# TAV Havalimanları Holding A.Ş.
# and its Subsidiaries

## Consolidated Interim Financial Statements
## As at and for the Three-Month Period Ended 31 March 2012

**4 May 2012**

This report contains the "Consolidated Interim Financial Statements and their explanatory notes" comprising 105 pages.

# TAV Havalimanları Holding A.Ş.
# and its Subsidiaries

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# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Financial Position
## As at 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 31 March 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Property and equipment | 17 | 176,731 | 178,963 |
| Intangible assets | 18 | 35,084 | 35,918 |
| Airport operation right | 19 | 754,889 | 766,392 |
| Other investments | 20 | 24 | 24 |
| Goodwill | 18 | 152,129 | 152,129 |
| Prepaid rent expenses | 21 | 172,194 | 65,472 |
| Trade receivables | 25 | 89,689 | 94,299 |
| Other non-current assets | 24 | 1,785 | 557 |
| Deferred tax assets | 22 | 89,870 | 81,718 |
| **Total non-current assets** | | **1,472,395** | **1,375,472** |
| | | | |
| Inventories | 23 | 19,003 | 18,675 |
| Prepaid rent expenses | 21 | 94,932 | 123,450 |
| Trade receivables | 25 | 76,878 | 73,823 |
| Due from related parties | 40 | 28,790 | 7,945 |
| Derivative financial instruments | 36 | - | 4,207 |
| Other receivables and current assets | 24 | 70,536 | 45,583 |
| Cash and cash equivalents | 26 | 89,450 | 76,347 |
| Restricted bank balances | 27 | 212,656 | 355,746 |
| **Total current assets** | | **592,245** | **705,776** |
| | | | |
| **TOTAL ASSETS** | | **2,064,640** | **2,081,248** |

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Financial Position
## As at 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 31 March 2012 | 31 December 2011 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 28 | 162,384 | 162,384 |
| Share premium | | 220,286 | 220,286 |
| Legal reserves | | 37,597 | 36,350 |
| Other reserves | | 8,283 | 8,283 |
| Revaluation surplus | | 1,556 | 1,641 |
| Purchase of shares of entities under common control | | 40,064 | 40,064 |
| Cash flow hedge reserve | | (76,037) | (67,855) |
| Translation reserves | | (1,471) | (1,481) |
| Retained earnings | | 86,362 | 75,542 |
| **Total equity attributable to equity holders of the Company** | | **479,024** | **475,214** |
| **Non-controlling interests** | | 83,223 | 87,210 |
| **Total Equity** | | **562,247** | **562,424** |
| **LIABILITIES** | | | |
| Loans and borrowings | 30 | 1,009,458 | 1,021,043 |
| Reserve for employee severance indemnity | 31 | 11,514 | 10,259 |
| Due to related parties | 40 | 5,967 | 7,719 |
| Deferred income | 33 | 20,308 | 19,926 |
| Other payables | 32 | 15,184 | 15,943 |
| Deferred tax liabilities | 22 | 6,029 | 6,077 |
| **Total non-current liabilities** | | **1,068,460** | **1,080,967** |
| Loans and borrowings | 30 | 199,410 | 203,251 |
| Trade payables | 35 | 32,586 | 40,404 |
| Due to related parties | 40 | 9,016 | 10,422 |
| Derivative financial instruments | 36 | 134,819 | 126,736 |
| Current tax liabilities | 16 | 3,687 | 11,782 |
| Other payables | 32 | 37,614 | 28,536 |
| Provisions | 34 | 6,028 | 5,613 |
| Deferred income | 33 | 10,773 | 11,113 |
| **Total current liabilities** | | **433,933** | **437,857** |
| **Total Liabilities** | | **1,502,393** | **1,518,824** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,064,640** | **2,081,248** |

