ş. ("TAV İşletme")	Operations & Maintenance ("O&M"), Lounge Services	Turkey	100.00	100.00	100.00	100.00
TAV Georgia Operation Services LLC ("TAV İşletme Georgia")	Lounge Services	Georgia	99.99	99.99	99.99	99.99
TAV Tunisie Operation Services SARL ("TAV İşletme Tunisia")	Lounge Services	Tunisia	99.99	99.99	99.99	99.99
TAV Tunisie Operation Services Plus SARL ("TAV İşletme Tunisia Plus")	Lounge Services	Tunisia	99.99	99.99	99.99	99.99
TAV Macedonia Operation Services Dooel ("TAV İşletme Macedonia")	Lounge Services	Macedonia	99.99	99.99	99.99	99.99
TAV Germany Operation Services GmbH ("TAV İşletme Germany")	Lounge Services	Germany	100.00	100.00	100.00	100.00
TAV Latvia Operation Services SIA ("TAV İşletme Latvia")	Lounge Services	Latvia	100.00	100.00	100.00	100.00
TAV Africa Operation Services Ltd. ("TAV İşletme Kenya")	Lounge Services	Kenya	100.00	100.00	100.00	100.00
TAV USA Operation Services Co. ("TAV İşletme America")	Holding	United States	100.00	100.00	100.00	100.00
TAV Washington Operation Services Ltd. ("TAV İşletme Washington")	Lounge Services	United States	100.00	100.00	100.00	100.00
TAV Havacılık A.Ş. ("TAV Havacılık")	Airline Taxi Services	Turkey	100.00	100.00	100.00	100.00
TAV Bilişim Hizmetleri A.Ş. ("TAV Bilişim")	Software and System Services	Turkey	100.00	100.00	100.00	100.00
TAV Information and Technologies Saudi Ltd. Company ("TAV IT Saudi")	Software and System Services	Saudi Arabia	100.00	100.00	100.00	100.00
TAV Özel Güvenlik Hizmetleri A.Ş. ("TAV Güvenlik")	Security Services	Turkey	100.00	100.00	100.00	100.00

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

			31 December 2017		31 December 2016	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
TAV Akademi Eğitim ve Danışmanlık Hizmetleri A.Ş. ("TAV Akademi")	Education Services	Turkey	100.00	100.00	100.00	100.00
TAV Aviation Minds Eğitim ve Danışmanlık Hizmetleri A.Ş. ("TAV Aviation Minds")	Education Services	Turkey	51.00	51.00	51.00	51.00
Aviator Netherlands B.V. ("Aviator Netherlands")	Holding	Netherlands	100.00	100.00	100.00	100.00
TAV Uluslararası Yatırım A.Ş. ("TAV Uluslararası Yatırım")	Airport Operator	Turkey	100.00	100.00	100.00	100.00
BTA Uluslararası Yiyecek İçecek Hizmetleri Sanayi ve Ticaret A.Ş ("BTA Uluslararası Yiyecek")	Food and Beverage Services	Turkey	100.00	100.00	66.66	66.66
BTA Erus Yiyecek İçecek Hizmetleri İnşaat ve Ticaret A.Ş. ("BTA Erus")	Food and Beverage Services	Turkey	70.00	70.00	46.66	46.66
MZLZ-Ugostiteljstvo D.o.o ("BTA MZLZ")	Food and Beverage Services	Croatia	100.00	100.00	66.66	66.66
UTB Lokum Şeker Gıda San. ve Tic. A.Ş. ("BTU Lokum")	Food and Beverage Services	Turkey	85.00	85.00	33.99	51.00
UTB Gıda Satış ve Paz. A.Ş. ("BTU Gıda")	Food and Beverage Services	Turkey	70.00	70.00	26.66	40.00

The joint ventures of the Company as at 31 December 2017 and 2016 are as follows:

			31 December 2017		31 December 2016	
Name of joint venture	**Principal activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
ATU Turizm İşletmeciliği A.Ş. ("ATU")	Duty Free Services	Turkey	50.00	50.00	50.00	50.00
ATU Georgia Operation Services LLC ("ATU Georgia")	Duty Free Services	Georgia	50.00	50.00	50.00	50.00
ATU Tunisie SARL ("ATU Tunisia")	Duty Free Services	Tunisia	50.00	50.00	50.00	50.00
ATU Macedonia Dooel ("ATU Macedonia")	Duty Free Services	Macedonia	50.00	50.00	50.00	50.00
AS Riga Airport Commercial Development ("ATU Latvia")	Duty Free Services	Latvia	50.00	50.00	50.00	50.00
Tunisia Duty Free S.A. ("ATU Tunisia Duty Free")	Duty Free Services	Tunisia	14.98	39.98	14.98	39.98
Saudi ATU Trading Limited Co. ("ATU Medinah") (*)	Duty Free Services	Saudi Arabia	50.00	50.00	50.00	50.00
ATU Americas LLC ("ATU America")	Duty Free Services	United States	37.49	37.49	37.49	37.49
ATU Mağazacılık İşletmeleri A.Ş. ("ATU Mağazacılık")	Duty Free Services	Turkey	50.00	50.00	50.00	50.00
ATU Uluslararası Mağaza Yiyecek ve İçecek İşletmeciliği A.Ş. ("ATU Uluslararası Mağazacılık")	Duty Free Services	Turkey	51.15	51.17	51.15	51.17
ATU Holdings, Inc. ("ATU Holdings")	Holding	United States	37.50	37.50	37.50	37.50
TAV Gözen Havacılık İşletme ve Ticaret A.Ş. ("TAV Gözen")	Operating Special Hangar	Turkey	32.40	32.40	32.40	32.40

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The joint ventures of the Company as at 31 December 2017 and 2016 are as follows:

			31 December 2017		31 December 2016	
Name of joint venture	**Principal activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
TGS Yer Hizmetleri A.Ş. ("TGS")	Ground Handling	Turkey	50.00	50.00	50.00	50.00
Saudi HAVAŞ Ground Handling Services Limited ("Saudi HAVAŞ") (*)	Ground Handling	Saudi Arabia	66.66	66.66	66.66	66.66
BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Denizyolları")	Food and Beverage Services	Turkey	50.00	50.00	33.33	50.00
Saudi BTA Airports Food And Beverages Serv.Ltd. ("BTA Medinah") (*)	Food and Beverage Services	Saudi Arabia	66.66	66.66	55.55	66.66
BS Kahve Yiyecek ve İçecek Hizmetleri A.Ş. ("BS Kahve")	Food and Beverage Services	Turkey	60.00	60.00	40.00	40.00
Tibah Airports Development Company CJSC ("Tibah Development")	Airport Operator	Saudi Arabia	33.33	33.33	33.33	33.33
Tibah Airports Operation Limited ("Tibah Operation")	Airport Operator	Saudi Arabia	51.00	33.33	51.00	33.33
Primeclass Pasifico JSV. ("TAV İşletme Chile")	Lounge Services	Chile	50.00	50.00	-	-
TAV Operation Services Saudi Arabia LLC. ("TAV İşletme Saudi") (*)	Lounge Services	Saudi Arabia	66.66	66.66	-	-
Madinah Airport Hotel Company ("Medinah Hotel")	Hotel Management	Saudi Arabia	33.33	33.33	-	-

The associates of the Company as at 31 December 2017 and 2016 are as follows:

			31 December 2017		31 December 2016	
Name of associates	**Principal activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
ZAIC-A Limited ("ZAIC-A") (**)	Holding	United Kingdom	15.00	15.00	15.00	15.00
Medunarodna Zračna Luka Zagreb d.d. ("MZLZ") (**)	Airport Operator	Croatia	15.00	15.00	15.00	15.00
Upraviteli Zračne Luke Zagreb d.o.o ("MZLZ Operation") (**)	Airport Operator	Croatia	15.00	15.00	15.00	15.00
AMS Airport Management Services d.o.o ("AMS") (**)	Airport Operator	Croatia	40.00	40.00	40.00	40.00

(*) The mentioned entities are consolidated using the equity method as the Board decisions of these entities are taken with the joint agreement of all three shareholders.
(**) TAV Holding has significant influence in the management of the mentioned entities, thus these entities are consolidated using the equity method.

Description of Operations

The Group and its joint ventures' core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. TAV Esenboğa entered into Build-Operate-Transfer ("BOT") agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMİ"), TAV Tbilisi with JSC Tbilisi International Airport ("JSC"), TAV Batumi with Georgian Ministry of Economic Development ("GMED"), TAV Tunisia with Tunisian Airport Authority (Office De L'Aviation Civil Et Des Aeroports) ("OACA"), Ministry of Transportation ("MOT"), TAV Macedonia with Macedonian Ministry of Transportation and Communication ("MOTC"). Tibah Development entered into Build-Transfer-Operate ("BTO") agreement with General Authority of Civil Aviation ("GACA"). TAV Ege, TAV Milas Bodrum and TAV Gazipaşa entered into concession agreement with DHMİ and Medunarodna Zracna Luka Zagreb D.D. ("MZLZ") with Ministry of Maritime Affairs, Transport and Infrastructure of The Republic of Croatia ("MMTI"). Under these agreements, the Group agrees to build or renovate or manage an airport or terminal within a specified period of time and in exchange receives the right to operate the airport and terminal for a pre-established period of time. At the end of the contracts, the Group will transfer the ownership of the terminal buildings or airports back to the related public authority, DHMİ, JSC, GMED, OACA, MOT, MOTC, GACA and MMTI accordingly. Group also signs separate contracts related with the airport operations.

BOT, BTO and Concession Agreements

The airport terminals operated by the Group and its joint ventures are as follows:

İstanbul Atatürk International Airport

A BOT agreement was executed between TAV and DHMİ regulating the reconstruction, investment and operations of Atatürk International Airport Terminal ("AIAT") in 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of AIAT for 3 years, 8 months and 20 days. TAV completed the reconstruction of AIAT in January 2000 and started the operation seven months earlier, after completion of a significant portion of the construction. Construction of the remaining parts of the project was finalized in August 2000. DHMİ and the Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

An addendum to the agreement was made in June 2000. Under the terms of the addendum, TAV committed to enlarge AIAT by 30% by year 2004. In return for extending AIAT, the operation period of TAV was extended by 13 months 12 days (approximately 66 months in total) through June 2005. The contract expired in June 2005 and TAV transferred Atatürk Domestic Airport Terminal ("ADAT") and AIAT to DHMİ. On 3 June 2005, TAV İstanbul signed a rent agreement to operate AIAT and ADAT for 15.5 years until year 2021.

An addendum has been signed on 4 November 2008, namely Atatürk Airport Development Project, covering installation of new passenger boarding bridges and construction of new commercial areas. Through this addendum TAV has undertaken approximately EUR 36,000 of investment in exchange of the operation right of newly created commercial areas.

A tender was held on 3 May 2013 for construction of a new airport in İstanbul. It has been announced that the winning bid for the tender as per the tender specifications of İstanbul's New Airport Project to be undertaken by BOT model within the framework of the procedures and principles defined by DHMİ as per the law no. 3996 and cabinet decree no. 2011/1807 was offered by a venture other than the Company. TAV Holding and TAV İstanbul received a formal letter issued by DHMİ dated 22 January 2013, stating that DHMİ will fully reimburse the Company for all loss of profit over the remaining period of its existing rent period that may be incurred in case that another airport is opened for operation in İstanbul before the end of the rent period of TAV İstanbul. In addition, it is stated that independent expert companies will be consulted for the computation of the total reimbursement amount. Accordingly the management continues to use the concession contract period end date of 2021 as the amortisation date of prepaid rent and leasehold improvements, considering the uncertainty with respect to exact closure date of Atatürk Airport and that the carrying values of assets as of closure date, in case earlier than the end of concession period, are recoverable.

Ankara Esenboğa International Airport

A BOT agreement was executed between TAV Esenboğa and DHMİ on 18 August 2004 for regulating the reconstruction, investment and operations of the Ankara Esenboğa International Airport (international and domestic terminals) for the period until May 2023. According to the Agreement, TAV Esenboğa was required to complete the construction within 36 months after the agreement date and would then have the right to operate the facilities of the Ankara Esenboğa International Airport Terminal for a period of 15 years and 8 months. TAV Esenboğa is providing terminal, car park and passenger boarding services since the beginning of operations on 16 October 2006.

İzmir Adnan Menderes International Airport

A BOT agreement was executed between TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") and DHMİ on 20 May 2005 for regulating the reconstruction, investment and operations of İzmir Adnan Menderes Airport International Terminal. According to the Agreement, TAV İzmir was required to complete the construction within 24 months after the agreement date and would then have the right to operate the facilities of İzmir Adnan Menderes Airport International Terminal for a period of 6 years, 7 months and 29 days. An addendum to the Agreement was signed on 21 August 2006. Under the terms of the addendum, in return for additional works, the operation period of TAV İzmir was extended by 11 months 17 days through January 2015. TAV İzmir has been providing terminal, car park and passenger boarding services since the beginning of operations on 13 September 2006.

A concession agreement was executed between TAV Ege and DHMİ with an effective date of 16 December 2011 for taking-over the operation of the domestic terminal of İzmir Adnan Menderes Airport until 31 December 2032 and renting the international terminal on January 2015 and operating it until 31 December 2032. TAV Ege is obliged to construct a new domestic terminal with its ancillary buildings and to pay EUR 610,000 plus VAT (18%) to DHMİ in yearly equal installments, of which EUR 30,500 plus VAT has been prepaid at the beginning of the concession period under the terms of the concession agreement.

According to the concession agreement dated 16 December 2011, TAV Ege started renting and operating İzmir Adnan Menderes Airport International Terminal at 10 January 2015. As at 23 November 2015 TAV İzmir was closed as a legal entity and all assets and liabilities were transferred to TAV Ege.

Milas Bodrum Airport

On 21 March 2014, the Company has been awarded the tender held by DHMİ for the operation rights of the Milas Bodrum Airport whose scope includes operation of existing Domestic and International Terminals with ancillary facilities, until 31 December 2035. While Domestic Terminal is handed over within signing of the Concession Agreement, operation of International Terminal commenced on 22 October 2015 following the expiry of the existing contract. The total concession amount is EUR 717,000 plus VAT.

Tbilisi International Airport

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of Tblisi International Airport (both international, domestic terminals and parking-apron-taxi ways). The BOT agreement undertakes the design, engineering, financing, construction, testing, commissioning and maintenance of the new terminal for Tbilisi International Airport, for an initially agreed term of 10 years and 6 months from the commencement date of the new terminal operations. Subsequently, this period was extended by another 9.5 years until February 2027, in exchange for an obligation by TAV Tbilisi to invest an additional amount for the construction of the terminal (including construction of additional runways, extension of apron etc.) for Batumi Airport, TAV Tbilisi is providing a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services – excluding air traffic control – in New Tbilisi International Airport since the beginning of operations on 8 February 2007.

Batumi International Airport

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

Tunisia Monastir and Enfidha International Airports

A BOT agreement was executed between TAV Tunisia and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways). Through the BOT agreement TAV Tunisia undertakes the operation of the existing Monastir Habib Bourguiba Airport and design, engineering, financing, construction, testing, commissioning and maintenance of the new Enfidha Airport. The operations of Monastir Habib Bourguiba Airport and Enfidha Airport were undertaken in January 2008 and December 2009, respectively. The concession periods of both airports will end in May 2047. The operations of the Monastir and Enfidha Airports cover a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services excluding air traffic control services.

Alanya-Gazipaşa Airport

Relating to the transfer of the operational rights of Alanya-Gazipaşa Airport via a lease, the concession agreement between TAV Gazipaşa and DHMİ was signed on 4 January 2008. The operation period of Alanya-Gazipaşa Airport, which currently has 1,500,000 annual passenger capacity, is 25 years until May 2034, and the operation of the airport covers activities within airside and landside facilities and area of runway, apron and taxiway. TAV Gazipaşa shall make an annual rent payment of USD 50 plus VAT as a fixed amount, until the end of the operation period; as well as a share of 65% of the net profit for the period to DHMİ.

Macedonia Skopje, Ohrid and Shtip Airports

On 24 September 2008, the 20-year BOT agreement for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport in Shtip airports was signed between TAV Macedonia and MOTC. The operation of the airports shall cover all airport activities with the exception of air traffic control, and modernisation activities are contemplated to include the technical infrastructure. The effective date of the concession contract for Alexander the Great Airport and St. Paul the Apostle Airport is 1 March 2010 and final date of Concession Agreement is 1 March 2030. The effective date for initiating construction of New Cargo Airport in Shtip will be decided after meteorological and technical measurements which will last for at least 10 years after the effective date. The renovation of the St. Paul the Apostle Airport in Ohrid and the construction of Alexander the Great Airport in Skopje were completed and the airports started their operations in March 2011 and September 2011, respectively.

Medinah International Airport

A BTO agreement was executed between Tibah Development and GACA on 29 October 2011, for the operation and development of existing Medinah International Airport. Through the BTO agreement Tibah Development undertook the operation of the existing Medinah International Airport as well as the design, engineering, financing, construction, testing, commissioning and maintenance of a new passenger Terminal and the required additional infrastructure. TAV Holding owns 33.33% of Tibah Development. The operations were undertaken in June 2012. The concession period will end in June 2037. The operations of the Medinah International Airport cover a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services and slot allocation. Tibah Development has subcontracted the operation of Medinah International Airport to Tibah Operation, of which 51% belongs to TAV Holding. The construction of Medinah International Airport were completed and the airport started its operations in April 2015.

Zagreb International Airport

A Concession Agreement was executed between ZAIC-A limited and Republic of Croatia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Holding signed a letter of intent to become 15% shareholder in the "Consortium" for the concession of Zagreb International Airport. Aviator Netherland B.V. has been established as a 15% shareholder of ZAIC-A. TAV Holding owns 100% of Aviator Netherlands B.V. Handover Date occurred in 6 December 2013 and the consortium that TAV Holding is a 15% partner took over the operations and construction site. The concession period will end in April 2042.

