TAV Havalimanları Holding 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 4 page and "Consolidated Financial Statements and their explanatory notes" comprising 119 pages.

TAV Havalimanları Holding A.Ş.
and its Subsidiaries

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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 s*ection 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.
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 Havalimanları Holding 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 Havalimanları Holding 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 Havalimanları Holding 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 Havalimanları Holding 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
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 Havalimanları Holding 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 Havalimanları Holding 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 Havalimanları Holding 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.

Notes to the consolidated financial statements

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:

			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

1. REPORTING ENTITY (continued)

			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.S. (“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

1. REPORTING ENTITY (continued)

			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

1. REPORTING ENTITY (continued)

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.S. (“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.

1. REPORTING ENTITY (continued)

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:

<u>İstanbul Atatürk International Airport</u>

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.

1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

İstanbul Atatürk International Airport (continued)

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.

1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

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.

1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

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.

1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

Operations Contracts (continued)

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.

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

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
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

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

Company	Functional Currency
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

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgements (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

vi) Joint arrangements and associates(continued):

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency (continued)

ii) Foreign operations(continued):

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

i) Non-derivative financial assets (continued):

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

i) Recognition and measurement (continued):

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

vii) Service concession arrangements (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment (continued)

ii) Non-financial assets:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax (continued)

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 determination 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) <u>The new standards, amendments and interpretations (continued)</u>

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued):

Annual Improvements to IFRSs - 2014-2016 Cycle (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued):

Annual Improvements to IFRSs - 2014-2016 Cycle (continued)

IFRS 9 Financial Instruments (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued):

Annual Improvements to IFRSs - 2014-2016 Cycle (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued):

Annual Improvements to IFRSs - 2014-2016 Cycle (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued):

Annual Improvements to IFRSs - 2014-2016 Cycle (continued)

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.

4. DETERMINATION OF FAIR VALUES (continued)

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.

5. OPERATING SEGMENTS (continued)

Operating Segments (continued)

	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

5. OPERATING SEGMENTS (continued)

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**

5. OPERATING SEGMENTS (continued)

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**

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**

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.

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**

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**

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)**

13. TAX EXPENSE (continued)

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**

13. TAX EXPENSE (continued)

Corporate tax (continued):

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.

13. TAX EXPENSE (continued)

Corporate tax (continued):

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.

13. TAX EXPENSE (continued)

Investment allowance (continued):

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.

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).

14. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
Accumulated depreciation								
Balance at 1 January 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**

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).

15. INTANGIBLE ASSETS (continued)

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.

15. INTANGIBLE ASSETS (continued)

Impairment testing for CGU's (continued)

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.

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.)

16. AIRPORT OPERATION RIGHT (continued)

	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**

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:

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.

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**

18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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**

18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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**

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.

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.

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

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).

24. CAPITAL AND RESERVES (continued)

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).

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.

24. CAPITAL AND RESERVES (continued)

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**

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**

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**

26. LOANS AND BORROWINGS (continued)

(*) 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.

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**

26. LOANS AND BORROWINGS (continued)

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.

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**

26. LOANS AND BORROWINGS (continued)

TAV Tunisia (continued)

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**

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**

26. LOANS AND BORROWINGS (continued)

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**

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**

26. LOANS AND BORROWINGS (continued)

TAV İstanbul (continued)

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**

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**

26. LOANS AND BORROWINGS (continued)

TAV Esenboğa (continued)

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**

26. LOANS AND BORROWINGS (continued)

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**

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**

26. LOANS AND BORROWINGS (continued)

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.

26. LOANS AND BORROWINGS (continued)

Pledges (continued)

Pledges regarding the project bank loan of TAV Macedonia:

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.

Pledges regarding the project bank loan of TAV Tunisia:

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.

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.

26. LOANS AND BORROWINGS (continued)

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.

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:

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**

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**

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).

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.

34. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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)**

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.

34. FINANCIAL INSTRUMENTS (continued)

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.

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.

34. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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)

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**

34. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

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

34. FINANCIAL INSTRUMENTS (continued)

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

34. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Profile:

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

	Carrying amount	
	31 December 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.

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

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.

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

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.

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Operational risk (continued)

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.

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.

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.

35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV İstanbul (continued)

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.

35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

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.

35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

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.

35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Tunisia (continued)

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.

35. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Gazipaşa (continued)

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.

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**

36. RELATED PARTIES (continued)

Other related party transactions (continued):

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.

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

36. RELATED PARTIES (continued)

Other related party transactions (continued):

	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

36. RELATED PARTIES (continued)

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

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%.

37. INTERESTS IN OTHER ENTITIES (continued)

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)

37. INTERESTS IN OTHER ENTITIES (continued)

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**

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**

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

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

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

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.

	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

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

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:

	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)

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

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

	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

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

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

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

37. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

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:

	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).