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Comprehensive Income
## For the Three-Month Period Ended 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 1 January-31 March 2012 | (Unaudited) 1 January-31 March 2011 |
|---|---|---|---|
| Construction revenue | 8 | 91 | 17,363 |
| Operating revenue | 9 | 194,300 | 163,074 |
| Other operating income | 10 | 10,348 | 7,699 |
| Construction expenditure | 8 | (91) | (17,363) |
| Cost of catering inventory sold | | (5,568) | (3,836) |
| Cost of duty free inventory sold | | (19,647) | (15,595) |
| Cost of services rendered | | (15,107) | (10,710) |
| Personnel expenses | 11 | (66,484) | (59,047) |
| Concession and rent expenses | 12 | (32,588) | (31,813) |
| Depreciation and amortisation expenses | 14 | (17,585) | (15,379) |
| Other operating expenses | 13 | (25,056) | (21,083) |
| **Operating profit** | | **22,613** | **13,310** |
| Finance income | | 8,912 | 5,255 |
| Finance costs | | (23,536) | (30,630) |
| **Net finance costs** | 15 | **(14,624)** | **(25,375)** |
| **Profit / (loss) before tax** | | **7,989** | **(12,065)** |
| Tax benefit / (expense) | 16 | 860 | (4,751) |
| **Profit / (loss) for the period** | | **8,849** | **(16,816)** |
| **Other comprehensive income** | | | |
| Revaluation of property and equipment | | 17 | 17 |
| Effective portion of changes in fair value of cash flow hedges | | (11,757) | 14,955 |
| Foreign currency translation differences for foreign operations | | (35) | (3,214) |
| Tax on cash flow hedge reserves | | 2,749 | (3,276) |
| **Other comprehensive income for the period, net of tax** | | **(9,026)** | **8,482** |
| **Total comprehensive income for the period** | | **(177)** | **(8,334)** |

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

## Consolidated Interim Statement of Comprehensive Income (continued)
## For the Three-Month Period Ended 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 1 January- 31 March 2012 | (Unaudited) 1 January- 31 March 2011 |
|---|---|---|---|
| **Profit / (loss) attributable to:** | | | |
| Owners of the Company | | 11,965 | (14,472) |
| Non-controlling interest | | (3,116) | (2,344) |
| **Profit / (loss) for the period** | | **8,849** | **(16,816)** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 3,810 | (7,399) |
| Non-controlling interest | | (3,987) | (935) |
| **Total comprehensive income for the period** | | **(177)** | **(8,334)** |
| **Weighted average number of shares outstanding** | | **363,281,250** | **363,281,250** |
| **Basic and diluted earnings / (loss) per share (full Euro)** | 29 | **0.03** | **(0.04)** |

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Changes in Equity
## For the Three-Month Period Ended 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | 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 2011** | | **162,384** | **220,286** | **21,656** | **14,623** | **1,983** | **40,064** | **(61,729)** | **849** | **37,210** | **437,326** | **103,060** | **540,386** |
| **Total comprehensive income for the period** | | | | | | | | | | | | | |
| Loss for the period | | - | - | - | - | - | - | - | - | (14,472) | (14,472) | (2,344) | (16,816) |
| Other comprehensive income | | | | | | | | | | | | | |
| Revaluation of property and equipment | 16 | - | - | - | - | (85) | - | - | - | 102 | 17 | - | 17 |
| Effective portion of changes in fair value of cash hedges, net of tax | 15 | - | - | - | - | - | - | 9,619 | - | - | 9,619 | 2,060 | 11,679 |
| Foreign currency translation differences for foreign operations | 15 | - | - | - | - | - | - | - | (2,563) | - | (2,563) | (651) | (3,214) |
| Total other comprehensive income | | - | - | - | - | (85) | - | 9,619 | (2,563) | 102 | 7,073 | 1,409 | 8,482 |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **-** | **(85)** | **-** | **9,619** | **(2,563)** | **(14,370)** | **(7,399)** | **(935)** | **(8,334)** |
| **Transactions with owners of the Company, recognized directly in equity** | | | | | | | | | | | | | |
| ***Contributions by and distributions to owners of the Company*** | | | | | | | | | | | | | |
| Dividend distributions | | - | - | - | - | - | - | - | - | - | - | (624) | (624) |
| **Total transactions with owners of the Company** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(624)** | **(624)** |
| Transfers | | - | - | 820 | - | - | - | - | - | (743) | 77 | (77) | - |
| **Balance at 31 March 2011** | | **162,384** | **220,286** | **22,476** | **14,623** | **1,898** | **40,064** | **(52,110)** | **(1,714)** | **22,097** | **430,004** | **101,424** | **531,428** |
| **Balance at 1 January 2012** | | **162,384** | **220,286** | **36,350** | **8,283** | **1,641** | **40,064** | **(67,855)** | **(1,481)** | **75,542** | **475,214** | **87,210** | **562,424** |
| **Total comprehensive income for the period** | | | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | - | - | 11,965 | 11,965 | (3,116) | 8,849 |
| Other comprehensive income | | | | | | | | | | | | | |
| Revaluation of intangible assets | 16 | - | - | - | - | (85) | - | - | - | 102 | 17 | - | 17 |
| Effective portion of changes in fair value of cash hedges, net of tax | 15 | - | - | - | - | - | - | (8,182) | - | - | (8,182) | (826) | (9,008) |
| Foreign currency translation differences for foreign operations | 15 | - | - | - | - | - | - | - | 10 | - | 10 | (45) | (35) |
| Total other comprehensive income | | - | - | - | - | (85) | - | (8,182) | 10 | 102 | (8,155) | (871) | (9,026) |
| **Total comprehensive income for the period** | | - | - | - | - | (85) | - | (8,182) | 10 | 12,067 | 3,810 | (3,987) | (177) |
| Transfers | | - | - | 1,247 | - | - | - | - | - | (1,247) | - | - | - |
| **Balance at 31 March 2012** | | **162,384** | **220,286** | **37,597** | **8,283** | **1,556** | **40,064** | **(76,037)** | **(1,471)** | **86,362** | **479,024** | **83,223** | **562,247** |