Operations Contracts

BOT and BTO operations and management contracts include the following:

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

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

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

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

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

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

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

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

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

Airline taxi services – The group renders airline taxi services.

The Group employs 16,836 (average: 16,796) people as at 31 December 2017 (31 December 2016: 15,624 (average: 15,791 people).

2. BASIS OF PREPARATION

a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on 21 February 2018. The power to change the consolidated financial statements after the issuing of the consolidated financial statements is held by the General Assembly.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

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

c) Functional and presentation currency

TAV Holding and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TRL") in accordance with the accounting principles as promulgated by the Turkish Commercial Code and tax legislation.

Functional currency of most of the Group companies operating in Turkey and other countries are determined to be Euro, different from their country's currency according to IAS 21. Accordingly functional currency of TAV Holding as a parent company has been determined as Euro.

The accompanying consolidated financial statements are presented in EUR, which is the functional currency of TAV Group.

The table below summarizes the functional currencies of the Group entities:

Company	**Functional Currency**
TAV Holding	EUR
TAV İstanbul	EUR
TAV Esenboğa	EUR
TAV Ege	EUR
TAV Milas Bodrum	EUR
TAV Tunisia	EUR
TAV Tbilisi	Georgian Lari ("GEL")
TAV Batumi	GEL
Batumi Airport LLC	GEL
TAV Macedonia	EUR
TAV Gazipaşa	EUR
TAV Latvia	EUR
HAVAŞ	EUR
HAVAŞ Europe	EUR
HAVAŞ Europe Helsinki	EUR
HAVAŞ Germany	EUR
HYT İzmir	TRL
HYT Muğla	TRL
HYT Samsun	TRL
BTA	TRL

Company	Functional Currency
BTA Georgia	GEL
BTA Tunisia	Tunisian Dinar ("TND")
BTA Macedonia	Macedonian Denar ("MKD")
Cakes & Bakes	TRL
BTA Tedarik	TRL
BTA Danışmanlık	TRL
BTA Latvia	EUR
TAV İşletme	TRL
TAV İşletme Georgia	GEL
TAV İşletme Tunisia	TND
TAV İşletme Tunisia Plus	TND
TAV İşletme Macedonia	MKD
TAV İşletme Germany	EUR
TAV İşletme Latvia	EUR
TAV İşletme Kenya	Kenyan Shilling (KES)
TAV İşletme America	USD
TAV İşletme Washington	USD
TAV Havacılık	USD
TAV Bilişim	USD
TAV IT Saudi	Saudi Arabian Riyal ("SAR")
TAV Güvenlik	TRL
TAV Akademi	TRL
TAV Aviation Minds	USD
Aviatior Netherlands	EUR
TAV Uluslararası Yatırım	EUR
BTA Uluslararası Yiyecek	TRL
BTA Erus	TRL
BTA MZLZ	HRK
BTU Lokum	TRL
BTU Gıda	TRL
ATU	EUR
ATU Georgia	GEL
ATU Tunisia	EUR
ATU Macedonia	EUR
ATU Latvia	EUR
ATU Tunisia Duty Free	EUR
ATU Medinah	SAR
ATU Americas	USD
ATU Mağazacılık	TRL
ATU Uluslararası Mağazacılık	EUR
ATU Holdings	USD
TAV Gözen	USD
TGS	TRL
Saudi HAVAŞ	SAR
BTA Denizyolları	TRL
BTA Medinah	SAR
BS Kahve	TRL
Tibah Development	SAR
Tibah Operation	SAR
TAV İşletme Chile	Chilean Peso ("CLP")
TAV İşletme Saudi	SAR
ZAIC-A	EUR
MZLZ	Croatian Kuna (HRK)
MZLZ Operation	HRK
AMS	HRK
Medinah Hotel	SAR

All financial information presented in EUR has been rounded to the nearest thousands, except when otherwise indicated.

d) Use of estimates and judgements

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 3(e) – mark-up applied to construction cost incurred under IFRIC 12 "Service Concession Arrangements".

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period are included in the following notes:

Note 3, 14 and 15 – useful lives of property and equipment and intangible assets
Note 15 – key assumptions used in discounted cash flow projections
Note 18 – utilisation of tax losses and tax incentives
Note 27 – measurement of reserve for employee severance indemnity
Note 32 and 34 – valuation of financial instruments

A valuation for the fair values of TAV Tunisia as a separate cash-generating unit ("CGU") was performed by the Company management. The income approach (discounted cash flow method) was used to determine the fair value of TAV Tunusia.

A business plan with a duration until end of concession term (May 2047) prepared by the management of TAV Tunusia and it was used in the valuation of company. The growth in business plan of TAV Tunisia is driven by passenger and aircraft related projections as well as growth in commercial products related demand in the airports. The Company also assumed that current bank loans shall be restructured in second half of 2019 which is the end of moratorium period. The discount rates used in discounted cash flows are the weighted average cost of capitals ("WACC") of the company, with average post-tax discount rate of 9.6% during the projection period (between 2018 and 2047). Since TAV Tunisia has a limited life, terminal growth rate is not used in the valuation.
As a result of the impairment testing performed on CGU basis, no impairment loss was recognised for TAV Tunisia.

A valuation for the fair values of TAV Milas Bodrum as a separate CGU was performed by the Company management. The income approach (discounted cash flow method) was used to determine the fair value of TAV Milas Bodrum.

A business plan with a duration until end of concession term (December 2035) prepared by the management of TAV Milas Bodrum and it was used in the valuation of company. The growth in business plan of TAV Milas Bodrum is driven by passenger and aircraft related projections as well as growth in commercial products related demand in the airports. The discount rates used in discounted cash flows are the WACC of the company, with average post-tax discount rate of 9.0% during the projection period (between 2018 and 2035). Since TAV Milas Bodrum has a limited life, terminal growth rate is not used in the valuation.

As a result of the impairment testing performed on CGU basis, EUR 25,000 impairment loss was recognised for TAV Milas Bodrum (Note 16).

e) The reclassification to prior year financial statements

The Group has reassessed the presentation of revenue. Accordingly other operating income amounting to EUR 69,847 is presented as operating revenue in consolidated statement of comprehensive income for the year ended 31 December 2016.

The Group has reassessed the presentation of employee benefit obligation financial expense. Accordingly financial expense for employee benefit obligation amounting to EUR 2,011 is presented in finance cost in consolidated statement of comprehensive income for the year ended 31 December 2016.

The Group has reassessed the presentation of unwinding of discount on guaranteed passenger fee receivable from DHMİ. Accordingly discount income amounting to EUR 11,800 is presented in operating revenue in consolidated statement of comprehensive income for the year ended 31 December 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Each entity is consolidated based on the following methods:

- TAV İstanbul, TAV Esenboğa, TAV Ege, TAV Milas Bodrum, TAV Macedonia, TAV Gazipaşa, TAV Latvia, HAVAŞ, HAVAŞ Europe, HAVAŞ Europe Helsinki, HAVAŞ Germany, HYT İzmir, HYT Muğla, HYT Samsun, BTA, BTA Georgia, BTA Tunisia, BTA Macedonia, Cakes & Bakes, BTA Tedarik, BTA Danışmanlık, BTA Latvia, TAV İşletme, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV Güvenlik, TAV Akademi, Aviator Netherlands, TAV Uluslararası Yatırım, BTA Uluslararası Yiyecek, BTA Erus and BTA MZLZ are fully consolidated without non-controlling interest's ownership.

- TAV Tunisia, TAV Tbilisi, TAV Batumi, Batumi Airport LLC, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV Aviation Minds, BTU Lokum and BTU Gıda are fully consolidated with the non-controlling interest's ownership reflected as a non-controlling interest. The equity of Batumi Airport LLC is fully reflected as non-controlling interest due to the transfer of right on shares to JSC at the end of share management agreement period.

- ATU, ATU Georgia, ATU Tunisia, ATU Macedonia, ATU Latvia, ATU Tunisia Duty Free, ATU Medinah, ATU Americas, ATU Mağazacılık, ATU Uluslararası Mağazacılık, ATU Holdings, TAV Gözen, TGS, Saudi HAVAŞ, BTA Denizyolları, BTA Medinah, BS Kahve, Tibah Development, Tibah Operation, TAV İşletme Chile, TAV İşletme Saudi, ZAIC-A, MZLZ, MZLZ Operation, AMS and Medinah Hotel are consolidated using the equity method.

i) Business combinations:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.
Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii) Non-controlling interests:

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

at fair value; or
at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

In 2017, TAV Holding acquired 33.33% of shares of BTA in return for EUR 9,500. After the purchase, the share of TAV Holding in BTA increased from 66.66% to 100.00%.

iv) Acquisitions from entities under common control:

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

v) Loss of control:

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

vi) Joint arrangements and associates:

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

Associates

Joint ventures and associates are accounted for equity method in the consolidated financial statements. Joint ventures and associates initially recognised at fair value. After initial recognition, Group's share of the profit or loss of the investee, is recorded to financial statements by increasing or decreasing the net book value. Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vii) Transactions eliminated on consolidation:

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

b) Foreign currency

i) Foreign currency transactions:

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

ii) Foreign operations:

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The Group entities and their joint ventures use either EUR, TRL, USD, TND, MKD, GEL, HRK, SAR, CLP and KES as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities or their joint ventures and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses EUR as the reporting currency. Assets and liabilities are translated by using year end foreign exchange rates. Income and expenses which are recorded to financial statements during the period are translated by using yearly average rates. Share capital and legal reserves are classified to financial statements by using their face value in the statutory financial statements. “Foreign currency translation differences” resulted by their translations are classified in the total items that will not be reclassified to profit or loss under equity.

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

The financial statements of subsidiaries, namely BTA, TAV İşletme and TAV Güvenlik, which have the TRL as their functional currency, were restated to compensate for the effect of changes in the general purchasing power of the TRL until 31 December 2005, in accordance with IAS 29 as TRL was the currency of a hyperinflationary economy. Financial statements of such subsidiaries are then translated into Euro, the main reporting currency of the Group, by the exchange rate ruling at reporting date.

The foreign currency exchange rates as of the related periods are as follows:

	1 Euro Equivalent	
	31 December 2017	**31 December 2016**
TRL	4.5155	3.7099
GEL	3.1044	2.7940
TND	2.9478	2.4301
MKD	61.4907	61.4812
USD	1.1971	1.0542
SAR	4.4893	3.9532
HRK	7.4911	7.5116
KES	123.1467	111.6044
CLP	735.21	698.51

c) Financial instruments

i) Non-derivative financial assets:

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(h)(i)).

Loans and receivables comprise cash and cash equivalents, restricted bank balances, trade receivables, due from related parties and guaranteed passenger fee receivable from DHMİ (Concession receivables) (see Note 21).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group management of its short-term commitments.

The Group's use of Project Accounts Reserve Accounts or Funding Accounts is based on certain conditions as defined in respective loan agreements. Therefore, bank balances included in these accounts are presented as restricted bank balances in the consolidated statement of financial position.

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also accounting policy note on intangible assets below).

ii) Non-derivative financial liabilities:

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group has the following other financial liabilities: loans and borrowings, bank overdrafts, trade payables and due to related parties.

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

When measuring the fair value of a liability, the Company takes into account the effect of its own credit risk and the effect of other factors that will probably affect the settlement of the liability.

iii) Share capital:

Ordinary shares are classified as equity.

iv) Derivative financial instruments, including hedge accounting:

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value and cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

In case of financial asset or financial liability is recognized in the financial statements as a result of forecast hedge transaction, Gain or losses accounted under other comprehensive income will be reclassed to income and loss components which will be excluded from equity for the period or periods of which cash flows subject to hedging (e.g. period which interest income or expense accounted)

In other cases, when the hedged item is not a non-financial asset, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

d) Property and equipment

i) Recognition and measurement:

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are calculated as the difference between the net proceeds from disposal and the carrying amount of the item and are recognised net within “other operating income / (expense)” in profit or loss.

ii) Subsequent costs:

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation:

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

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

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

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

e) Intangible assets

i) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries and joint ventures is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Intangible assets recognised in a business combination:

Customer relationships are the intangible assets recognised during the purchase of HAVAŞ shares in years 2005 and 2007 and purchase of HAVAŞ Europe shares in 2010 and 2011. DHMİ license is the intangible asset recognised during the purchase of HAVAŞ shares in years 2005 and 2007. In a business combination or acquisition, the acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset and its fair value can be measured reliably. The fair values of DHMİ licence and customer relationship were determined by an independent external third party expert.

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

iii) Internally generated software:

Internally generated software consists of airport software developed by TAV Bilişim. Internally generated software with finite useful lives is measured at cost less accumulated amortisation and impairment losses.

iv) Other intangible assets:

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

v) Subsequent expenditure:

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

vi) Amortisation:

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Purchased software is amortised over estimated useful lives, which is between 3-5 years. Intangible assets recognised during acquisitions of HAVAŞ and HAVAŞ Europe are customer relationships and DHMİ licence. Customer relationships have 5-10 years useful life and DHMİ licence has indefinite useful life since the duration of net cash inflow arising from DHMİ licence to the Company does not have any foreseeable limit. DHMİ licence is tested for impairment annually.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

vii) Service concession arrangements

IFRIC 12 Interpretation – According to service concession arrangements, entity recognize proceeds received for the construction, renovation works performed and other service lines rendered under non-current intangible asset or financial asset in the financial statements.

TAV Esenboğa is bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa has guaranteed passenger fee to be received from DHMİ. The agreement covers a period up to May 2023 for TAV Esenboğa.

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

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

A concession agreement was executed between TAV Gazipaşa and DHMİ on 4 January 2008 for the operation of Alanya Gazipaşa Airport (air side, land side, parking-apron-taxi ways). The agreement covers a period up to May 2034.

On 24 September 2008, a BOT agreement for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport in Shtip airports was signed between TAV Macedonia and the Ministry of Transport and Communication of Macedonia. The agreement covers a period up to March 2030.

A concession agreement was executed between TAV Ege and DHMİ on 16 December 2011 for the construction and operation of the domestic terminal of İzmir Adnan Menderes Airport and for taking-over the international terminal on January 2015. The agreement covers a period up to December 2032.

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2014 for the leasing of the operating rights of the Milas Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from October 2015 to December 2035 (approximately 20 years and 2 months) and operation right of the domestic terminal starting from July 2015 to December 2035.

i) Intangible assets:

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

The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV Esenboğa, TAV Gazipaşa, TAV Macedonia and TAV Ege are 0%, TAV Tbilisi and TAV Tunisia are 15% and 5% respectively.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period. Amortisation of airport operation right is calculated based on units of production method over estimated passenger figures for Domestic Terminal of İzmir Adnan Menderes International Airport, Milas Bodrum Airport.

Amortisation of airport operation right is calculated on a straight-line basis over their estimated useful lives for Alanya-Gazipaşa Airport, Macedonia Skopje and Ohrid Airports, Tbilisi International Airport and Medinah International Airport until 30 June 2017. The straight-line basis method changed to units of production method over estimated passenger figures prospectively as at 1 July 2017. If amortisation of airport operation right was calculated on a straight-line basis, accumulated amortisation would be EUR 407,131 and amortisation for the period would be EUR 62,405.

ii) Financial assets:

The Group recognises the guaranteed passenger fee amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa and TAV Ege. Financial assets are initially recognised at fair value and carried at discounted fair value for the subsequent periods.

iii) Accounting for operations contract (TAV İstanbul):

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

TAV İstanbul has control over significant portion of revenue and has control over price. Therefore, no intangible asset or financial asset is recognised in TAV İstanbul's financial statements and the revenue and costs relating to the operation services are recognised in accordance with IAS 18.

f) Leased assets

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

According to financial lease agreements, minimum lease payments are allocated to financial expense and decrease in remaining balance. Finance expense, divided to each period of the agreement in order to generate fixed period interest rate over remaining finance expense liability.

Other leases are operating leases and the leased assets are not recognised on the Group's consolidated statement of financial position.

Under operational leases, disbursements accounted with straight line method, under profit or loss during the lease period.

Contingent operational lease payments, accounted by changes in minimum lease payments for the remaining lease period

g) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make sale.

h) Impairment

i) Non-derivative financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets:

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "CGU"). Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum full TRL 4,732 as at 31 December 2017 (equivalent to full EUR 1,048 as at 31 December 2017) (31 December 2016: full TRL 4,297 (equivalent to full EUR 1,158 as at 31 December 2016)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying consolidated financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 27) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

All actuarial differences are recognised immediately in other comprehensive income.

j) Provisions

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

k) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

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

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

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

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

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

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

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

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

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

Income from lounge services: Income from lounge services is recognised when services are provided.

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

Income from airline taxi services: Income from airline taxi services is recognised when services are provided.

l) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables) and ineffective portion of hedging instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current Tax:

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

ii) Deferred Tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

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

iii) Tax exposures:

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a deter¬mination is made.

n) Earnings per share

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

o) Segment reporting

An operating segment is a component of the Group and its joint ventures that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters), head office expenses, and income tax assets and liabilities.

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

p) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in its annual consolidated financial statements for the year ended 31 December 2017.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

IFRS 12 Disclosure of Interests in Other Entities:

This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The impact of the standard on the financial position and performance of the Group is not significant.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The impact of the standard on the financial position and performance of the Group is as follows:

IFRS 15 impact on TAV's revenues is not significant on 2017 revenues. Considering the limited impact, the Group has chosen to apply the new standard retrospectively adjusting each comparative period presented and recognize the cumulative effect of applying the new standard at the start of the earliest period presented.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group has performed an impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The impact of standard on all three aspects of IFRS 9 is as follows:

Classification and Measurement of Financial Assets:

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, it should not have a significant impact on Group's consolidated accounts.

Hedge accounting:

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for; the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the the Group and will not have an impact on the financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses: whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.
The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

4. DETERMINATION OF FAIR VALUES

Fair value determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property and equipment:

The fair value of property and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

ii) Intangible assets:

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

The fair values of customer relationship and DHMİ licence acquired in a business combination are determined according to the excess earnings method and depreciated replacement cost approach, respectively.

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

iii) Trade and other receivables:

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

iv) Derivatives:

The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

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

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

v) Other non-derivative financial liabilities:

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

31 December 2017	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	208,525	-
Loans and borrowings	-	(1,118,717)	-
Other payables	-	(799,047)	-
Interest rate swap	-	(36,166)	-
Forward	-	(2,303)	-
31 December 2016	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	220,372	-
Loans and borrowings	-	(1,240,545)	-
Other payables	-	(820,009)	-
Interest rate swap	-	(49,188)	-

5. OPERATING SEGMENTS

Operating Segments:

For management purposes, the Group and its joint ventures are currently organised into four reportable segments regarding to their activities; such as Terminal Operations, Catering Operations, Duty Free Operations, Ground Handling and Bus Operations. These reportable segments are the basis on which the Group reports its primary segment information, the principal activities of each are as follows:

- Terminal operations: Operating terminal buildings, the car park and the general aviation terminal, the Group companies included in this segment are TAV İstanbul, TAV Esenboğa, TAV Ege, TAV Milas Bodrum, TAV Tunisia, TAV Tbilisi, TAV Batumi, Batumi Airport LLC, TAV Macedonia, TAV Gazipaşa, TAV Uluslararası Yatırım, Tibah Development, Tibah Operation, MZLZ, MZLZ Operation and AMS. TAV Tbilisi, TAV Batumi, TAV Tunisia, TAV Macedonia, TAV Gazipaşa, and MZLZ also include the ground handling operations, and parking-apron-taxi ways as they are not outsourced and are run by the airport.

- Catering operations: Managing all food and beverage operations of the terminal, both for the passengers and the terminal personnel, which is run by BTA, BTA Georgia, BTA Tunisia, BTA Macedonia, Cakes & Bakes, BTA Tedarik, BTA Danışmanlık, BTA Latvia, BTA Denizyolları, BTU Lokum, BTU Gıda, BTA Medinah, BS Kahve, BTA Uluslararası Yiyecek, BTA Erus and BTA MZLZ.

- Duty free operations: Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATU, ATU Georgia, ATU Tunisia, ATU Macedonia, ATU Latvia, ATU Tunisia Duty Free, ATU Medinah, ATU Mağazacılık, ATU Uluslararası Mağazacılık and ATU Americas.

- Ground handling and bus operations: Providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation License. The Group operates the ground handling services through HAVAŞ, HAVAŞ Europe, HAVAŞ Europe Helsinki, HAVAŞ Germany, TAV Gözen, TGS and Saudi HAVAŞ. HAVAŞ, HYT İzmir, HYT Muğla and HYT Samsun provides bus operations.

- Other: Providing lounge services, IT, security and education services, airline taxi services, the Group companies included in this segment are TAV Holding, TAV Latvia, TAV İşletme, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV İşletme Saudi, TAV İşletme Chile, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV Güvenlik, TAV Akademi, TAV Aviation Minds, Aviator Netherlands, ZAIC-A, ATU Holdings and Medinah Hotel.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on arm's length basis.

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total external revenues	702,098	661,415	144,878	158,740	343,804	327,215	269,119	262,414	95,746	92,011	1,555,645	1,501,795
Inter-segment revenue	182,778	173,911	23,341	24,494	-	-	-	-	51,091	30,724	257,210	229,129
Construction revenue	17,085	31,518	-	-	-	-	-	-	-	-	17,085	31,518
Construction expenditure	(17,085)	(31,518)	-	-	-	-	-	-	-	-	(17,085)	(31,518)
Interest income	8,541	5,713	235	232	1,081	(202)	869	856	10,805	11,572	21,531	18,171
Interest expense	(74,162)	(98,654)	(1,280)	(1,221)	-	(110)	(1,795)	(2,719)	(2,448)	(7,024)	(79,685)	(109,728)
Depreciation and amortisation	(111,177)	(104,144)	(5,819)	(5,664)	(4,669)	(4,339)	(12,735)	(14,319)	(4,984)	(4,151)	(139,384)	(132,617)
Reportable segment operating profit	289,860	298,588	8,720	8,581	24,230	23,455	44,740	28,668	11,120	1,622	378,670	360,914
Capital expenditure	21,888	93,621	6,981	5,816	3,244	2,936	9,696	5,634	3,634	12,894	45,443	120,901

	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Reportable segment assets	2,716,949	2,911,895	52,677	51,999	75,067	74,039	176,232	167,457	368,358	326,219	3,389,283	3,531,609
Reportable segment liabilities	2,257,683	2,424,489	39,942	40,370	61,763	63,223	81,583	98,583	77,372	109,823	2,518,343	2,736,488

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Reconciliations of reportable segment revenues, profit before tax, assets and liabilities and other material items

Revenues	**2017**	**2016**
Total revenue for reportable segments	1,683,103	1,639,707
Other revenue	146,837	122,735
Elimination of inter-segment revenue	(257,210)	(229,129)
	1,572,730	**1,533,313**
Effect of using the equity method for joint ventures	(434,214)	(417,891)
Consolidated revenue	**1,138,516**	**1,115,422**

Operating profit	**2017**	**2016**
Segment operating profit	367,550	359,292
Other operating profit	11,120	1,622
Elimination of inter-segment operating loss	(2,332)	(3,769)
	376,338	**357,145**
Effect of using the equity method for joint ventures	(19,842)	(23,925)
Consolidated operating profit	**356,496**	**333,220**
Finance income	12,494	15,306
Finance expense	(123,773)	(138,178)
Consolidated profit before tax	**245,217**	**210,348**

Assets	**31 December 2017**	**31 December 2016**
Total assets for reportable segments	3,020,925	3,205,390
Other assets	368,358	326,219
	3,389,283	**3,531,609**
Effect of using the equity method for joint ventures	(387,014)	(430,311)
Consolidated total assets	**3,002,269**	**3,101,298**

Liabilities	**31 December 2017**	**31 December 2016**
Total liabilities for reportable segments	2,440,971	2,626,665
Other liabilities	77,372	109,823
	2,518,343	**2,736,488**
Effect of using the equity method for joint ventures	(405,360)	(442,282)
Consolidated total liabilities	**2,112,983**	**2,294,206**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Interest income	**2017**	**2016**
Total interest income for reportable segments	10,726	6,599
Other interest income	10,805	11,572
Elimination of inter-segment interest income	(7,809)	(9,243)
	13,722	**8,928**
Effect of using the equity method for joint ventures	(1,279)	80
Consolidated interest income	**12,443**	**9,008**

Interest expense	**2017**	**2016**
Total interest expense for reportable segments	(77,237)	(102,704)
Other interest expense	(2,448)	(7,024)
Elimination of inter-segment interest expense	7,604	8,883
	(72,081)	**(100,845)**
Effect of using the equity method for joint ventures	12,823	13,734
Consolidated interest expense	**(59,258)**	**(87,111)**

Geographical information

The main geographical segments of the Group and its joint ventures are comprised of Turkey, Tunisia, Georgia, Macedonia and Saudi Arabia.

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

Revenue	**2017**	**2016**
Turkey	986,842	973,814
Georgia	97,715	89,202
Macedonia	26,047	25,029
Tunisia	20,581	21,861
Other	7,331	5,516
Consolidated revenue	**1,138,516**	**1,115,422**

Non-current assets	**31 December 2017**	**31 December 2016**
Turkey	1,630,133	1,747,572
Tunisia	413,394	428,256
Georgia	72,206	68,820
Macedonia	59,080	63,186
Other	636	462
Consolidated non-current assets	**2,175,449**	**2,308,296**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

6. CONSTRUCTION REVENUE AND EXPENDITURE

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

	2017	2016
Construction expenditure	**17,085**	**31,518**
Mark-up on construction expenditure	-	-
Construction revenue	**17,085**	**31,518**

Construction revenue and expenditure for the year ended 31 December 2017 is related to the construction of runway and terminal of Tblisi International Airport (31 December 2016 is related to the construction of runway and terminal of Tblisi International Airport).

7. OPERATING REVENUE

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

	2017	2016
Aviation income	366,991	332,433
Commission from sales of duty free goods	245,556	241,500
Ground handling income	150,239	138,929
Catering services income	98,669	93,221
Area allocation income	47,011	46,279
Software sales income	36,892	42,694
Income from car parking operations and valet service income	29,301	31,896
Income from lounge services	21,466	17,190
Rent income from sublease	18,910	18,728
Bus services income	13,882	13,811
Advertising income	12,946	20,331
Operating financial revenue	10,956	11,800
Loyalty card income	8,788	7,520
Prime class income	7,910	6,174
Security services income	6,744	4,961
Retail income	6,729	19,801
Hotel and reservation income	6,669	6,663
Utility and general participation income	5,685	5,646
Other operating revenue	26,087	24,327
Total operating revenue	**1,121,431**	**1,083,904**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

8. PERSONNEL EXPENSES

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

	2017	2016
Wages and salaries	195,009	205,095
Compulsory social security contributions	23,471	25,121
Employee severance indemnity expenses	3,447	3,305
Other personnel expenses	21,702	22,159
Total personnel expenses	**243,629**	**255,680**

9. CONCESSION AND RENT EXPENSES

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

	2017	2016
TAV İstanbul (*)	157,851	145,284
TAV Tunisia (**)	5,761	5,762
TAV Macedonia (***)	1,028	1,151
Total concession and rent expenses	**164,640**	**152,197**

Rent expense is related with TAV İstanbul, concession rent expense is related with TAV Tunisia and TAV Macedonia.

(*) See Note 17.
(**) TAV Tunisia has a concession period of 40 years and annual concession fee is paid based on the annual revenue of Monastir and Enfidha Airports. The concession fee is computed at an increasing rate between 11% and 26% of the annual revenues.
(***) The concession fee of TAV Macedonia is 15% of the gross annual turnover until the number of passengers using the two airports reaches to 1 million, and when the number of passengers exceeds 1 million, this percentage shall change between 4% and 2% depending on the number of passengers.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

10. OTHER OPERATING EXPENSES

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

	2017	2016
VAT non-recoverable	16,087	17,165
Utility cost	14,795	17,316
Maintenance expenditures	14,138	15,251
Consultancy expense	12,797	15,612
Cleaning expense	12,346	13,649
Insurance expense	9,780	11,472
Traveling and transportation expenses	6,047	4,368
Rent expense	4,964	5,389
Provision expenses	3,441	1,531
Operational rent expense	3,048	2,096
Security cost	2,837	2,210
Advertisement and marketing expenses	2,815	3,326
Taxes	2,796	2,708
Communication and stationary expenses	2,761	3,168
Representation expenses	1,938	1,397
Commission and license expense	1,909	1,954
Other operating expenses	6,876	14,898
Total other operating expenses	**119,375**	**133,510**

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

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

	2017	2016
Airport operation right	60,955	60,110
Property and equipment	51,083	40,668
Impairment of airport operation right	25,000	-
Intangible assets	4,087	4,537
Total depreciation, amortisation and impairment expenses	**141,125**	**105,315**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

12. FINANCE INCOME AND FINANCE COSTS

Recognised in profit or loss

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

	2017	2016
Interest income on bank deposits and intercompany loans	12,443	9,008
Foreign exchange gain, net	-	6,157
Other finance income	51	141
Finance income	**12,494**	**15,306**
Interest expense on financial liabilities and intercompany loans	(59,258)	(87,111)
Discount expense (*)	(34,993)	(36,033)
Foreign exchange loss, net	(20,901)	-
Financial provision for employee benefit obligation	(2,401)	(2,011)
Commission expense	(1,259)	(1,115)
Other finance costs (**)	(4,961)	(11,908)
Finance costs	**(123,773)**	**(138,178)**
Net finance costs	**(111,279)**	**(122,872)**

(*) Discount expense is related with the unwinding of discount on concession payables amounting to EUR 34,933 as of 31 December 2017 (31 December 2016: EUR 36,033)
(**) Other finance costs include bank charges and consultancy expenses charged in accordance with the requirements of project financing facilities.

Recognised in other comprehensive income

	2017	2016
Effective portion of changes in fair value of cash flow hedges	22,409	(20,878)
Portion of cash flow hedges charged to profit or loss	(12,015)	29,985
Foreign currency translation differences for foreign operations	(15,439)	(8,253)
Tax on cash flow hedge reserves	(2,603)	44
Finance costs recognised in other comprehensive income, net of tax	**(7,648)**	**898**

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13. TAX EXPENSE

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

Tax recognised in profit or loss

	2017	2016
Current tax expense		
Current year tax expense	58,617	59,060
Adjustments for prior years	68	61
	58,685	**59,121**
Deferred tax benefit		
Origination and reversal of temporary differences	(454)	8,628
Change in previously recognised investment incentives	1,614	1,949
Change in previously recognised tax losses	73	20,983
	1,233	**31,560**
Total tax expense	**59,918**	**90,681**

Tax recognised in other comprehensive income

	2017			2016		
	Before tax	Tax (expense) / benefit	Net of tax	Before tax	Tax benefit	Net of tax
Foreign currency translation differences for foreign operations	(15,439)	-	(15,439)	(8,253)	-	(8,253)
Effective portion of changes in fair value of cash flow hedges	11,593	(2,603)	8,990	8,562	44	8,606
Defined benefit obligation actuarial differences	(4,061)	812	(3,249)	(5,241)	1,048	(4,193)
Other comprehensive income from equity accounted investees	(7,268)	300	(6,968)	(6,448)	210	(6,238)
	(15,175)	**(1,491)**	**(16,666)**	**(11,380)**	**1,302**	**(10,078)**

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Reconciliation of effective tax rate

The reported tax expenses for the years ended 31 December 2017 and 2016 are different than the amounts computed by applying the statutory tax rate to profit before tax of the Group, as shown in the following reconciliation:

	%	2017	%	2016
Profit for the year		185,299		119,667
Total tax expense		59,918		90,681
Profit before tax		**245,217**		**210,348**
Tax using the Company's domestic tax rate	20	49,043	20	42,070
Tax effects of:				
- non-deductible expenses	-	1,024	1	1,321
- translation of non-monetary items according to IAS 21	6	14,462	3	5,389
- change in previously recognised investment incentives	1	1,614	1	1,949
- tax exempt income	(1)	(2,158)	-1	(620)
- used tax loss carry forwards which no deferred tax asset is recognised	-	-	(1)	(2,999)
- current year losses for which no deferred tax asset is recognised	2	4,347	12	24,829
- effect of different tax rates for foreign jurisdictions	(1)	(3,535)	(1)	(1,676)
- under provided in prior years	-	68	-	61
- change in unrecognized temporary differences	(1)	(1,518)	6	12,827
- adjustment for equity accounted investees	(1)	(3,275)	(2)	(3,415)
- other consolidation adjustments	-	(154)	5	10,945
Tax expense	**25**	**59,918**	**43**	**90,681**

Corporate tax:

	2017	2016
Corporate tax provision	58,617	59,060
Adjustments for prior years	68	61
Add: taxes payable from previous year	23,146	14,933
Less: corporation taxes paid during the year	(62,064)	(50,908)
Current tax liabilities	**19,767**	**23,146**

Turkey

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilised.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax (CIT) rate at 31 December 2017 is 20% (31 December 2016: 20%). Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back.

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

In accordance with the Law No. 7061 which is published on December 5, 2017 in the official gazette numbered 30261, the rate of the Corporate Tax, which is 20% according to the provisional article 10 added to the Corporate Tax Law (KVK), will be applied as 22% in 2018, 2019 and 2020 for all the taxpayers. The tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Georgia

Georgian corporate income tax is levied at a rate of 15% on income less deductible expenses. A new corporate tax treatment, which entered into effect as from 1 January 2017, has been introduced in Georgia. According to the new rule, the corporate tax liability will raise when the profit is distributed. There is no change on the corporate tax rate.

Tunisia

Tunisian corporate income tax is levied at a rate of 25% on income less deductible expenses (31 December 2016: 25%).

Macedonia

Macedonian corporate income tax is levied at a rate of 10% on income less deductible expenses as from 2014 onwards (including determination of 2014 CIT). Losses can be carried forward for 3 years provided that the accumulated accounting losses are covered by the accumulated profits.

Latvia

Latvian corporate income is levied at a rate of 15% on income less deductible expenses. According to the new rule, the corporate tax liability will raise when the profit is distributed. According to the new regulation introduced, corporate income tax rate will be %20 as of January 2018.

Germany

German corporate income is levied at a rate of 15% on income less deductible expenses. However municipalities impose a trade tax on income. Taking into account the various municipality multipliers, the combined average tax rate for corporations ranges from approximately 23% to 33%.

Kenya

Kenyan corporate income tax is levied at a rate of 30% on income less deductible expenses.

United States

American federal corporate income tax is levied at a rate of 15-39% on income less deductible expenses.

Saudi Arabia

Under the Saudi Arabian tax and zakat regulations, tax / zakat status of a resident company is determined based on the nationality of its shareholders. TAV IT Saudi's all shareholders are incorporated outside GCC. So, it is subject to income tax at 20% over the gross income less allowable expenses under the law (the adjusted net profit for the year). Tax losses can be carried forward indefinitely in Saudi Arabia. However, maximum limit of the brought forward loss that can be deducted from the taxable profit for the year is 25% of the taxable profit.

Oman

Omani corporate income tax is levied at a rate of 15% on income less deductible expenses.

Chile

In the Chile, due to the tax reform as of year 2017 there are two income tax systems which are elective for tax payers (where certain requirements satisfied):

Attributed income system (AIS): Corporate tax rate is 25% for entities subject to the AIS. Also, there is additional WHT of %35 regardless of whether a dividend was effectively distributed or not, with a 100% tax credit for the FCT paid at the attributing entity's level. Total tax burden is %35 for this system.