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Cash Flows
## For the Three-Month Period Ended 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 1 January- 31 March 2012 | (Unaudited) 1 January- 31 March 2011 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit / (loss) for the period | | **8,849** | **(16,816)** |
| Adjustments for: | | | |
| Amortisation of airport operation right | 14-19 | 10,039 | 8,710 |
| Depreciation of property and equipment | 14-17 | 6,266 | 5,253 |
| Amortisation of intangible assets | 14-18 | 1,280 | 1,416 |
| Concession and rent expenses | 12 | 32,588 | 31,813 |
| Provision for employment termination benefits | 11 | 1,620 | 2,176 |
| Provision for doubtful receivables | 38 | 156 | 256 |
| Other provisions released | | (239) | (321) |
| Discount on receivables and payables, net | | 47 | (20) |
| Gain on sale of property and equipment | | (8) | (19) |
| Provision for unused vacation | 34 | 504 | 50 |
| Provision for slow moving inventory | | (41) | - |
| Interest income | 15 | (4,421) | (2,790) |
| Interest expense on financial liabilities | 15 | 21,626 | 24,018 |
| Tax (benefit) / expense | 16 | (860) | 4,751 |
| Unwinding of discount on concession receivable | 15 | (2,883) | (2,427) |
| Unrealised foreign exchange differences on statement of financial position items | | 1,372 | (2,165) |
| **Cash flows from operating activities** | | **75,895** | **53,885** |
| Change in trade receivables | | (3,211) | 3,094 |
| Change in non-current trade receivables | | 7,494 | 7,305 |
| Change in inventories | | (283) | (645) |
| Change in due from related parties | | (20,845) | 440 |
| Change in restricted bank balances | | 52,500 | 31,703 |
| Change in other receivables and current assets | | (22,710) | 2,273 |
| Change in trade payables | | (8,990) | (2,481) |
| Change in due to related parties | | (3,917) | (4,255) |
| Change in other payables and provisions | | 9,119 | 2,223 |
| Change in other long term assets | | (1,229) | (1,367) |
| Additions to prepaid rent expenses | 21 | (107,489) | (106,638) |
| **Cash used in operations** | | **(23,666)** | **(14,463)** |
| Income taxes paid | | (12,752) | (8,592) |
| Interest paid | | (18,736) | (22,356) |
| Retirement benefits paid | 31 | (670) | (424) |
| **Net cash used in operating activities** | | **(55,824)** | **(45,835)** |

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

# TAV Havalimanları Holding A.Ş. and its Subsidiaries

## Consolidated Interim Statement of Cash Flows
## For the Three-Month Period Ended 31 March 2012

*(Amounts expressed in thousands of Euro unless otherwise stated.)*

| | Notes | (Unaudited) 1 January- 31 March 2012 | (Unaudited) 1 January- 31 March 2011 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | 4,060 | 2,774 |
| Proceeds from sale of property, equipment and intangible assets | | 1,347 | 156 |
| Acquisition of property and equipment | 17 | (4,927) | (4,171) |
| Additions to airport operation right | 19 | (91) | (17,040) |
| Acquisition of intangible assets | 18 | (404) | (343) |
| **Net cash used in investing activities** | | **(15)** | **(18,624)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New borrowings raised | | 61,766 | 78,969 |
| Repayment of borrowings | | (79,094) | (87,789) |
| Change in restricted bank balances | | 86,529 | 92,743 |
| Non-controlling interest change | | (41) | 392 |
| Change in finance lease liabilities | | (218) | 223 |
| **Net cash provided from financing activities** | | **68,942** | **84,538** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **13,103** | **20,079** |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | 26 | **76,347** | **29,577** |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | 26 | **89,450** | **49,656** |

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

## Notes to the consolidated interim financial statements

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 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 İstanbul Stock Exchange since 23 February 2007 and the Company's shares are traded as "TAVHL".