Partially integrated system (PIS): Corporate tax rate is 25,5 % for entities subject to the PIS in 2017 and 27% in 2018. Also, there is additional WHT of %35 final taxes upon effective distribution of profits, with a tax credit of 65% of the FCT paid at the entity level. Total tax burden is %44,45 for this system.

Investment allowance:

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no. 26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other hand, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no. 5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no. 2 of the Article 15 of the Law no. 5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no. 27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

The Article 5 of the Law no. 6009 "Law on the Amendment of the Income Tax Law and Certain Laws and Decree Laws" which was promulgated in the Official Gazette on 1 August 2010 regulated the amount of investment incentive to be benefited in computing the corporate tax base after the cancellation of the Article no.2 of the Law no. 5479. According to the Law no. 6009, the taxpayers were allowed to benefit from the investment incentive stemming from the periods before the promulgation of the Law no. 5479, up to 25% of the taxable income of the respective tax period. Such change is effective including the fiscal year ending on 31 December 2011.

However, on 9 February 2012, the Turkish Constitutional Court decided to cancel the Article 5 of the Law no. 6009 and stay of execution of the article was promulgated in the Official Gazette no. 28208 dated 18 February 2012. Accordingly, taxpayers are allowed to benefit from the investment incentive without any limitation. The annulment of the article was promulgated in the Official Gazette no. 28719 dated 26 July 2013.

Income withholding tax:

According to Corporate Tax Law code numbered 5520 article 15, companies who are resident in Turkey, should calculate 15% income withholding tax on dividends distributed to non-resident companies, individuals and resident individuals. Where there is a tax treaty between Turkey and the country of the dividend recipient is a resident taxpayer, the applicable rate might be less than the local rate. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer pricing regulations:

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

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

The Law numbered 6736

The Law numbered 6736 has been put into effect following its promulgation in the Official Gazette on 19 August 2016. According to the law, apart from the VAT refundable or/and already refunded in cash, no tax investigation or tax assessment regarding corporate and value added taxes will be made for the tax-payers who increase their tax bases for the years between 2011 and 2015.

Some of the subsidiaries of the Group have benefited from the aforementioned law for the fiscal years 2011-2015 for corporate and value added taxes by increasing their tax bases, which resulted in additional value added and corporate taxes amounting to EUR 617 and VAT amounting to EUR 344.

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(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

14. PROPERTY AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
Cost								
Balance at 1 January 2016	**188**	**238**	**79,139**	**31,145**	**42,541**	**196,978**	**48,350**	**398,579**
Effect of movements in exchange rates	(11)	(26)	475	(934)	(2,351)	(2,586)	(1,918)	(7,351)
Additions (*)	-	23	3,829	3,287	8,618	5,255	53,769	74,781
Disposals	-	-	(1,603)	(5,224)	(1,316)	(3,004)	(3,317)	(14,464)
Transfers (**)	-	-	94	14,775	246	73,813	(89,704)	(776)
Balance at 31 December 2016	**177**	**235**	**81,934**	**43,049**	**47,738**	**270,456**	**7,180**	**450,769**
Balance at 1 January 2017	**177**	**235**	**81,934**	**43,049**	**47,738**	**270,456**	**7,180**	**450,769**
Effect of movements in exchange rates	(18)	(9)	(1,148)	(2,078)	(4,256)	(4,388)	(702)	(12,599)
Additions (*)	-	-	5,694	6,695	4,890	3,935	2,768	23,982
Disposals	-	-	(357)	(3,681)	(302)	(84)	(1,335)	(5,759)
Transfers (**)	-	-	-	-	137	4,443	(4,994)	(414)
Balance at 31 December 2017	**159**	**226**	**86,123**	**43,985**	**48,207**	**274,362**	**2,917**	**455,979**

(*) There is no capitalised borrowing cost on property and equipment during 2017 (31 December 2016: None). In year 2017, additions to property and equipment amounting to EUR 747 has been purchased by financial leasing. (31 December 2016: EUR 33)
(**) Transfer amounting to EUR 414 comprises transfer to intangible assets as at 31 December 2017 (31 December 2016: EUR 776 comprises transfer to intangible assets).

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(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
Accumulated depreciation								
Balance at 1 January 2016	**-**	**171**	**55,223**	**14,248**	**24,909**	**94,115**	**-**	**188,666**
Effect of movements in exchange rates	-	(5)	(725)	(346)	(1,887)	(1,631)	-	(4,594)
Depreciation for the year	-	15	3,028	1,950	6,266	29,409	-	40,668
Disposals	-	-	(1,031)	(2,231)	(544)	(483)	-	(4,289)
Balance at 31 December 2016	**-**	**181**	**56,495**	**13,621**	**28,744**	**121,410**	**-**	**220,451**
Balance at 1 January 2017	**-**	**181**	**56,495**	**13,621**	**28,744**	**121,410**	**-**	**220,451**
Effect of movements in exchange rates	-	(17)	183	615	(4,130)	(2,503)	-	(5,852)
Depreciation for the year	-	16	3,321	3,266	5,048	39,432	-	51,083
Disposals	-	-	(195)	(1,613)	(217)	(42)	-	(2,067)
Balance at 31 December 2017	**-**	**180**	**59,804**	**15,889**	**29,445**	**158,297**	**-**	**263,615**
Carrying amounts								
At 31 December 2016	**177**	**54**	**25,439**	**29,428**	**18,994**	**149,046**	**7,180**	**230,318**
At 31 December 2017	**159**	**46**	**26,319**	**28,096**	**18,762**	**116,065**	**2,917**	**192,364**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

15. INTANGIBLE ASSETS

	Purchased software and brandmarks	Internally generated software	Customer relationships	DHMİ license	Total
Cost					
Balance at 1 January 2016	**17,675**	**4,149**	**25,650**	**5,324**	**52,798**
Effect of movements in exchange rates	(527)	-	-	-	(527)
Additions	3,330	-	-	-	3,330
Transfers from construction in progress (*)	776	-	-	-	776
Balance at 31 December 2016	**21,254**	**4,149**	**25,650**	**5,324**	**56,377**
Balance at 1 January 2017	**21,254**	**4,149**	**25,650**	**5,324**	**56,377**
Effect of movements in exchange rates	(303)	-	-	-	(303)
Additions	873	-	544	-	1,417
Transfers from construction in progress (*)	414	-	-	-	414
Balance at 31 December 2017	**22,238**	**4,149**	**26,194**	**5,324**	**57,905**
Accumulated amortisation					
Balance at 1 January 2016	**12,987**	**2,438**	**21,679**	**-**	**37,104**
Effect of movements in exchange rates	624	-	-	-	624
Amortisation for the year	1,727	352	2,458	-	4,537
Balance at 31 December 2016	**15,338**	**2,790**	**24,137**	**-**	**42,265**
Balance at 1 January 2017	**15,338**	**2,790**	**24,137**	**-**	**42,265**
Effect of movements in exchange rates	(250)	-	-	-	(250)
Amortisation for the year	1,983	520	1,584	-	4,087
Balance at 31 December 2017	**17,071**	**3,310**	**25,721**	**-**	**46,102**
Carrying amounts					
At 31 December 2016	**5,916**	**1,359**	**1,513**	**5,324**	**14,112**
At 31 December 2017	**5,167**	**839**	**473**	**5,324**	**11,803**

(*) Transfers amounting to EUR 414 are related with construction in progress as of 31 December 2017 (31 December 2016: EUR 776).

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DHMİ licenses acquired through the purchase of HAVAŞ shares in years 2005 and 2007 were recognised with indefinite useful lives since there is no foreseeable limit to the period over which they are expected to generate net cash inflows. The useful life of DHMİ license associated with the acquisition of HAVAŞ was deemed indefinite since;

- without these licenses ground handling companies could not operate,
- it is difficult to obtain the licence, which requires high pre-operational costs and procurement of workforce and equipment required to deliver ground handling services
- the continuity of the license requires low annual payments compared to initial license cost.

The replacement cost method was used in order to determine the fair value of the DHMİ licences for impairment testing. As a result of the impairment testing no impairment was recognized.

Goodwill

An analysis of goodwill as at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Balance at 1 January	135,831	135,831
Addition during the year	219	-
Balance at the end of the year	**136,050**	**135,831**

Goodwill is related with the CGU's HAVAŞ, HAVAŞ Europe and TAV Tbilisi as at 31 December 2017 and 2016.

Impairment testing for CGU's

For the purpose of impairment testing, goodwill is allocated to CGU's. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	31 December 2017	31 December 2016
HAVAŞ	131,565	131,565
TAV Tbilisi	3,858	3,858
HAVAŞ Europe	408	408
Other	219	-
	136,050	**135,831**

A valuation for the fair values of HAVAŞ, TAV Tbilisi and HAVAŞ Europe as three separate CGU's was performed by an independent valuation expert. The income and market approaches were used to determine the fair values of HAVAŞ, TAV Tbilisi and HAVAŞ Europe. In the analysis, income approach (discounted cash flow method) was mostly used, with lower weightings applied to the value of HAVAŞ, TAV Tbilisi and HAVAŞ Europe resulting from the Guideline Transaction and Company methods.

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25-year business plan prepared by the management for HAVAŞ and 13-year business plan prepared by the management for TAV Tbilisi were used in the valuation of companies. The growth in business plan of HAVAŞ and TAV Tbilisi is driven by the opportunities in companies' businesses and addition of new customers.

As a result of the impairment testing performed on CGU basis, no impairment loss was recognised for HAVAŞ, TAV Tbilisi and HAVAŞ Europe as at 31 December 2017.

Key assumptions used in discounted cash flow projections

Key assumptions used in calculation of recoverable amounts are discount rates and terminal growth rates. These assumptions are as follows:

	31 December 2017	
	Pre-tax discount rate	**Terminal growth rate**
HAVAŞ	13.3%	2.0%
TAV Tbilisi	19.0%	-
HAVAŞ Europe	16.2%	2.5%

	31 December 2016	
	Pre-tax discount rate	**Terminal growth rate**
HAVAŞ	15.6%	2.0%
TAV Tbilisi	18.7%	-
HAVAŞ Europe	16.7%	2.5%

Discount rate

The discount rates used in discounted cash flows are the weighted average cost of capitals ("WACC") of the companies.

Terminal growth rate for HAVAŞ is determined as 2.0% and HAVAŞ Europe as 2.5%. Since TAV Tbilisi has a limited life, terminal growth rate is not used in the valuation.

Market Approach

The Guideline Transaction Method utilises valuation multiples based on actual transactions that have occurred in the subject company's industry. These derived multiples are then applied to the appropriate operating data of the subject company to arrive at an indication of fair market value. Guideline Company Method focuses on comparing the subject company to guideline publicly-traded companies.

TAV HAVALİMANLARI HOLDİNG A.Ş. AND ITS SUBSIDIARIES
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(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

16. AIRPORT OPERATION RIGHT

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Alanya Gazipaşa Airport	Skopje International Airport	Milas Bodrum Airport	Total
Cost							
Balance at 1 January 2016	**773,654**	**77,741**	**519,192**	**45,700**	**86,736**	**490,463**	**1,993,486**
Effect of movements in exchange rates	-	(5,012)	-	-	-	-	(5,012)
Additions (*)	-	29,524	-	-	-	-	29,524
Balance at 31 December 2016	**773,654**	**102,253**	**519,192**	**45,700**	**86,736**	**490,463**	**2,017,998**
Balance at 1 January 2017	**773,654**	**102,253**	**519,192**	**45,700**	**86,736**	**490,463**	**2,017,998**
Effect of movements in exchange rates	-	(10,225)	-	-	-	-	(10,225)
Additions (*)	-	15,583	-	-	-	-	15,583
Balance at 31 December 2017	**773,654**	**107,611**	**519,192**	**45,700**	**86,736**	**490,463**	**2,023,356**

(*) There is no capitalised borrowing cost on airport operation right during 2017 (31 December 2016: None).

As at 31 December 2017 additions to airport operation right is related with the construction works at runway and terminal of Tblisi International Airport. (31 December 2016: Additions to airport operation right is related with the construction works at runway and terminal of Tbilisi International Airport.)

TAV HAVALİMANLARI HOLDİNG A.Ș. AND ITS SUBSIDIARIES
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(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Alanya Gazipaşa Airport	Skopje International Airport	Milas Bodrum Airport	Total
Accumulated amortisation							
Balance at 1 January 2016	**118,500**	**36,321**	**80,861**	**5,505**	**20,360**	**5,036**	**266,583**
Effect of movements in exchange rates	-	(2,625)	-	-	-	-	(2,625)
Amortisation for the year	23,966	4,271	13,868	2,196	4,695	11,114	60,110
Balance at 31 December 2016	**142,466**	**37,967**	**94,729**	**7,701**	**25,055**	**16,150**	**324,068**
Balance at 1 January 2017	**142,466**	**37,967**	**94,729**	**7,701**	**25,055**	**16,150**	**324,068**
Effect of movements in exchange rates	-	(4,301)	-	-	-	-	(4,301)
Amortisation for the year	23,800	6,253	13,868	1,650	4,246	11,138	60,955
Impairment losses	-	-	-	-	-	25,000	25,000
Balance at 31 December 2017	**166,266**	**39,919**	**108,597**	**9,351**	**29,301**	**52,288**	**405,722**
Carrying amounts							
At 31 December 2016	**631,188**	**64,286**	**424,463**	**37,999**	**61,681**	**474,313**	**1,693,930**
At 31 December 2017	**607,388**	**67,692**	**410,595**	**36,349**	**57,435**	**438,175**	**1,617,634**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

17. PREPAID CONCESSION AND RENT EXPENSES

An analysis of the Group's prepaid rent expenses as at 31 December 2017 and 2016 are as follows:

31 December 2017	Concession and rent	Prepaid development expenditures	Total
Balance at 31 December 2017	**89,211**	**12,347**	**101,558**
Concession and rent payments	134,138	-	134,138
Current year rent expense – TAV İstanbul	(154,773)	(3,078)	(157,851)
Balance at 31 December 2017	**68,576**	**9,269**	**77,845**
Represented as current prepaid concession and rent expense	**68,576**	**3,078**	**71,654**
Represented as non-current prepaid concession and rent expense	**-**	**6,191**	**6,191**

31 December 2016	Concession and rent	Prepaid development expenditures	Total
Balance at 31 December 2016	**101,148**	**15,434**	**116,582**
Concession and rent payments	130,260	-	130,260
Current year rent expense – TAV İstanbul	(142,197)	(3,087)	(145,284)
Balance at 31 December 2016	**89,211**	**12,347**	**101,558**
Represented as current prepaid concession and rent expense	**89,211**	**3,089**	**92,300**
Represented as non-current prepaid concession and rent expense	**-**	**9,258**	**9,258**

Rent:

The total rent associated with the rent agreement of TAV İstanbul is USD 2,543,000 plus VAT (equivalent to EUR 2,124,300 as at 31 December 2017). TAV İstanbul paid in advance 23% of the total amount plus VAT as required by the Rent Agreement. A payment representing 5.5% of the total rent amount will be made within the first five workdays of each rental year following the first rental year. Below is the payment schedule per the Rent Agreement, excluding VAT, as at 31 December 2017:

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Year	Amount (US Dollar)	Amount(Euro)
2018	139,865	116,832
2019	139,865	116,832
2020	139,865	116,832
	419,595	**350,496**

Prepaid development expenditures:

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

18. DEFERRED TAX ASSETS AND LIABILITIES

The Group recognises deferred tax assets and liabilities in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% for subsidiaries and joint ventures in Turkey (31 December 2016: 20%), the rate of 25% for subsidiaries in Tunisia (31 December 2016: 25%) and the rate of 10% for subsidiaries in Macedonia (31 December 2016: 10%) are used.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Recognised deferred tax assets and liabilities

As at 31 December 2017 and 2016, deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Property and equipment,						
airport operation right, and intangible assets	564	260	(23,910)	(22,297)	(23,346)	(22,037)
Trade and other receivables and payables	487	84	(46)	(55)	441	29
Derivatives	7,848	9,838	(4)	(2,091)	7,844	7,747
Loans and borrowings	16	7	(1,933)	(2,141)	(1,917)	(2,134)
Reserve for employee severance indemnity	4,683	4,143	-	-	4,683	4,143
Provisions	960	1,117	-	-	960	1,117
Tax loss carry-forwards	170	243	-	-	170	243
Investment incentives	29,836	31,450	-	-	29,836	31,450
Other items	639	1,500	(240)	(41)	399	1,459
Deferred tax assets / (liabilities)	**45,203**	**48,642**	**(26,133)**	**(26,625)**	**19,070**	**22,017**
Set-off of tax	(10,642)	(11,649)	10,642	11,649	-	-
Net deferred tax assets / (liabilities)	**34,561**	**36,993**	**(15,491)**	**(14,976)**	**19,070**	**22,017**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Movements in temporary differences during the year

	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Effect of changes in foreign exchange rate	Balance at 31 December 2016	Recognised in profit or loss	Recognised in other comprehensive income	Effect of changes in foreign exchange rate	Balance at 31 December 2017
Property and equipment, airport operation right and other intangible assets	(14,735)	(7,217)	-	(85)	(22,037)	(1,386)	-	77	(23,346)
Trade and other receivables and payables	509	(480)	-	-	29	412	-	-	441
Derivatives	7,538	165	44	-	7,747	2,700	(2,603)	-	7,844
Loans and borrowings	(2,321)	187	-	-	(2,134)	217	-	-	(1,917)
Reserve for employee severance indemnity	3,413	(318)	1,048	-	4,143	(272)	812	-	4,683
Provisions	1,307	(190)	-	-	1,117	(157)	-	-	960
Tax loss carry-forwards	21,226	(20,983)	-	-	243	(73)	-	-	170
Investment incentives	33,399	(1,949)	-	-	31,450	(1,614)	-	-	29,836
Other items	2,234	(775)	-	-	1,459	(1,060)	-	-	399
Tax assets / (liabilities)	**52,570**	**(31,560)**	**1,092**	**(85)**	**22,017**	**(1,233)**	**(1,791)**	**77**	**19,070**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

At the reporting date, the Group has unused tax losses of EUR 257,681 (31 December 2016: EUR 218,398) available for offset against future profits. Tax losses can be carried forward for five years under the current tax legislation adopted in Turkey. Deferred tax asset amounting to EUR 170 related with the tax losses (31 December 2016: EUR 243) is recognised as at 31 December 2017, since it is assessed as probable that sufficient future taxable profits will be available, through increase in passenger numbers and improved operational performance in the following years. Total unused tax loss carry forwards will expire as follows:

	31 December 2017	31 December 2016
Expire in year 2017	-	4,551
Expire in year 2018	15,919	32,446
Expire in year 2019 and after	241,762	181,401
Total	**257,681**	**218,398**

As per the annulment decision of the Turkish Constitutional Court (see Note 13) in 2012, TAV Esenboğa and TAV Ege, consolidated subsidiaries of the Group, are subject to investment allowance ruling and can use their available allowances to reduce their taxable corporate income without any time limitations. Accordingly, deferred tax asset amounting to EUR 29,836 (31 December 2016: EUR 31,450) on such investment allowance of TAV Esenboğa and TAV Ege is recorded in the accompanying consolidated financial statements as at 31 December 2017 since it is assessed as probable that TAV Esenboğa and TAV Ege will use their right of deducting investment allowances from their corporate income after deducting carry forward tax losses to the extent that sufficient future taxable profits will be available till the end of their concession periods.