The immediate parents and ultimate controlling parties of TAV and its subsidiaries are Tepe Group and Akfen Group. As explained in Note 3, Significant accounting policies, in years 2005, 2006 and 2007, the ultimate shareholders of the Company transferred their shares in certain companies and joint ventures to the Company. As a result of these share transfers, the Company became the parent company of these subsidiaries.

TAV, its subsidiaries and its joint ventures are collectively referred to as "the Group" in this report. The Company's subsidiaries as at 31 March 2012 and 31 December 2011 are as follows:

| | | | 31 March 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|---|
| **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 İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") | İzmir 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 Tunisie SA (" TAV Tunisia") | Airport Operator | Tunisia | 67.00 | 67.00 | 67.00 | 67.00 |
| TAV Urban Georgia LLC ("TAV Tbilisi") | Airport Operator | Georgia | 76.00 | 76.00 | 76.00 | 76.00 |
| 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 Yapım, Yatırım ve İşletme 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 | 65.00 | 65.00 | 65.00 | 65.00 |
| BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA") | Food and Beverage Services | Turkey | 66.66 | 66.66 | 66.66 | 66.66 |
| BTA Georgia LLC ("BTA Georgia") | Food and Beverage Services | Georgia | 66.66 | 66.66 | 66.66 | 66.66 |
| BTA Tunisie SARL ("BTA Tunisia") | Food and Beverage Services | Tunisia | 66.66 | 66.66 | 66.66 | 66.66 |
| BTA Macedonia Dooel Petrovec ("BTA Macedonia") | Food and Beverage Services | Macedonia | 66.66 | 66.66 | 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 | 66.66 | 66.66 | 66.66 | 66.66 |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 1. REPORTING ENTITY (continued)

| | | | 31 March 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|---|
| **Name of Subsidiary** | **Principal Activity** | **Place of operation** | **Ownership interest %** | **Voting power held %** | **Ownership interest %** | **Voting power held %** |
| 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 Bilişim Hizmetleri A.Ş. (“TAV Bilişim”) | Software and System Services | Turkey | 98.53 | 98.53 | 98.53 | 98.53 |
| TAV Özel Güvenlik Hizmetleri A.Ş. (“TAV Güvenlik”) | Security Services | Turkey | 100.00 | 100.00 | 100.00 | 100.00 |
| North Hub Services SIA (“HAVAŞ Europe”) | Ground Handling | Latvia | 66.67 | 66.67 | 66.67 | 66.67 |
| North Hub Services Finland OY (“HAVAŞ Europe Helsinki”) | Ground Handling | Finland | 66.67 | 66.67 | 66.67 | 66.67 |
| North Hub Services Stockholm Ab (“HAVAŞ Europe Stockholm”) | Ground Handling | Sweden | 66.67 | 66.67 | 66.67 | 66.67 |

The entities that are jointly controlled by the Company as at 31 March 2012 and 31 December 2011 are as follows:

| | | | 31 March 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|---|
| **Name of joint venture** | **Principal activity** | **Place of operation** | **Ownership interest %** | **Voting power held %** | **Ownership interest %** | **Voting power held %** |
| ATÜ Turizm İşletmeciliği A.Ş. (“ATÜ”) | Duty Free Services | Turkey | 49.98 | 50.00 | 49.98 | 50.00 |
| ATÜ Georgia Operation Services LLC (“ATÜ Georgia”) | Duty Free Services | Georgia | 49.98 | 50.00 | 49.98 | 50.00 |
| ATÜ Tunisie SARL (“ATÜ Tunisia”) | Duty Free Services | Tunisia | 49.98 | 50.00 | 49.98 | 50.00 |
| ATÜ Macedonia Dooel (“ATÜ Macedonia“) | Duty Free Services | Macedonia | 49.98 | 50.00 | 49.98 | 50.00 |
| AS Riga Airport Commercial Development (“ATÜ Latvia”) | Duty Free Services | Latvia | 49.98 | 50.00 | 49.98 | 50.00 |
| TAV Gözen Havacılık İşletme ve Ticaret A.Ş. (“TAV Gözen”) | Operating Special Hangar | Turkey | 32.40 | 32.40 | 32.40 | 32.40 |
| Cyprus Airport Services Ltd. (“CAS”) | Ground Handling | KKTC | 50.00 | 50.00 | 50.00 | 50.00 |
| TGS Yer Hizmetleri A.Ş. (“TGS”) | Ground Handling | Turkey | 50.00 | 50.00 | 50.00 | 50.00 |
| BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. (“BTA Denizyolları”) | Food and Beverage Services | Turkey | 50.00 | 50.00 | 50.00 | 50.00 |