Unrecognised deferred tax assets and liabilities

Unrecognised deferred tax assets related to tax-loss carry forwards as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Unrecognised deferred tax assets	59,885	52,654
	59,885	**52,654**

Deferred tax assets have not been recognised in respect of the tax loss carry forwards where it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from till the end of concession periods.

As at 31 December 2017, a deferred tax liability of EUR 90,155 (31 December 2016: EUR 71,223) related to investments in subsidiaries and joint ventures was not recognised since it is not assessed as probable that the temporary difference will reverse in the foreseeable future.

19. INVENTORIES

At 31 December 2017 and 2016, inventories comprised the following:

	31 December 2017	31 December 2016
Spare parts and other inventories	6,031	5,571
Catering inventories	3,864	3,222
	9,895	**8,793**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

20. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

At 31 December 2017 and 2016, other receivables and current assets comprised the following:

Other receivables and current assets	31 December 2017	31 December 2016
VAT deductible	18,191	16,060
Advances to suppliers	12,613	14,143
Income accruals	10,573	17,540
Other prepaid expense	3,519	2,920
Prepaid taxes and funds	3,301	3,377
Prepaid insurance	2,814	1,902
Advances given to personnel	594	714
Other receivables	9,208	4,050
	60,813	**60,706**

21. TRADE RECEIVABLES

At 31 December 2017 and 2016, trade receivables comprised the following:

Trade receivables:	31 December 2017	31 December 2016
Trade receivables (*)	104,006	104,438
Guaranteed passenger fee receivable from DHMİ (**)	20,291	19,325
Doubtful receivables	13,316	14,877
Allowance for doubtful receivables (-)	(13,316)	(14,877)
Notes receivable	5,182	6,086
Other	83	292
	129,562	**130,141**
Non-current trade receivables:		
Guaranteed passenger fee receivable from DHMİ (**)	78,963	90,231
	78,963	**90,231**

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

(*) Pledges on trade receivables are disclosed in Note 26 and Note 35.
(**) Guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport as a result of IFRIC 12 application.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

22. CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2016, cash and cash equivalents comprised the following:

	31 December 2017	31 December 2016
Cash on hand	961	804
Cash at banks		
- Demand deposits	62,890	48,834
- Time deposits	278,565	264,460
Other liquid assets	1,798	2,734
Cash and cash equivalents	344,214	316,832
Bank overdrafts used for cash management purposes	-	(1,483)
Cash and cash equivalents in the statement of cash flows	344,214	315,349

The details of the Group's time deposits, maturities and interest rates as at 31 December 2017 and 2016 are as follows:

31 December 2017

Original Currency	Maturity	Interest rate %	Balance
USD	January 2018	0.01 - 4.40	208,492
EUR	January 2018	0.01 - 2.20	56,381
TRL	January 2018	3.50 - 15.35	13,692
			278,565

31 December 2016

Original Currency	Maturity	Interest rate %	Balance
USD	January 2017	0.25 - 3.35	150,972
EUR	January 2017	0.01 - 1.90	102,312
TRL	January 2017	3.49 - 10.70	11,176
			264,460

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 34.

There is no blockage or restriction on the use of cash and cash equivalents as at 31 December 2017 and 2016.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

23. RESTRICTED BANK BALANCES

At 31 December 2017 and 2016, restricted bank balances comprised the following:

	31 December 2017	31 December 2016
Project reserve and funding accounts (*)	188,344	163,828
	188,344	**163,828**

(*) Certain subsidiaries, namely TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Macedonia, TAV Milas Bodrum, TAV Ege and TAV Holding ("the Borrowers") opened Project Accounts designated mainly in order to reserve required amount of debt services, lease payment to DHMİ and other state authorities based on agreements with their lenders. As a result of pledges regarding the project bank loans as explained in Note 26, all cash except for cash on hand are classified in these accounts for TAV Esenboğa, TAV Tunisia, TAV Ege, TAV Macedonia and TAV Milas Bodrum. Based on these agreements, the Group can access and use such restricted cash as per the conditions and cascade defined in respective loan agreements. The project accounts should be used for predetermined purposes, such as, operational expenses, loan repayments or rent payments to airport administrations, tax payments, debt service, etc.

31 December 2017

Original Currency	Interest rate %	Balance
EUR	0.25 - 2.00	180,345
TRL	13.75 - 14.20	5,577
USD	0.25 -4.00	2,124
Other	298	
		188,344

31 December 2016

Original Currency	Interest rate %	Balance
EUR	0.25 - 3.50	156,991
TRL	9.55 - 10.75	6,225
USD	0.01 - 2.30	558
Other	54	
		163,828

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

24. CAPITAL AND RESERVES

At 31 December 2017 and 2016, the shareholding structure of the Company was as follows:

Shareholders	**(%)**	**31 December 2017**
Tank ÖWA alpha GmbH	46.12	167,542
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	5.06	18,375
Sera Yapı Endüstrisi ve Ticaret A.Ş. ("Sera Yapı")	1.29	4,682
Other non-floated	3.20	11,625
Other free float	44.33	161,057
Paid in capital in TRL (nominal)	**100.00**	**363,281**
Paid in capital in EUR (nominal) as at 31 December 2017	80,452	
Effect of non-cash increases and exchange rates	81,932	
Paid in capital EUR		**162,384**

Shareholders	**(%)**	**31 December 2016**
Tank ÖWA alpha GmbH	38.00	138,047
Akfen Holding A.Ş. ("Akfen Holding")	8.12	29,495
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	8.06	29,274
Sera Yapı Endüstrisi ve Ticaret A.Ş. ("Sera Yapı")	2.05	7,442
Other non-floated	3.20	11,625
Other free float	40.57	147,398
Paid in capital in TRL (nominal)	**100.00**	**363,281**
Paid in capital in EUR (nominal) as at 31 December 2016		97,922
Effect of non-cash increases and exchange rates		64,462
Paid in capital EUR		**162,384**

The Company's share capital consists of 363,281,250 shares amounting to TRL 363,281 as at 31 December 2017 (31 December 2016: 363,281,250 shares amounting to TRL 363,281).

According to the announcement dated 7 July 2017, the share transfer of Akfen Holding's 8.119% stake in TAV Airports to Tank ÖWA Alpha GmbH, which is wholly owned by Groupe ADP, has been completed.

Legal reserves

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and second legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communiqué II-19.1, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2017, legal reserves of the Group amounted to EUR 109,935 (31 December 2016: EUR 110,724).

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

As at 31 December 2017 and 2016 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively EUR 4,193 liability and EUR 1,011 liability. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "Non-controlling interests" in the consolidated financial statements. As at 31 December 2017 and 2016, profit amounts attributable to non-controlling interests in the consolidated statement of comprehensive income are respectively EUR 8,779 gain and EUR 6,617 loss.

Dividend distribution

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation. According to the aforementioned communique, 50% distribution rate has been determined. Companies pay dividends according to their articles of association or dividend distribution policy. In addition, dividends may be paid in equal or different amount of installments, and cash dividend advances may be distributed over profit for the period presented in interim financial statements.

In 2017 the Company distributed dividends to the shareholders amounting to EUR 63,629 (TRL 247,952) from the Company's distributable profits computed for 2016. Dividends per share is full EUR 0.18 (full TRL 0.68).

The Board of Directors of the Company has decided to distribute dividend amounting to TRL 406,372 (equivalent to EUR 87,251) in cash from the profit for the year 2017 with the decision numbered 2018/x as of 21 February 2018. The decision will be presented to the General Assembly for the approval. Dividend per share will be full TRL 1.12 (full EUR 0.24).

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Share premium

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

Revaluation surplus

The revaluation surplus comprises the revaluation of intangible assets acquired in a business combination until the investments are derecognised or impaired.

Purchase of shares of entities under common control

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

Cash flow hedge reserve

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

Translation reserve

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

Other reserves

Other reserve comprises all gain or loss realized on sale or purchase of non-controlling interest without a change in control in a subsidiary.

25. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 December 2017 was based on the profit attributable to ordinary shareholders of EUR 174,502 (31 December 2016: EUR 127,145) and a weighted average number of ordinary shares outstanding of 363,281,250 (31 December 2016: 363,281,250), as follows:

	2017	**2016**
Numerator:		
Profit for the year attributable to owners of the Company	174,502	127,145
Denominator:		
Weighted average number of shares	363,281,250	363,281,250
Basic and diluted profit per share (full EUR)	**0.48**	**0.35**

	2017	**2016**
Issued ordinary shares at 1 January	363,281,250	363,281,250
Effect of shares issued during the year	-	-
Weighted average number of ordinary shares	**363,281,250**	**363,281,250**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

26. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see Note 34.

	31 December 2017	**31 December 2016**
Non-current liabilities		
Secured bank loans (*)	514,398	649,906
Unsecured bank loans	26,069	10,741
Finance lease liabilities (Note 34)	10,601	13,597
	551,068	**674,244**
Current liabilities		
Short term secured bank loans	359,550	384,745
Current portion of long term secured bank loans (*)	195,278	145,868
Short term unsecured bank loans	-	25,489
Current portion of long term unsecured bank loans	11,003	7,732
Current portion of long term finance lease liabilities (Note 34)	1,818	2,467
	567,649	**566,301**

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

The Group's total bank loans and finance lease liabilities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
Bank loans	1,106,298	1,224,481
Finance lease liabilities	12,419	16,064
	1,118,717	**1,240,545**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The Group's bank loans as at 31 December 2017 are as follows:

	Presented as		
	Current -liabilities	**Non-current liabilities**	**Total**
TAV Tunisia (*)	359,104	-	359,104
TAV Ege	13,734	217,164	230,898
TAV Milas Bodrum	10,905	135,431	146,336
TAV İstanbul (**)	137,574	-	137,574
TAV Esenboğa	15,856	42,843	58,699
TAV Macedonia (**)	7,612	46,221	53,833
TAV Gazipaşa	1,469	48,005	49,474
HAVAŞ	8,573	24,734	33,307
Other	11,004	26,069	37,073
	565,831	**540,467**	**1,106,298**

(*) TAV Tunisia had started negotiations with the Tunisian Authorities and the Lenders regarding a potential restructuring to restore the economic balance of the concession in line with the Concession Agreement terms. In the meantime, Tunisia has suffered from major terrorist attacks on 18 March 2015 and 26 June 2015, which had a substantial negative impact on tourism and passenger traffic, which in turn negatively affected the revenues of TAV Tunisia. Passenger traffic has dropped by 58% from 3.3 million in 2014 to 1.4 million in 2015 and increased to 1.7 million in 2017. Under these new adverse circumstances, TAV Tunisia continued to be engaged in negotiations with the Tunisian Authorities and its Lenders for the restructuring of its concession and financing arrangements, with the aim to reach an agreement. The negotiations are in an advanced stage and a Standstill Agreement covering period until 2019 September where no concession fees and debt is paid is about to be agreed on and signed by the parties. The aim is to arrange a further restructuring at the end of this period once passenger traffic stabilizes and there is more visibility regarding cash flow projections of the Company.

In the meantime, since TAV Tunisia has been in breach of its financing agreements due to its current difficulties, non-current loan liabilities of TAV Tunisia were reclassified to current loan liabilities on 30 June 2015 and the amount outstanding as of 31 December 2017 is EUR 359,104. Consequently minority deficit amounting to EUR 19,604 (31 December 2016: EUR 16,082) has been classified to other accruals and liabilities which is presented at a fair value of EUR 31,538 (31 December 2016: EUR 31,006). TAV Tunisia received an Acceleration Notice from the Lenders accompanied by a Letter of Intent stating that the Lenders' current intention is to protect their security rights while continuing the three-party negotiations towards a restructuring and they do not intend to make the loans due and payable. Tunisian Authorities also granted an extension of their standstill period until 28 February 2018, to be further extended in line with the calendar for the signing of the Standstill Agreement. Furthermore, TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 63,785 becoming due and payable (31 December 2016: EUR 63,548).

The Company has been advised by its legal counsels that under the Finance Documents the Hedging Banks cannot act alone in demanding these payments and hence a coordinated solution among all Lenders in line with the Standstill Agreement is currently being negotiated.

While the management believes that the signing of the Standstill Agreement in the near future is very likely, in the event that it is not signed and a joint solution cannot be reached in due course, TAV Tunisia is exposed to the material legal and financial consequences including but not limited to using its legal rights including filing for arbitration for the rebalancing of the Concession Agreement and, in failure to be able to do so, the termination of the Concession Agreement.

(**) Loans of TAV İstanbul and TAV Macedonia are refinanced in 2016.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The Group's bank loans as at 31 December 2016 are as follows:

	Presented as		
	Current liabilities	**Non-current liabilities**	**Total**
TAV Tunisia (*)	352,418	-	352,418
TAV Ege	17,099	218,398	235,497
TAV İstanbul (**)	77,162	135,413	212,575
TAV Milas Bodrum	11,059	139,881	150,940
TAV Esenboğa	14,200	57,942	72,142
TAV Macedonia (**)	6,588	51,289	57,877
HAVAŞ	19,503	31,159	50,662
TAV Gazipaşa	31,085	15,825	46,910
Other	34,720	10,740	45,460
	563,834	**660,647**	**1,224,481**

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
On demand or within one year	565,831	563,834
In the second year	94,284	220,426
In the third year	93,819	68,181
In the fourth year	55,632	50,762
In the fifth year	42,025	46,040
After five years	254,707	275,238
	1,106,298	**1,224,481**

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spreads for EUR denominated loans as at 31 December 2017 are between 1.54% - 5.50%, USD denominated loan as at 31 December 2017 is 2.90%. (31 December 2016: Spreads for EUR and USD denominated loans are between 1.54% - 5.50%, respectively).

Interest payments of 100%, 100%, 100%, 100% and 90% of floating bank loans for TAV Esenboğa, TAV Ege, TAV Macedonia, TAV İşletme and TAV Milas Bodrum respectively are fixed with interest rate swaps as explained in Note 32.

The Group has obtained project financing loans to finance construction of its BOT and BTO concession projects, namely TAV Esenboğa, TAV Macedonia, TAV Tunisia and TAV Ege; and to be able to finance advance payments to DHMİ related to rent agreement of TAV Milas Bodrum.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Details of the loans are summarised for each project below:

TAV Tunisia

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2028	Euribor + 2.28%	156,821	162,175
Secured bank loan	EUR	2022	Euribor + 1.90%	93,747	97,165
Secured bank loan	EUR	2028	Euribor + 1.54%	64,968	65,853
Secured bank loan	EUR	2028	Euribor + 4.75%	31,426	33,911
				346,962	**359,104**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2028	Euribor + 2.28%	156,821	159,245
Secured bank loan	EUR	2022	Euribor + 1.90%	93,747	95,009
Secured bank loan	EUR	2028	Euribor + 1.54%	64,968	65,528
Secured bank loan	EUR	2028	Euribor + 4.75%	31,426	32,636
				346,962	**352,418**

Redemption schedules of bank loans of TAV Tunisia as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	359,104	352,418
	359,104	**352,418**

TAV Ege

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2027 - 2028	Euribor + 5.50%	239,540	230,898
				239,540	**230,898**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2027 - 2028	Euribor + 5.50%	244,918	235,497
				244,918	**235,497**

Redemption schedules of TAV Ege bank loans according to original maturities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	13,734	17,099
In the second year	13,874	13,192
In the third year	16,799	13,558
In the fourth year	20,908	16,475
In the fifth year	22,784	20,141
After five years	142,799	155,032
	230,898	**235,497**

TAV Milas Bodrum

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2031	Euribor + 4.50%	146,300	146,336
				146,300	**146,336**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2031	Euribor + 4.50%	154,000	150,940
				154,000	**150,940**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Redemption schedules of TAV Milas Bodrum bank loans as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	10,905	11,059
In the second year	11,602	10,424
In the third year	10,856	11,091
In the fourth year	11,411	10,377
In the fifth year	10,613	10,908
After five years	90,949	97,081
	146,336	**150,940**

TAV İstanbul

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2018	1.40% - 1.60%	137,500	137,574
				137,500	**137,574**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2018	1.40% - 1.60%	212,500	212,575
				212,500	**212,575**

Redemption schedules of bank loans of TAV İstanbul according to the original maturities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	137,574	77,162
In the second year	-	135,413
	137,574	**212,575**

TAV Esenboğa

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2021	Euribor + 2.35%	59,596	58,699
				59,596	**58,699**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2021	Euribor + 2.35%	73,297	72,142
				73,297	**72,142**

Redemption schedules of TAV Esenboğa borrowings according to original maturities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	15,856	14,200
In the second year	17,351	15,933
In the third year	17,263	16,705
In the fourth year	8,229	16,946
In the fifth year	-	8,358
	58,699	**72,142**

TAV Macedonia

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2025	Euribor + 4.95%	58,027	53,833
				58,027	**53,833**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2025	Euribor + 4.95%	61,109	57,877
				61,109	**57,877**

Redemption schedules of TAV Macedonia bank loans as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	7,612	6,588
In the second year	7,578	7,341
In the third year	3,358	7,253
In the fourth year	7,505	6,942
In the fifth year	6,819	6,627
After five years	20,961	23,126
	53,833	**57,877**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

TAV Gazipaşa

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2018 - 2020	3.90% - 4.60%	48,500	49,474
				48,500	**49,474**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2017 - 2019	2.65% - 5.00%	46,500	46,910
				46,500	**46,910**

Redemption schedules of TAV Gazipaşa bank loans as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
On demand or within one year	1,469	31,085
In the second year	20,804	10,267
In the third year	27,201	5,558
	49,474	**46,910**

HAVAŞ

The breakdown of bank loans as at 31 December 2017 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2018-2019	2.75% - 3.50%	33,500	33,307
				33,500	**33,307**

The breakdown of bank loans as at 31 December 2016 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2017 - 2019	2.30% - 3.75%	47,286	47,606
Secured bank loan	EUR	2017	Euribor + 3.90%	3,000	3,056
				50,286	**50,662**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Redemption schedules of the HAVAŞ bank loans as at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
On demand or within one year	8,573	19,503
In the second year	7,979	19,578
In the third year	11,099	11,554
In the fourth year	5,649	20
In the fifth year	7	7
	33,307	**50,662**

Pledges

Pledges regarding the project bank loans of TAV İstanbul, TAV Esenboğa TAV Ege and TAV Milas Bodrum:

a) Share pledge: TAV Esenboğa, TAV Milas Bodrum and TAV Ege have pledges over shares amounting to, TRL 241,650, TRL 464,405 and TRL 442,859 respectively (31 December 2016: For TAV Esenboğa, TAV Milas Bodrum and TAV Ege TRL 241,650, TRL 139,641 and TRL 241,039 respectively). In case of an event of default, the banks have the right to take control of the shares. Upon the occurrence of any event of default, the banks can demand the sale of shares by way of public auction in accordance with the applicable provisions of the Bankruptcy and Execution Law of the Republic of Turkey or by way of private auction among the nominees. Share pledges will expire after bank loans are paid or on the dates of maturity.

b) Receivable pledge: In case of an event of default, the banks have the right to take control of the receivables of project companies (disclosed as the Borrowers in Note 23) in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

TAV İstanbul, TAV Esenboğa, TAV Milas Bodrum and TAV Ege have pledged their receivables amounting to EUR 41,880, EUR 26,533, EUR 1,488 and EUR 5,251 respectively as at 31 December 2017 (31 December 2016: For TAV İstanbul, TAV Esenboğa, TAV Milas Bodrum and TAV Ege EUR 33,513, EUR 24,404, EUR 1,761 and EUR 5,745 respectively).

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

TAV İstanbul, TAV Esenboğa, TAV Milas Bodrum, TAV Ege and TAV Holding have pledges over bank accounts amounting to EUR 50,098, EUR 40,233, EUR 30,368, EUR 45,200 and EUR 10,000 respectively as at 31 December 2017 (31 December 2016: For TAV İstanbul, TAV Esenboğa, TAV Milas Bodrum and TAV Ege EUR 50,176, EUR 24,341, EUR 26,853 and EUR 37,720 respectively).

TAV İstanbul have a right to have an additional financial indebtedness which shall be restricted to indebtedness which will not result in a Gross Total Leverage Ratio greater than 2:1.

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

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to USD 500 for the acquisition cost of any assets or leases of assets,
- indebtedness up to USD 3,000 for the payment of tax and social security liabilities.

With the consent of the facility agent, TAV Ege has a right to have an additional;

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to EUR 2 million for the acquisition cost of any assets or leases of assets,
- indebtedness up to EUR 0.5 million per guarantee or EUR 3 million in aggregate for bank letters of guarantee to be provided to tax, custom, utilities or other governmental authorities.

With the consent of the facility agent, TAV Milas Bodrum has a right to have an additional subordinated debt approved in advance by the Facility Agent,

- indebtedness up to EUR 3 million for general corporate and working capital purposes,
- indebtedness up to EUR 0.7 million per guarantee or EUR 5 million in aggregate for bank letters of guarantee to be provided to tax, custom, utilities or other governmental authorities,
- indebtedness up to EUR 0.2 million for corporate credit cards, employee credit lines and direct debit system arrangements.

<u>Pledges regarding the project bank loan of TAV Macedonia:</u>

TAV Macedonia has granted share pledge in favor of the lenders. In addition, receivables of TAV Macedonia amounting to EUR 2,272 (31 December 2016: EUR 2,549) have been pledged and all the commercial contracts and insurance policies have been assigned to the lenders.

<u>Pledges regarding the project bank loan of TAV Tunisia:</u>

Similar to above, TAV Tunisia has granted share pledge, account pledge and pledge of rights from the Concession Agreement to the lenders. TAV Tunisia has pledge over shares amounting to TND 245,000. Share pledge will expire after bank loan is paid or on the date of maturity. TAV Tunisia has a right to have additional indebtedness;

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

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Distribution lock-up tests for TAV Esenboğa, TAV Tunisia, TAV Macedonia, TAV Ege, TAV Milas Bodrum must satisfy following conditions before making any distribution:

- no default has occurred and is continuing,
- no default would result from such declaration, making or payment,
- the reserve accounts are each fully funded,
- all mandatory prepayments required to have been made,
- debt service cover ratio is not less than, 1.25 for TAV Esenboğa, 1.20 for TAV Tunisia, 1.20 for TAV Macedonia and 1.30 for TAV Ege and 1.25 TAV Milas Bodrum
- the first repayment has been made,
- all financing costs have been paid in full,
- any tax payable in connection with the proposed distribution has been paid from amounts available for paying such distribution.

Covenants

Certain financing agreements include early repayment clauses in case of non-compliance with financial ratios. Financing agreements of TAV İstanbul, TAV Esenboğa, TAV Milas Bodrum, TAV Ege and TAV Macedonia have covenants.

The ratios were all met by the companies as at 31 December 2017.

Finance lease liabilities

	31 December 2017				31 December 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments		Future minimum lease payments	Interest	Present value of minimum lease payments
1 year	2,564	746	1,818	1 year	3,432	965	2,467
1-5 year	7,588	1,924	5,664	1-5 year	8,881	2,542	6,339
5 years and above	5,424	487	4,937	5 years and above	8,209	951	7,258
Total	**15,576**	**3,157**	**12,419**	**Total**	**20,522**	**4,458**	**16,064**

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is nine years as at 31 December 2017. For the year ended 31 December 2017, the average effective borrowing rate is 6.10% (31 December 2016: 9.24%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

		Cash flows		Non-cash changes		
	31 December 2015	Capital & interest payments	Additions	New leases	Interest accruals & translation	31 December 2016
Bank loans	1,449,583	(587,321)	284,342	-	77,877	1,224,481
Lease liabilities	18,510	(1,893)	-	113	(666)	16,064
Total financial liabilities	**1,468,093**	**(589,214)**	**284,342**	**113**	**77,211**	**1,240,545**

		Cash flows		Non-cash changes		
	31 December 2016	Capital & interest payments	Additions	New leases	Interest accruals & translation	31 December 2017
Bank loans	1,224,481	(228,495)	55,320	-	54,993	1,106,299
Lease liabilities	16,064	(3,206)	-	613	(1,053)	12,418
Total financial liabilities	**1,240,545**	**(231,701)**	**55,320**	**613**	**53,940**	**1,118,717**

27. RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

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

Such payments are calculated on the basis of 30 days' pay maximum full TRL 4,732 as at 31 December 2017 (equivalent to full EUR 1,048) (31 December 2016: full TRL 4,297 (equivalent to full EUR 1,158)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its Turkish subsidiaries and joint ventures arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

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

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2017 has been calculated assuming an annual inflation rate of 6.00% and a discount rate of 11% resulting in a real discount rate of approximately 4.72% (31 December 2016: an annual inflation rate of 5.00% and a discount rate of 10.45% resulting in a real discount rate of approximately 5.19%). It is planned that retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

	2017	**2016**
Balance at 1 January	**21,370**	**17,651**
Interest cost	2,401	2,011
Service cost	3,447	3,305
Payments made during the year	(4,372)	(4,243)
Effects of changes in foreign exchange rate	(3,667)	(2,595)
Actuarial difference	4,061	5,241
Balance at 31 December	**23,240**	**21,370**

28. OTHER PAYABLES

At 31 December 2017 and 2016, other payables comprised the following:

Other short term payables	**31 December 2017**	**31 December 2016**
Concession payable (*)	116,766	95,871
Expense accruals	16,930	14,534
Social security premiums payable	7,244	6,604
Advances received	6,398	7,967
Taxes and duties payable	5,418	4,358
Due to personnel	2,658	4,182
Other accruals and liabilities (**)	96,429	96,359
	251,843	**229,875**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Other long term payables	**31 December 2017**	**31 December 2016**
Concession payable [*]	552,866	597,314
Other accruals and liabilities	736	787
	553,602	**598,101**

The Group's exposure to currency and liquidity risk is related to other payables is disclosed in Note 34.

[*] TAV Tunisia has a concession period of 40 years and annual concession fee is paid based on the annual revenue of Monastir and Enfidha Airports. The concession fee is computed at an increasing rate between 11% and 26% of the annual revenues.

The concession fee of TAV Macedonia is 15% of the gross annual turnover until the number of passengers using the two airports reaches to 1 million, and when the number of passengers exceeds 1 million, this percentage shall change between 4% and 2% depending on the number of passengers.

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2015 for the leasing of the operating rights of the Milas Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from 22 October 2015 to 31 December 2035 (approximately 20 years and 2 months) and operation right of the domestic terminal starting from July 2014 to December 2035. The concession payable of TAV Milas Bodrum domestic terminal is presented in financials EUR 336,342 as of 31 December 2017 (31 December 2016: EUR 346,840). According to Council of Ministers decision, concession payment of TAV Milas Bodrum related to 2016 amounting to EUR 28,680 is deferred to June 2018.

The concession payable of the international and domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 301,539 as of 31 December 2017 (The concession payable of the domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 313,975 as of 31 December 2016).

[**] See Note 26.

29. DEFERRED INCOME

The breakdown of deferred income as at 31 December 2017 and 2016 is as follows:

	31 December 2017	**31 December 2016**
Deferred income		
Short-term deferred income	17,735	13,620
Long-term deferred income	20,968	36,181
	38,703	**49,801**

Deferred income related with the unearned portion of concession rent income from ATU is EUR 29,920 as at 31 December 2017 (EUR 33,994 as at 31 December 2016).

30. PROVISIONS

At 31 December 2017 and 2016, provisions comprised the following:

	31 December 2017	**31 December 2016**
Unused vacation provision	5,872	6,560
Other provisions	230	230
	6,102	**6,790**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Provisions	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	**6,790**	**7,167**
Provision set during the year, net	400	539
Effects of change in foreign exchange rate	(1,088)	(916)
Balance at 31 December	**6,102**	**6,790**

31. TRADE PAYABLES

At 31 December 2017 and 2016, trade payables comprised the following:

	31 December 2017	31 December 2016
Trade payables	43,754	53,788
Deposits and guarantees received	2,382	1,940
Other	196	323
	46,332	**56,051**

Trade payables mainly comprise payables outstanding for trade purchases and ongoing costs. The Group's exposure to currency and liquidity risk related to trade payables is disclosed in Note 34.

32. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2017 and 2016, derivative financial instruments comprised the following:

	31 December 2017		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	26	(36,192)	(36,166)
Forward	-	(2,303)	(2,303)
	26	**(38,495)**	**(38,469)**

	31 December 2016		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	-	(49,188)	(49,188)
	-	**(49,188)**	**(49,188)**

Interest rate swap:

TAV Esenboğa uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2017, 100% of project finance loan is hedged through Interest Rate Swap ("IRS") contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2016: 100%).

TAV Ege uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2017, 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2016: 100%).

TAV Milas Bodrum uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2017, 90% of total loan is hedged through IRS contract (31 December 2016: 90%).

TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 63,785 becoming due and payable.

TAV Macedonia uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2017, 100% of total loan is hedged through IRS contract. TAV Macedonia terminated the hedge relationship in year 2016 due to refinancing.

TAV İşletme uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2017, 100% of total loan is hedged through IRS contract.

TAV Istanbul terminated the hedge relationship in year 2016 due to refinancing.

The fair value of derivatives at 31 December 2017 is estimated at loss of EUR 38,495. This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 December 2017, changes in the fair value of these interest rate swaps and cross currency swaps are reflected to other comprehensive income resulting to an income of EUR 8,990 net of tax.

Fair value disclosures:

The Group has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

33. OPERATING LEASES

The Group entered into various operating lease agreements (excluding rent agreement for TAV İstanbul and concession agreement for TAV Macedonia, TAV Tunisia, TAV Ege and TAV Milas Bodrum). For the year ended 31 December 2017, total rent expenses for operating leases amounted to EUR 4,964 recognised in profit or loss (31 December 2016: EUR 5,389).

34. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. TAV Esenboğa, TAV Milas Bodrum, TAV Macedonia, TAV İşletme and TAV Ege use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. 100%, 90%, 100%, 100% and 100% of floating loans of TAV Esenboğa, TAV Milas Bodrum, TAV Macedonia, TAV İşletme and TAV Ege respectively are fixed).

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Credit risk

Exposure to credit risk

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

	Note	31 December 2017	31 December 2016
Trade receivables - non-current	21	78,963	90,231
Trade receivables - current	21	129,562	130,141
Due from related parties	36	24,117	22,154
Other receivables and current assets (*)	14	137	
Restricted bank balances	23	188,344	163,828
Cash and cash equivalents (**)	22	343,253	316,028
Interest rate swaps used for hedging	26	-	
		764,279	**722,519**

(*) Non-financial instruments such as VAT deductible and carried forward, prepaid expenses and advances given are excluded from other current assets and other non-current assets.
(**) Cash on hand is excluded from cash and cash equivalents.

Impairment losses

The aging of trade receivables at the reporting date is as follows:

	31 December 2017	31 December 2016
Not due	177,062	186,907
Past due 1 - 30 days	11,225	11,708
Past due 31 - 90 days	8,442	8,855
Past due 91 - 360 days	11,653	10,118
Past due 1 - 5 year	13,459	17,661
	221,841	**235,249**

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

	1 January-31 December 2017	1 January-31 December 2016
Balance at 1 January	**(14,877)**	**(14,804)**
Collections during the year	451	133
Impairment loss recognised	(3,441)	(1,531)
Effect of changes in foreign exchange rates	4,551	1,325
Balance at 31 December	**(13,316)**	**(14,877)**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

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

Liquidity risk

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

31 December 2017	**Carrying Amount**	**Contractual cash flows**	**3 months or less**	**3 -12 months**	**1-5 years**	**More than five years**
Non-derivative financial liabilities						
Secured bank loans	1,069,226	(1,326,989)	(465,740)	(178,339)	(296,310)	(386,600)
Unsecured bank loans	37,072	(39,023)	(5,382)	(5,598)	(28,043)	-
Financial lease liabilities	12,419	(12,579)	(608)	(1,384)	(5,650)	(4,937)
Trade payables (*)	43,950	(43,950)	(43,950)	-	-	-
Due to related parties	691	(691)	(289)	(402)	-	-
Other payables (*)	799,047	(1,204,229)	(43,094)	(150,464)	(256,708)	(753,963)
Derivative financial liabilities						
Interest rate swaps						
Inflow	(26)	(43)	-	(43)	-	-
Outflow	36,192	(76,702)	-	(11,963)	(36,806)	(27,933)
Forward contracts						
Outflow	2,303	(2,303)	(2,303)	-	-	-
	2,000,874	**(2,706,509)**	**(561,366)**	**(348,193)**	**(623,517)**	**(1,173,433)**

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

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

31 December 2016	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Non-derivative financial liabilities						
Secured bank loans	1,180,519	(1,162,434)	(450,178)	(138,479)	(312,618)	(261,159)
Unsecured bank loans	43,962	(45,790)	(19,535)	(7,105)	(19,150)	-
Financial lease liabilities	16,064	(14,509)	(353)	(1,171)	(4,172)	(8,813)
Trade payables (*)	54,111	(54,111)	(54,111)	-	-	-
Due to related parties	2,880	(2,881)	(2,344)	(537)	-	-
Other payables (*)	820,009	(1,257,951)	(41,537)	(150,576)	(256,624)	(809,214)
Bank overdraft	1,483	(1,483)	(1,483)	-	-	-
Derivative financial liabilities						
Interest rate swaps						
Outflow	49,188	(72,288)	-	(12,446)	(37,146)	(22,696)
	2,168,216	**(2,611,447)**	**(569,541)**	**(310,314)**	**(629,710)**	**(1,101,882)**

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

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

31 December 2017	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Interest rate swaps						
Assets	26	43	-	43	-	-
Liabilities	(36,192)	(76,361)	-	(11,809)	(36,619)	(27,933)
Forward contracts						
Liabilities	(2,303)	(2,158)	(2,158)	-	-	-

31 December 2016	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Interest rate swaps						
Liabilities	(49,188)	(72,288)	-	(12,446)	(37,146)	(22,696)