### 1. REPORTING ENTITY (continued)

On 12 April 2010, HAVAŞ signed the agreement regarding the purchase of 50% shares of HAVAŞ Europe. For the acquisition of HAVAŞ Europe, see note 7. On 21 December 2011, an additional 16.67% shares of HAVAŞ Europe was purchased by HAVAŞ and HAVAŞ Europe is consolidated with the non-controlling interest's ownership reflected as a non-controlling interest as at 31 March 2012.

BTA and TASS Denizcilik ve Ulaş. Hizm. Tur. San. ve Tic. A.Ş. formed a joint venture under the name of BTA Denizyolları on 8 August 2011. BTA has 50.00% ownership in BTA Denizyolları as at 31 March 2012. BTA Denizyolları is engaged in sales of food and beverage in ferries and ferry piers.

TAV İşletme formed a subsidiary under the name of TAV İşletme Macedonia on 10 August 2011. TAV İşletme has 99.99% ownership in TAV İşletme Macedonia as at 31 March 2012. TAV İşletme Macedonia is engaged in lounge services in terminals.

TAV Holding formed a subsidiary under the name of TAV Ege on 8 December 2011. TAV Holding has 100.00% ownership in TAV Ege as at 31 March 2012. TAV Ege is engaged in construction and operation of İzmir Adnan Menderes International Airport's domestic terminal starting from 2012 and operation of İzmir Adnan Menderes International Airport's international terminal starting from 2015.

**Description of Operations**

The Group's core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. TAV Esenboğa, TAV İzmir, TAV Gazipaşa and TAV Ege enter 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") and TAV Macedonia with Macedonian Ministry of Transportation and Communication ("MOTC"). 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 preestablished 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 or MOTC accordingly. Group also signs separate contracts related with the airport operations.

**BOT Agreements**

The airport terminals operated by the Group 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 International Lines Building (referred to as "Atatürk International Airport Terminal" or "AIAT") in year 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of the International Lines Building for 3 years, 8 months and 20 days. TAV completed the reconstruction of the International Lines Building 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.

**1. REPORTING ENTITY (continued)**

**<u>İstanbul Atatürk International Airport (continued)</u>**

An addendum to the agreement was made in June 2000. Under the terms of the addendum, TAV committed to enlarge the International Lines Building by 30% by year 2004. In return for extending the International Lines Building, 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 (referred to as "ADAT") to DHMİ. On 3 June 2005, TAV İstanbul signed a rent agreement to operate AIAT and ADAT for 15.5 years until year 2021. The rent agreement requires TAV İstanbul to make annual rent payments totaling US Dollar ("USD") 2,543,000 plus Value Added Tax ("VAT") (18%) over the life of the rent agreement, of which USD 584,890 plus VAT has been prepaid at the beginning of the rent period under the terms of the rent agreement. In addition, TAV İstanbul is required to maintain the facilities throughout the rent period.

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 EUR 36,000 of investment in exchange of the operation right of newly created commercial areas.

**<u>Ankara Esenboğa International Airport</u>**

A BOT agreement was executed between TAV Esenboğa and DHMİ on 18 August 2004 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.

**<u>İzmir Adnan Menderes International Airport</u>**

A BOT agreement was executed between TAV İzmir and DHMİ on 20 May 2005 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 lease agreement was executed between TAV Ege and DHMİ with an effective date of 16 December 2011 regulating the operation of the domestic terminal of İzmir Adnan Menderes Airport until 31 December 2032 and taking-over 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 to DHMI in yearly equal installments.

**<u>Tbilisi International Airport</u>**

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 August 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.

### 1. REPORTING ENTITY (continued)

**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.

**Gazipaşa Airport**

Relating to the transfer of the operational rights of Antalya-Gazipaşa Airport via a lease, the concession agreement between TAV Gazipaşa and DHMİ was signed on 4 January 2008. The operation period of Antalya-Gazipaşa Airport, which currently has 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 to DHMİ.

**Macedonia Skopje, Ohrid and Shtip Airports**

On 24 September 2008, the 20-year BOT 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.

### 1. REPORTING ENTITY (continued)

***Operations Contracts***

BOT 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 utilize 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 either operated by the Group or, in certain circumstances, subcontracted to other companies in exchange for a commission based on sales.

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

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

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

*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.

The Group employs approximately 20,304 (average: 20,231) people as at 31 March 2012 (31 December 2011: 20,269 (average: 19,838) people).

### 2. BASIS OF PREPARATION

**a) Statement of compliance**

The consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Group's consolidated interim financial statements were authorized for issue by the Board of Directors on 4 May 2012. The power to change the consolidated interim financial statements after the issuing of the consolidated interim financial statements is held by the General Assembly.

### 2. BASIS OF PREPARATION (continued)

**b) Basis of measurement**

The consolidated interim 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. The foreign subsidiaries and jointly controlled entities maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. The accompanying consolidated interim financial statements are presented in EUR, which is the functional currency of TAV Group.

Although the currency of the country in which the majority of the Group entities are domiciled is TRL, most of the Group entities' functional currencies are EUR.

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

| Company | Functional Currency |
|---|---|
| TAV Holding | EUR |
| TAV İstanbul | EUR |
| TAV Esenboğa | EUR |
| TAV İzmir | EUR |
| TAV Ege | 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 Europe Stockholm | Swedish Krona ("SEK") |
| BTA | TRL |
| BTA Georgia | GEL |
| BTA Tunisia | Tunisian Dinar ("TND") |
| BTA Macedonia | Macedonian Denar ("MKD") |
| Cakes & Bakes | TRL |
| TAV İşletme | TRL |
| TAV İşletme Georgia | GEL |
| TAV İşletme Tunisia | TND |
| TAV İşletme Tunisia Plus | TND |
| TAV İşletme Macedonia | MKD |
| TAV Bilişim | EUR |
| TAV Güvenlik | TRL |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

**2. BASIS OF PREPARATION (continued)**

**c) Functional and presentation currency (continued)**

| Company | Functional Currency |
|---|---|
| ATÜ | EUR |
| ATÜ Georgia | GEL |
| ATÜ Tunisia | EUR |
| ATÜ Macedonia | EUR |
| ATÜ Latvia | EUR |
| TAV Gözen | USD |
| CAS | USD |
| TGS | TRL |
| BTA Denizyolları | TRL |

**d) Use of estimates and judgements**

The preparation of the consolidated interim financial statements in conformity with IFRSs requires management to make judgements, 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim 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 year are included in the following notes:

Note 17 and 18 – useful lives of property and equipment and intangible assets

Note 18 – key assumptions used in discounted cash flow projections

Note 22 – utilisation of tax losses and tax incentives

Note 31 – measurement of reserve for employee severance indemnity

Notes 34 and 39 – provisions and contingencies

Note 36 and 38 – valuation of financial instruments

## 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.

**a) <u>Basis of consolidation</u>**

The consolidated interim financial statements include the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries and jointly controlled entities). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Each entity is consolidated based on the following methods:

- TAV İstanbul, TAV Esenboğa, TAV İzmir, TAV Ege, TAV Macedonia, TAV Gazipaşa, TAV Latvia, TAV İşletme and TAV Güvenlik are fully consolidated without non-controlling interest's ownership.
- TAV Tunisia, TAV Tbilisi, TAV Batumi, Batumi Airport LLC, HAVAŞ, BTA, BTA Georgia, BTA Tunisia, BTA Macedonia, Cakes & Bakes, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, HAVAŞ Europe, HAVAŞ Europe Helsinki, HAVAŞ Europe Stockholm and TAV Bilişim are fully consolidated with the non-controlling interest's ownership reflected as a non-controlling interest. The share capital 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.
- ATÜ, ATÜ Georgia, ATÜ Tunisia, ATÜ Macedonia, ATÜ Latvia, TAV Gözen, CAS, TGS and BTA Denizyolları are proportionately consolidated.