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Currency risk

Exposure to currency risk:

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

31 December 2017

Foreign currency denominated financial assets	**USD**	**EUR (*)**	**TRL**	**Other**	**Total**
Other non-current assets	-	5,399	11	10	5,420
Trade receivables	28,633	1,760	25,018	13,377	68,788
Due from related parties	8,583	8,846	3,676	3,013	24,118
Other receivables and current assets	5,315	636	18,083	504	24,538
Restricted bank balances	2,105	-	5,542	298	7,945
Cash and cash equivalents	218,641	3,454	15,018	13,450	250,563
	263,277	**20,095**	**67,348**	**30,652**	**381,372**
Foreign currency denominated financial liabilities					
Loans and borrowings	(22,290)	(12,837)	-	(12)	(35,139)
Trade payables	(4,261)	(385)	(9,063)	(13,577)	(27,286)
Due to related parties	(118)	(531)	(25)	(18)	(692)
Other payables	(3,302)	(600)	(30,272)	(708)	(34,882)
	(29,971)	**(14,353)**	**(39,360)**	**(14,315)**	**(97,999)**
Net exposure	**233,306**	**5,742**	**27,988**	**16,337**	**283,373**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

31 December 2016

Foreign currency denominated financial assets	**USD**	**EUR (*)**	**TRL**	**Other**	**Total**
Other non-current assets	1	-	9	25	35
Trade receivables	20,261	2,667	15,814	16,405	55,147
Due from related parties	9,049	7,327	5,432	347	22,155
Other receivables and current assets	2,568	610	17,427	14,022	34,627
Restricted bank balances	558	-	6,193	54	6,805
Cash and cash equivalents	163,650	1,589	13,612	13,202	192,053
	196,087	**12,193**	**58,487**	**44,055**	**310,822**
Foreign currency denominated financial liabilities					
Loans and borrowings	(18,943)	(8,647)	-	(106)	(27,696)
Trade payables	(6,596)	(702)	(8,081)	(22,298)	(37,677)
Due to related parties	(475)	(1,451)	(953)	-	(2,879)
Other payables	(206)	(717)	(22,833)	(16,310)	(40,066)
	(26,220)	**(11,517)**	**(31,867)**	**(38,714)**	**(108,318)**
Net exposure	**169,867**	**676**	**26,620**	**5,341**	**202,504**

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

The following significant exchange rates against Euro applied during the period:

	Average Rate		**Reporting Date Closing Rate**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
USD	0.8855	0.9043	0.8354	0.9486
TRL	0.2430	0.2996	0.2215	0.2695
GEL	0.3531	0.3821	0.3221	0.3579
MKD	0.0162	0.0162	0.0163	0.0163
TND	0.3672	0.4212	0.3392	0.4115
SAR	0.2361	0.2409	0.2228	0.2530
HRK	0.1344	0.1332	0.1335	0.1327
KES	0.0086	0.0089	0.0081	0.0090
CLP	0.0014	0.0013	0.0014	0.0014

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Sensitivity analysis:

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

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

A 10 percent strengthening / (weakening) of EUR against the following currencies at 31 December 2017 and 2016 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		**Profit or loss**	
	Strengthening of EUR	**Weakening of EUR**	**Strengthening of EUR**	**Weakening of EUR**
31 December 2017				
USD	-	-	(23,331)	23,331
TRL	-	-	(2,799)	2,799
Other	-	-	(1,634)	1,634
Total	**-**	**-**	**(27,764)**	**27,764**
31 December 2016				
USD	-	-	(16,987)	16,987
TRL	-	-	(2,662)	2,662
Other	-	-	(534)	534
Total	**-**	**-**	**(20,183)**	**20,183**

Interest rate risk

The Group has used material amounts of bank borrowings from foreign financial institutions and banks. Although most of these borrowings have floating interest rates, the Group management and banks fixed interest rates by using derivative financial instruments. TAV Esenboğa, TAV Milas Bodrum, TAV Macedonia, TAV İşletme and TAV Ege use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. Interest payments of 100%, 90%, 100%, 100% and 100% of floating loans of TAV Esenboğa, TAV Milas Bodrum, TAV Macedonia, TAV İşletme and TAV Ege respectively are fixed). Hedge accounting is applied for the mentioned derivative financial instruments

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Profile:

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

	Carrying amount	
	31 December 2017	**31 December 2016**
Fixed rate instruments		
Financial assets	474,994	336,165
Financial liabilities	(304,936)	(525,572)
	170,058	**(189,407)**

	Carrying amount	
	31 December 2017	**31 December 2016**
Variable rate instruments		
Financial liabilities	(852,693)	(764,594)
	(852,693)	**(764,594)**

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

Based on the Group's current borrowing profile, a 50 basis points increase in Euribor or Libor would have resulted in additional interest expense of approximately EUR 899 on the Group's variable rate debt when ignoring effect of derivative financial instruments. EUR 899 of the exposure is hedged through interest rate swap contracts. Therefore, the net exposure on statement of comprehensive income would be EUR 0. A 50 basis points increase in Euribor or Libor would have resulted an increase in cash flow hedge reserve in equity approximately by EUR 15,090 and a 50 basis points decrease in Euribor or Libor would have resulted a decrease in cash flow hedge reserve in equity approximately by EUR 15,813.

Financial risk management

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

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

The Group has established a Risk Management Department who is responsible for the Enterprise Risk Management function within the Group, and aims to develop a disciplined and constructive risk management and control environment in which all employees know and understand their roles and responsibilities.

All directors act to ensure an effective risk management and internal control process, providing assurance in relation to continuous identification and evaluation of the risks that exist in all main process areas.

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

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

Credit risk

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

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

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

The Group has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of trade and other receivables, net of provision for impairment of receivables, and the total of cash and cash equivalents, represents the maximum amount exposed to credit risk. The main customer is Turkish Airlines (THY). Based on past history with this customer, the Group management believes there is no significant credit risk for this customer. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded due to reputation and type of customers for the airlines (well-known reputable, international and flag carrier companies).

In addition, the Group receives letters of guarantee, and notes from certain customers whose credibility is low.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Group as mentioned in Note 32.

The Group applies hedge accounting in order to manage volatility in profit or loss.

i) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December 2017, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily EUR, but also USD, GEL, TND, MKD, SAR, CLP, TRL, and HRK which are disclosed within the relevant notes to these consolidated financial statements. The currencies in which these transactions primarily denominated are USD and TRL. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial instruments.

ii) Interest rate risk:

The Group adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Fair values

Fair values versus carrying amounts:

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

		31 December 2017		31 December 2016	
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets					
Trade receivables - non current	21	78,963	94,470	90,231	117,627
Trade receivables - current	21	129,562	130,585	130,141	128,669
Due from related parties	36	24,117	24,117	22,154	22,154
Other receivables and current assets (*)	14	14	137	137	
Restricted bank balances	23	188,344	188,344	163,828	163,828
Cash and cash equivalents	22	344,214	344,214	316,832	316,832
Derivative financial instruments	32	26	26	-	-
Financial liabilities					
Bank overdraft	22	-	-	(1,483)	(1,483)
Loans and borrowings	26	(1,118,717)	(1,118,770)	(1,240,545)	(1,240,759)
Trade payables (**)	31	(43,950)	(43,950)	(54,111)	(54,111)
Due to related parties	36	(691)	(691)	(2,880)	(2,880)
Derivative financial instruments	32	(38,495)	(38,495)	(49,188)	(49,188)
Other payables (**)	28	(799,047)	(829,968)	(820,009)	(736,005)
		(1,235,660)	**(1,250,104)**	**(1,444,893)**	**(1,335,179)**

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

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

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35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Commitments and contingencies

	31 December 2017	31 December 2016
Letters of guarantee given to third parties	234,416	266,958
Letters of guarantee given to DHMİ	213,393	230,808
Letters of guarantee given to Tunisian Government	20,104	23,455
Letters of guarantee given to Saudi Arabian Government	14,185	25,295
Letters of guarantee given to Macedonian Government	250	250
	482,348	**546,766**

The Group is obliged to give 6% of the total rent amount of USD 152,580 of TAV İstanbul as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by the Group.

The Group is obliged to give a letter of guarantee at an amount equivalent of USD 16,983 (EUR 14,185) (31 December 2016: USD 26,665 (EUR 25,295)) to GACA according to the BTO agreement signed with GACA in Saudi Arabia. Furthermore, the Group is obliged to provide a letter of guarantee at an amount equivalent of USD 162,756 (EUR 135,953) (31 December 2016: USD 162,756 (EUR 154,389)) to National Commercial Bank which is included in letters of guarantee given to third parties. The total obligation has been provided by the Group.

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 12,596 (31 December 2016: EUR 15,412) to the Ministry of State Property and Land Affairs and EUR 7,508 (31 December 2016: 8,042) to OACA according to the BOT agreements and its amendments signed with OACA in Tunisia. The total obligation has been provided by the Group.

TAV Ege is obliged to pay an aggregate amount of EUR 610,000 plus VAT during the rent period according to the concession agreement. 5% of this amount is already paid in two installments. The remaining amount will be paid in equal installments at the first business days of each year. Furthermore, The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 36,600 to DHMİ. The total obligation has been provided by the Group.

TAV Milas Bodrum is obliged to pay an aggregate amount of EUR 717,000 plus VAT during the rent period according to the concession agreement. 20% of this amount is already paid. The remaining amount will be paid in equal installments at the last day of October for each year. Furthermore, The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 43,020 to DHMİ. The total obligation has been provided by the Group.

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

Contractual obligations

TAV İstanbul

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

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

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

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

TAV Esenboğa

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

- The share capital of the companies cannot be less than 20% of fixed investment amount.
- The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ.

After granting of temporary acceptance by DHMİ in year 2007, final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made and the cost will be charged to TAV Esenboğa.
All equipment used by TAV Esenboğa must be in a good condition and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are delineated in the Tax Application Law, the operator is obliged to perform the replacement.

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

HAVAŞ

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ and HAVAŞ undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, HAVAŞ covers those losses by an insurance policy amounting to USD 50,000. HAVAŞ also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ is required to provide DHMİ with letters of guarantee amounting to USD 1,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount which is USD 1,000 within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the İstanbul Atatürk, İzmir, Dalaman, Milas Bodrum, Alanya, Adana, Trabzon, Ankara, Kayseri, Nevşehir, Gaziantep, Şanlıurfa, Batman, Adıyaman, Elazığ, Muş, Sivas, Samsun, Malatya, Hatay, Konya, Çorlu, Sinop, Amasya and Ağrı airports; when the rent period ends, DHMİ will have the right to retain the immovable in the area free of charge.

TAV Tbilisi

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

With regards to the BOT Agreement, TAV Tbilisi is required to;

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

The Final Acceptance Protocol was concluded in May 2011.

Tax legislation and contingencies

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for five years. Management believes that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained.

TAV Batumi

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

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

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

The Final Acceptance Protocol was concluded in March 2012.

TAV Tunisia

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

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

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on 1 October 2009 which was then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- finance up to 30% of the Project by Equity.

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

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

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

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

In accordance with the general ground handling agreement, the Company undertakes the liabilities of all the losses incurred by their personnel to third parties. In this framework, TAV Tunisia covers those losses by an operator third party insurance policy amounting to USD 500,000 related with all operations.

The Conceding Authority and TAV Tunisia shall, seven years prior to the expiry of the Concession Agreement, negotiate and agree on a repair, maintenance and renewal program, with the assistance of specialists if applicable, which program includes the detailed pricing of the works for the final five years of the concession which are necessary in order to ensure that the movable and immovable concession property is transferred in good condition to the Conceding Authority, as well as the schedule of the tasks to be completed prior to the transfer. In this context, TAV Tunisia annually performs repair and maintenance procedures for the operation of the concession property according to the requirements set in the Concession Agreement.

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Alanya Gazipaşa Airport.

If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

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

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

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

Facility usage amount represents the USD 50 fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

TAV Macedonia

TAV Macedonia is bound by the terms of the Concession Agreement made with Macedonian Ministry of Transport and Communication ("MOTC").

If TAV Macedonia violates the agreement and does not remedy the violation within the period granted by MOTC, MOTC may terminate the Agreement.

All equipment used by TAV Macedonia must need to meet the Concession Agreement's standards.

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

TAV Ege

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired according to the relevant tax regulations, TAV Ege should replace them in one year.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working condition and should not be damaged. TAV Ege is responsible from the repair and maintenance of all fixed assets during the contract period.

TAV Milas Bodrum

During the contract period, TAV Milas Bodrum should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired or the equipment is damaged, the Company should replace it with its equivalent or with a better replacement.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working condition and should not be damaged. TAV Milas Bodrum is responsible from the repair and maintenance of all fixed assets during the contract period.

Management believes that as at 31 December 2017, the Group has complied with the terms of the contractual obligations mentioned above.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

36. RELATED PARTIES

The major immediate parent and ultimate controlling parties of the Group are Aéroports de Paris.

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

Key management personnel compensation:

The remuneration of directors and other members of key management during the year comprised the following:

	2017	2016
Short-term benefits (salaries, bonuses etc.)	16,883	16,745
	16,883	**16,745**

As at 31 December 2017 and 2016, none of the Group's directors and executive officers has outstanding personnel loans from the Group.

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

Other related party transactions:

	31 December 2017	31 December 2016
Due from related parties	16,307	15,307
Current loan to related parties	6,031	5,095
	22,338	**20,402**

	31 December 2017	31 December 2016
Non-current loan to related parties	1,779	1,752
	1,779	**1,752**

Due from related parties	31 December 2017	31 December 2016
ATU (1) (*)	7,380	6,894
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. ("TAV İnşaat") (2) (**)	2,288	1,817
BTA Medinah	1,866	1,824
Tibah Operation	1,307	510
BTA Denizyolları	699	2,277
TGS	130	206
Other related parties	2,637	1,779
	16,307	**15,307**

(*) Receivables from ATU comprise of concession fee duty-free receivables.
(**) Receivables from TAV İnşaat are mainly comprised of advances given by TAV Ege for construction work to be rendered by TAV İnşaat.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Loan to related parties	**31 December 2017**	**31 December 2016**
Tibah Development (1)	2,397	1,561
TAV İnşaat (2)	1,772	2,954
Other related parties	1,862	580
	6,031	**5,095**

Non-current loan to related parties	**31 December 2017**	**31 December 2016**
Saudi Havaş (1)	1,779	1,752
	1,779	**1,752**

(1) Joint Ventures
(2) Subsidiary of shareholders

	31 December 2017	**31 December 2016**
Due to related parties	273	2,446
Current loan from related parties	418	434
	691	**2,880**

Due to related parties	**31 December 2017**	**31 December 2016**
IBS Brokerlik ve Sigorta Hizmetleri A.Ş. ("IBS Sigorta") (1) (*)	-	2,160
Other related parties	273	286
	273	**2,446**

(*) IBS Sigorta provides insurance intermediatory services to the Group.

Current loan from related parties	**31 December 2017**	**31 December 2016**
Tepe İnşaat (2)	414	414
Other related parties	4	20
	418	**434**

Short term deferred income from related parties	**31 December 2017**	**31 December 2016**
ATU (3) (*)	4,697	4,832
Other related parties	-	2
	4,697	**4,834**

Long term deferred income from related parties	**31 December 2017**	**31 December 2016**
ATU (3) (*)	25,223	29,162
	25,223	**29,162**

(*) Deferred income from related parties is related with the unearned portion of concession rent income from ATU.
(1) Subsidiary of shareholders
(2) Shareholders
(3) Joint Ventures

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Services rendered to related parties	2017	2016
ATU (1) (*)	259,942	255,531
Other related parties	16,460	18,492
	276,402	**274,023**

(*) Services rendered to ATU comprise of concession fee for duty-free operations.

Services rendered by related parties	2017	2016
TAV İnşaat (2)	3,822	-
IBS Sigorta (*)	3,220	8,518
Akfen Elektrik Enerjisi Toptan Satış A.Ş. (*)	3,218	5,276
ATU (1)	648	125
Tepe Servis ve Yönetim Hizmetleri A.Ş. (2)	438	350
TGS (1)	231	194
Tibah Operations (1)	200	258
Other related parties	1,325	325
	13,102	**15,046**

(*) IBS Sigorta provides insurance brokerage services to the Group. Akfen Elektrik Enerjisi Toptan Satış A.Ş. provides electric services to the group. Due to the share transfer of Akfen Holding's 8.119% stake in TAV Airports to Tank OWA Alpha GmbH, which is wholly owned by Groupe ADP, IBS Sigorta and Akfen Elektrik are no longer related party of the Group.

Interest income / (expense) from related parties (net)	2017	2016
Saudi HAVAŞ (1)	154	225
Other related parties	58	204
	212	**429**

The average interest rate used within the Group is 3.73% per annum (31 December 2016: 3.55%). The Group converts related party TRL loan receivable and payable balances to USD at month end using the Central Bank's announced exchange rates and then charges interest on the USD balances.

Construction work rendered by related parties	2017	2016
TAV İnşaat (*) (2)	18,945	68,258
	18,945	**68,258**

(*) Construction revenue and expenditure for the year ended 31 December 2017 is related to the construction of runway and terminal of Tbilisi International Airport. (31 December 2016 is related to the construction of runway and terminal of Tbilisi International Airport).

(1) Joint Ventures
(2) Subsidiary of shareholders

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

Dividend distribution

In 2017 the Company distributed dividends to the shareholders amounting to EUR 63,629 (TRL 247,952) from the Company's distributable profits computed for 2016. Dividends per share is full EUR 0.18 (full TRL 0.68).

37. INTERESTS IN OTHER ENTITIES

a) Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") before any intra group eliminations.