***<u>i) Business combinations:</u>***

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 acquiree; 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**a) <u>Basis of consolidation (continued)</u>**

***ii) Subsidiaries:***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

***iii) Acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

In 2011, TAV Holding acquired 16% of TAV Batumi's shares from Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat") in return for USD 667 (EUR 467). As a result, TAV Holding's share in TAV Batumi increased to 76% and TAV Batumi is consolidated with non-controlling interest's ownership reflected as a non-controlling interest. The effect of this transaction is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

In 2011, TAV Holding acquired 33.33% of TAV Güvenlik's shares from Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş. in return for TRL 6,000 (EUR 2,761). As a result, TAV Holding's share in TAV Güvenlik increased to 100% and TAV Güvenlik is fully consolidated without any non-controlling interest ownership. The effect of this transaction is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

In 2011, TAV Holding acquired 10% of TAV Tbilisi's shares from Sera Yapı Endüstrisi ve Tic. A.Ş. ("Sera Yapı") and Akfen İnşaat in return for USD 8,583 (EUR 5,954). As a result, TAV Holding's share in TAV Tbilisi increased to 76% and TAV Tbilisi is consolidated with non-controlling interest's ownership reflected as a non-controlling interest. The effect of this transaction is recognised as an equity transaction as other reserves in the consolidated financial statements.

On 12 April 2010, 50% of HAVAŞ Europe was acquired by HAVAŞ. HAVAŞ Europe was jointly controlled by HAVAŞ and Baltic Aviation Services and was proportionately consolidated until December 2011 (Note 7). Effect of this transaction is presented as "acquisitions through business combinations" in the consolidated financial statements. On 21 December 2011, an additional 16.67% of HAVAŞ Europe shares was acquired in return for EUR 1,001 by HAVAŞ. After this acquisition HAVAŞ obtained the control of HAVAŞ Europe and HAVAŞ Europe is consolidated with the non-controlling interest's ownership reflected as a non-controlling interest as at 31 March 2012. Effect of this change is presented as "effect of change in group structure" in the consolidated interim financial statements.

***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 year 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 Group controlling shareholder's consolidated interim 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Basis of consolidation (continued)**

***vi) Jointly controlled entities:***

Jointly controlled entities are those entities over whose activities the Group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated interim financial statements on a line-by-line basis.

***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 interim financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity. 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

***ii) Foreign operations:***

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

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

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**b) Foreign currency (continued)**

***ii) Foreign operations* (continued):**

The Group entities use either EUR, TRL, USD, TND, MKD, SEK or GEL 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 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 in accordance with the relevant provisions of IAS 21 (“The Effects of Changes in Foreign Exchange Rates”). The Group uses EUR as the reporting currency.

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

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

The EUR / TRL, EUR / GEL, EUR / TND, EUR / MKD, EUR / SEK and EUR / USD exchange rates as of the related periods are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| EUR / TRL | 2.3664 | 2.4438 |
| EUR / GEL | 2.2149 | 2.1614 |
| EUR / TND | 2.0081 | 1.9383 |
| EUR / MKD | 61.5050 | 61.5050 |
| EUR / SEK | 8.8436 | 8.9447 |
| EUR / USD | 1.3348 | 1.2938 |

**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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**c) Financial instruments (continued)**

***i) Non-derivative financial assets (continued):***

***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.

Loans and receivables comprise cash and cash equivalents, restricted bank balances, trade receivables, due from related parties, guaranteed passenger fee receivable from DHMİ (Concession receivables) (see Note 25).

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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 plus 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 component of cash and cash equivalents for the purpose of the statement of cash flows.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Financial instruments (continued)

#### *iii) Share capital:*

Ordinary shares are classified as equity.

#### *iv) Derivative financial instruments, including hedge accounting:*

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, 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 or 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; 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 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**d) Property and equipment**

***i) Recognition and measurement:***

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

***ii) Subsequent costs:***

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

***iii) Depreciation:***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. 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.

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

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

| | |
|---|---|
| Buildings | 50 years |
| Machinery and equipment | 4-19 years |
| Vehicles | 5-18 years |
| Furniture and fixtures | 2-19 years |
| Leasehold improvements | 1-15 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The useful lives of certain machinery, equipments, vehicles, furniture and fixtures of HAVAŞ are revised as of 31 December 2011.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Intangible assets (continued)**

***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, purchase of TGS shares in 2009 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 and purchase of TGS shares in 2009. 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 in IAS 38 *Intangible Assets* and its fair value can be measured reliably.

The fair values of DHMİ licence and customer relationship are 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 interim financial statements prior to the acquisition of the additional 40% shareholding.

50% share purchase of TGS, 50% and 16.67% share purchases of HAVAŞ Europe are accounted by applying IFRS 3 in 2009, 2010, and 2011, respectively. DHMİ license and customer relations arising from the share purchase are revalued at their fair values which are determined by the independent valuation experts.