	31 December 2017				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**33.00%**	**20.00%**	**-**		
Non-current assets	413,394	71,194	-		
Current assets	21,994	16,313	-		
Non-current liabilities	5,198	-	-		
Current liabilities	560,885	3,920	-		
Net assets	**(130,695)**	**83,587**	**-**		
Carrying amount of NCI	(43,129)	16,631	-	2,615	(23,797)
Change in non-controlling interest	19,604	-	-	-	19,604
	(23,525)	**16,631**	**-**	**2,615**	**(4,193)**

	1 January - 31 December 2017				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
Revenue	22,975	92,716	158,400		
(Loss) / profit	(27,775)	55,205	7,164		
Total comprehensive income	**(23,481)**	**43,742**	**4,134**		
(Loss) / profit allocated to NCI	(9,166)	11,041	2,388	6,534	10,797

In 2017 the Company distributed dividends to the non-controlling interests in subsidiaries amounting to EUR 13,147 (2016: EUR 7,730)

In 2017, TAV Holding acquired 33.33% of shares of BTA in return for EUR 9,500. After the purchase, the share of TAV Holding in BTA increased from 66.66% to 100.00%.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

a) Non-controlling interests in subsidiaries

	31 December 2016				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**33,00%**	**20,00%**	**33,33%**		
Non-current assets	428,256	67,768	23,885		
Current assets	25,939	20,706	31,141		
Non-current liabilities	5,490	-	13,350		
Current liabilities	555,916	5,065	34,802		
Net assets	**(107,211)**	**83,409**	**6,874**		
Carrying amount of NCI	(35,380)	16,682	2,291	(686)	(17,093)
Change in non-controlling interest	16,082	-	-	-	16,082
	(19,298)	**16,682**	**2,291**	**(686)**	**(1,011)**

	1 January – 31 December 2016				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
Revenue	23,005	86,430	144,651		
(Loss) / profit	(58,149)	31,687	6,129		
Total comprehensive income	**(49,896)**	**27,466**	**4,311**		
(Loss) / profit allocated to NCI	(19,189)	6,337	2,043	3,331	(7,478)

b) Joint Ventures and Associates

As of 31 December 2017 and 2016, equity-accounted investees in consolidated statement of financial position comprise the following:

	31 December 2017	**31 December 2016**
Joint ventures	75,172	83,426
Associates	13,060	10,945
	88,232	**94,371**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

For the years ended 31 December 2017 and 2016, share of profit equity-accounted investees, net of tax in consolidated statement of comprehensive income comprise the following

	2017	**2016**
Joint ventures	16,259	15,380
Associates	115	1,694
	16,374	**17,074**

i) Joint Ventures

Carrying amounts of the Group's joint ventures in the statement of financial position as at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
TGS	50,371	49,896
ATU	40,326	34,069
Tibah Operation	1,642	962
BTA Denizyolları	82	841
Tibah Development	(13,959)	(839)
Other	(3,290)	(1,503)
	75,172	**83,426**

Group's share of profit / (loss) of the Group's joint ventures in the statement of comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
ATU	20,532	16,926
TGS	9,359	4,445
Tibah Operation	843	873
BTA Denizyolları	(583)	341
Tibah Development	(12,455)	(5,027)
Other	(1,437)	(2,178)
	16,259	**15,380**

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The Group has the following significant interests in joint ventures:

TGS

- 50% equity shareholding with 50% voting power, in TGS, a joint venture established in Turkey. The following tables summarise the financial information of TGS. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in TGS, which is accounted for using the equity method:

	31 December 2017	31 December 2016
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	94,405	113,455
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 23,298 (31 December 2016: EUR 6,575))	55,246	38,734
Non-current liabilities	12,970	20,233
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 31,690 (31 December 2016: EUR 31,681))	35,939	32,165
Net assets	**100,742**	**99,791**
Group's share of net assets	50,371	49,896
Carrying amount in the statement of financial position	50,371	49,896

	2017	2016
Revenue	253,468	257,514
Depreciation and amortisation	11,093	12,276
Interest expense	1,279	2,111
Tax expense	5,773	3,463
Profit for the year	**18,717**	**8,890**
Other comprehensive income	(12,437)	(11,304)
Total comprehensive income	**6,280**	**(2,414)**
Group's share of profit for the year	9,359	4,445
Cash dividends received by the Group	2,664	7,369

ATU

- 50.00% equity shareholding with 50% voting power in ATU, a joint venture established in Turkey. The following tables summarise the financial information of ATU. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in ATU, which is accounted for using the equity method.

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	31 December 2017	31 December 2016
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	62,686	73,663
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 38,918 (31 December 2016: EUR 21,447))	147,168	126,206
Non-current liabilities	23,075	32,986
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 76,312 (31 December 2016: EUR 70,819))	106,127	98,745
Net assets	**80,652**	**68,138**
Group's share of net assets	40,326	34,069
Carrying amount in the statement of financial position	40,326	34,069

	2017	2016
Revenue	683,702	650,188
Depreciation and amortisation	9,098	8,444
Interest expense	-	220
Tax expense	14,705	14,210
Profit for the year	**41,064**	**33,852**
Other comprehensive income	106	(2,008)
Total comprehensive income	**41,170**	**31,844**
Group's share of profit for the year	20,532	16,926
Cash dividends received by the Group	15,526	14,660

Tibah Development

- 33.33% equity shareholding with 33.33% voting power in Tibah Development, a joint venture established in Saudi Arabia. The following tables summarise the financial information of Tibah Development. The tables also reconcile the summarised financial information to the carrying amount of the Group’s interest in Tibah Development, which is accounted for using the equity method:

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	31 December 2017	31 December 2016
Percentage of interest	**33.33%**	**33.33%**
Non-current assets	860,443	1,016,095
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 21 (31 December 2016: EUR 26))	68,464	60,849
Non-current liabilities	506,104	976,251
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 71,351 (31 December 2016: EUR 40,171))	464,678	103,209
Net assets	**(41,878)**	**(2,516)**
Group's share of net assets	(13,959)	(839)
Carrying amount in the statement of financial position	(13,959)	(839)

	2017	2016
Revenue	207,523	172,643
Depreciation and amortisation	37,966	49,205
Interest expense	35,270	36,562
Tax expense	193	526
Loss for the year	**(37,364)**	**(15,080)**
Other comprehensive income	(1,992)	1,549
Total comprehensive income	**(39,356)**	**(13,531)**
Group's share of loss for the year	(12,455)	(5,027)

BTA Denizyolları

- 50.00% equity shareholding with 50.00% voting power in BTA Denizyolları, a joint venture established in Turkey. The following tables summarise the financial information of BTA Denizyolları. The tables also reconcile the summarised financial information to the carrying amount of the Group’s interest in BTA Denizyolları, which is accounted for using the equity method:

	31 December 2017	31 December 2016
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	2,230	3,394
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 220 (31 December 2016: EUR 931))	600	2,407
Non-current liabilities	895	1,116
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 534 (31 December 2016: EUR 644))	1,771	3,003
Net assets	**164**	**1,682**
Group's share of net assets	82	841
Carrying amount in the statement of financial position	82	841

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	2017	2016
Revenue	12,634	20,032
Depreciation and amortisation	740	1,029
Interest expense	55	16
Tax (income)/ expense	(7)	174
(Loss)/ Profit for the year	**(1,167)**	**683**
Other comprehensive income	(518)	(414)
Total comprehensive income	**(1,685)**	**269**
Group's share of profit for the year	(583)	341
Cash dividends received by the Group	-	722

Tibah Operation

- 51.00% equity shareholding with 33.33% voting power in Tibah Operation, a joint venture established in Saudi Arabia. The following tables summarise the financial information of Tibah Operation. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Tibah Operation, which is accounted for using the equity method:

	31 December 2017	31 December 2016
Percentage of interest	**51.00%**	**51.00%**
Non-current assets	15	-
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 7,668 (31 December 2016: 1,808))	12,681	10,399
Non-current liabilities	1,698	1,296
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 6,017 (31 December 2016: 6,307))	7,779	7,216
Net assets	**3,219**	**1,887**
Group's share of net assets	1,642	962
Carrying amount in the statement of financial position	1,642	962

	2017	2016
Revenue	51,516	54,608
Tax expense	421	339
Profit for the year	**1,652**	**1,712**
Other comprehensive income	(319)	50
Total comprehensive income	**1,333**	**1,762**
Group's share of profit for the year	843	873
Cash dividends received by the Group	-	864

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

The Group has interests in a number of joint ventures none of which is regarded as individually material. The following table summarises, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

	31 December 2017	31 December 2016
Carrying amount of interest in joint ventures	(3,290)	(1,503)

	2017	2016
Share of:		
Loss for the year	(1,437)	(2,178)
Other comprehensive income	(1,059)	(374)
Total comprehensive income	(2,496)	(2,552)
Cash dividends received by the Group	487	618

ii) Associates

Carrying amounts of the Group's associates in the statement of financial position as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
ZAIC-A	9,797	8,721
Other	3,263	2,224
	13,060	**10,945**

Group's share of profit of the Group's associates in the statement of comprehensive income for the years ended 31 December are as follows:

	2017	2016
ZAIC-A	(924)	355
Other	1,039	1,339
	115	**1,694**

ZAIC – A

- 15.00% equity shareholding with 15.00% voting power in ZAIC-A, an associate established in United Kingdom. The following tables summarise the financial information of ZAIC-A. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in ZAIC-A, which is accounted for using the equity method:

(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro are expressed in thousands unless otherwise indicated.)

	31 December 2017	31 December 2016
Percentage of interest	**15.00%**	**15.00%**
Non-current assets	402,173	116,252
Current assets (including cash and cash equivalents amounting to 31 December 2017: EUR 23,029 (31 December 2016: 10,034))	23,029	10,034
Non-current liabilities	348,465	27,769
Current liabilities (including trade and other payables and provisions amounting to 31 December 2017: EUR 11,422 (31 December 2016: 40,380))	11,422	40,380
Net assets	**65,315**	**58,137**
Group's share of net assets	9,797	8,721
Carrying amount in the statement of financial position	9,797	8,721

	2017	2016
Revenue	69,264	57,785
Expense	(75,427)	(55,421)
Profit for the year	**(6,163)**	**2,364**
Other comprehensive income	-	-
Total comprehensive income	**(6,163)**	**2,364**
Group's share of profit for the year	(924)	355

38. SUBSEQUENT EVENTS

The Board of Directors of the Company has decided to distribute dividend amounting to TRL 406,372 (equivalent to EUR 87,251) in cash from the profit for the year 2017 with the decision numbered 2018/x as of 21 February 2018. The decision will be presented to the General Assembly for the approval. Dividend per share will be full TRL 1.12 (full EUR 0.24).

GLOSSARY

ACI
Airports Council International

Apron
Apron is a designated area at an airport where aircraft are parked, refueled, loaded, unloaded, boarded and maintenance is performed.

Isolated Areas
Isolated areas are zones at airports that are open to international flights, where passengers are taken before making entry or exit and after declaration and control process pursuant to the customs regulations, as well as lounges where passengers, who come from abroad without entering into customs and will go to another airport of the same country or to another country, are hosted.

Baggage Handling System (BHS)
A conveyor belt system that transports checked baggage to areas where the bags are loaded onto airplanes.

Charter Terminal
Terminal building reserved for passengers who travel with flights other than the scheduled or regular flights.

Check-in
Check-in is the process in which ticket and baggage transactions and passenger controls are conducted at airport terminals by airline or ground handling company representatives.

Check-in Counter
Equipped tables at terminals used for passenger check-in procedures.

Check-in Lounges
Sections at terminals hosting groups of check-in counters.

CIP Passenger
Commercially Important Person

Duty Free Shop
Shops at airports where passengers can make purchases without paying customs tax.

Carry-on Baggage Handcarts
Mechanical, portable transporters used at airports to carry passenger property.

EUROCONTROL
European Organization for the Safety of Air Navigation.

EBITDA
Acronym for Earnings before Interest, Taxes, Depreciation and Amortization.

EBITDAR
Acronym for Earnings before Interest, Taxes, Depreciation, Amortization and Rent.

FIDS (Flight Information Display System)
FIDS is the system that displays the latest data via flight information screens, monitors, flight gate indicators, baggage claim indicators and employee monitors.

Guaranteed Passenger Income
Guaranteed passenger income is the passenger revenue guaranteed by the related entity, based on the expected number of passengers per year, pursuant to the concession contract signed with the authorized entity. It can vary based on the contract as well as the period covered by the contract.

Duty-Paid Lounge
Isolated lounges at airports that are open to international flights, where passengers are taken for the declaration and control process pursuant to the customs regulations before making entry or exit.

Customs Enforcement
The organization that inspects or confiscates the baggage or other freight, cargo or postal belongings of passengers pursuant to customs regulations at airports that are open to international flights, and that enforces customs regulations provisions in the process of sending or receiving all kinds of commodities and materials that will go-come abroad.

Airport
A large area, on land or water, with buildings, facilities and equipment that is constructed for the purpose of featuring facilities that facilitate landing, takeoff and ground movement of aircraft; serve the maintenance and other needs of aircraft; as well as boarding, loading and unloading aircraft.

Hangar
Mostly large structures at airports that are used for sheltering or conducting maintenance and repair activities on aircraft.

Airside Area (Flight Line Facilities)
Isolated areas beyond the passport control points (waiting lounges, duty free area, boarding gates); the runways, apron areas and taxi routes of the airport as well as zones adjacent to them; buildings and structures, or parts of these buildings and structures, that are directly used for flight operations under certain circumstances; as well as areas that have controlled access to all of these sections

Aviation Income
Income earned from services provided to passengers and aircraft at the airports.

Non-aviation Income
Income derived from activities other than services provided to passengers and aircraft at the airports, such as duty free.

Havas
Havas, or Havaalanlari Yer Hizmetleri A.S. (Ground Handling Services Co.), is the company that performs ground handling services at the airports.

Earnings per Share (EPS)
An indicator calculated by dividing a company's net (aftertax) profit by its number of outstanding shares.

HUB
Main Center

ICAA
International Civil Airports Association

ICAN
International Commission for Air Navigation

ICAO
International Civil Aviation Organization

Inorganic Growth
Inorganic growth is revenue growth achieved by a company's acquiring another firm or making a new investment, and consolidating the production and revenue of the acquired firm.

Subsidiary
A direct or indirect capital and management relationship that creates a permanent tie between a company and another in terms of participation in the management of the company and the formulation of the company's policies.

Composite Cover
A mixture of concrete and asphalt used for covering runways.

Liquidity
Liquidity is the degree of speed and ease to which an asset can be exchanged for cash.

Organic Growth
Organic growth is the growth achieved via a company's own activities. It includes production increase, as well as the increase in revenue attained by selling this output.

Over flight
An aircraft flight passing over the air space of a foreign jurisdiction without landing.

RAT Fields/Areas
Runway, apron and taxiway areas as well as other fields reserved on the airside of the airport for vehicles and equipment to move and park.

Project Finance
Project finance is a method of securing the financing needed for long-term infrastructure and industrial investments at the maximum possible level and with the minimum possible impact on the company's balance sheet. Posting the project's income stream or the asset itself as collateral may be needed as a condition of financing.

Peak Day, Peak Hour
Maximum amount of passenger, aircraft, cargo, et al. movement at an airport handled during one day or one hour within a given period (generally a calendar year).

Runway
Designated rectangular areas on a tract of land on which aircraft take off and land.

Prime Class Service
As part of this exclusive service, passengers are greeted at the terminal departures gate by a transportation representative and their security check and scan, check in and passport transactions are performed with the assistance of a service representative.

Ramp
Ramp is the area at airports where aircraft are parked and attended to.

Civil Aviation
Civil aviation in general refers to all activities related to air transportation. More specifically, it is also the generic term for all air transport-related operational activities performed by airports, airlines and handling companies in accordance with national and international rules and security principles.

Slot
Slot is a method of using airport capacity optimally by spreading the air traffic at busy airports to each hour of the day and each hour of the week as equally as possible. In other words, it is the right of use of airport facilities at the landing-takeoff time slots allocated to the aircraft.

Taxi
The movements of an aircraft on the ground.

Taxi Route (Taxiway)
Standard-sized paths at airports along which the aircraft taxi to or from a runway, apron, and the like.

Scheduled Flight
Scheduled flight is the flight service with a pre-determined departure-arrival time and route.

Charter Flight
Charter flight is a non-scheduled flight service offered in certain periods, mostly in summer months, in which departure time is determined based on airport traffic and passenger demand.

Terminal
Group of buildings featuring air transport service-related companies and facilities where pre-flight and post-flight transactions of passengers are performed.

Terminal Operation
This term refers to the Airport General Directorate or Directorate that operates the terminal on behalf of the Turkish State Airports Authority (DHMI) at the airports operated by DHMI, and/or state enterprises, public agencies, real and private legal entities that engage in terminal operations pursuant to the Build-Operate-Transfer Model or as part of another arrangement.

TOC
Terminal Operations Center

Transit Passenger
Transit passengers are those who continue their travel in the same aircraft or with the same flight number shortly after arriving at an airport on an airplane. These passengers are not allowed to take advantage of duty free, catering and accommodation services at the airport.

Transfer Passenger
Transfer passengers are those who continue their travel with a different aircraft or in the same aircraft but with a different flight number after arriving at an airport on an airplane. These passengers are allowed to take advantage of duty free, catering and accommodation services at the airport.

Aircraft Loading
Loading an airplane in accordance with its technical specifications and operational information.

Flight Limits
Loading-related limits determined for each type of aircraft.

VIP
A very important person. VIPs are mostly the senior managers of public entities whose titles are listed by the Prime Ministry.

VIP Lounge
Places reserved at airports for VIP Passengers.

Build-Operate-Transfer
Process in which a private company provides the financing for a public infrastructure investment or service, undertakes the project, operates it for a period determined by the public authorities and transfers the facility at the end of the designated period to the related public authority in an intact, operating and well-maintained condition.

Passenger
All individuals traveling on the aircraft who are not part of the flight personnel or cabin crew are referred to as passengers.

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