***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 recognized during acquisitions of HAVAŞ, TGS 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.

Amortisation of the airport operation right is calculated on a straight line basis over the BOT periods of each project from the date of commencement of physical construction of the terminal.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**e) Intangible assets (continued)**

***vii) Service concession arrangements***

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa and TAV İzmir have guaranteed passenger fee to be received from DHMİ. The agreements cover a period up to January 2015 for TAV İzmir and 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 August 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 Antalya Gazipaşa Airport (air side, land side, parking-apron-taxi ways). The agreement covers a period up to May 2034.

On 24 September 2008, the 20-year BOT 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.

*i) Intangible assets:*

The Group recognizes 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 Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, 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 İzmir, TAV Esenboğa, TAV Tbilisi, TAV Tunisia, TAV Gazipaşa and TAV Macedonia are 0%, 0%, 15%, 5%, 0% and 0%, 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.

*ii) Financial assets:*

The Group recognizes the guaranteed passenger fee amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa and TAV İzmir. Financial assets are initially recognised at fair value. Fair value of financial assets is estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument. (see Note c)i)).

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**e) Intangible assets (continued)**

***vii) Service concession arrangements (continued)***

*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.

Under IFRIC 12 an operator recognizes an intangible asset or financial asset received as consideration for providing construction or upgrade services or other items. In TAV İstanbul there is neither construction nor significant upgrade service provided and the contract is in operating phase. Therefore, no intangible asset or financial asset is recognised in TAV İstanbul's financial statements and the revenue and costs relating to the operation services are recognised in accordance with IAS 18.

**f) Leased assets**

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

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

**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 selling expenses.

**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, the disappearance of an active market for a security.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**h) Impairment (continued)**

***i) Non-derivative financial assets (continued):***

*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. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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

***ii) Non-financial assets:***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 2,805 as at 31 March 2012 (equivalent to full EUR 1,185 as at 31 March 2012) (31 December 2011: full TRL 2,732 (equivalent to full EUR 1,118 as at 31 December 2011)) 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 interim financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 31) 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 recognized immediately in profit or loss.

### j) Provisions

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

### k) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**k) Revenue (continued)**

*Sales of duty free goods:* Sales of goods are recognised when goods are delivered and title passes.

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

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

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

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

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

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

**l) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**m) Finance income and finance costs**

Finance income comprises interest income on funds invested and unwinding of discount on guaranteed passenger fee receivable from DHMİ arising from the application of IFRIC 12 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 are reported on a net basis as either finance income or finance cost.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n) Tax**

Tax expense comprises current and deferred tax. Income tax expense 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.

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

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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that 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.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 judgements about future events. New information may become available that causes the Company 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.

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

**o) Earnings per share**

The Group presents basic and diluted EPS data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There are no dilutive potential shares.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**p) Segment reporting**

An operating segment is a component of the Group 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 year to acquire property, plant and equipment, and intangible assets other than goodwill.

**q) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2012, and have not been applied in preparing these consolidated interim financial statements. Among those new standards, the following are expected to have effect on the consolidated interim financial statements of the Group:

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012.
- IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and SIC-12 *Consolidation—Special Purpose Entities* and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 27 *Separate Financial Statements (2011)* supersedes IAS 27 *Consolidated and Separate Financial Statements* (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures (2011)* supersedes IAS 28 *Investments in Associates* (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

The Group does not plan to adopt these standards early and the extent of the impact has not been determined yet.

### 4. DETERMINATION OF FAIR VALUES

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 replacement cost when appropriate.

***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 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 İzmir, TAV Esenboğa, TAV Tbilisi, TAV Tunisia, TAV Gazipaşa and TAV Macedonia are 0%, 0%, 15%, 5%, 0% and 0%, 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. 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.

***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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### 5. FINANCIAL RISK MANAGEMENT

**Overview**

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 interim financial statements.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has established a Risk Management Department who is responsible for the Enterprise Risk Management function within the Group, and aims to develop a disciplined and constructive risk management and control environment in which all employees know and understand their roles and responsibilities.

All directors act to ensure an effective risk management and internal control process, providing assurance in relation to continuous identification and evaluation of the risks that exist in all main process areas.

The Group Audit Committee is assisted in its oversight role by Internal Audit. The mission of the Internal Audit Directorate of the Group is to assist TAV Holding Board of Directors and Management (including subsidiaries) in their oversight, management and operating responsibilities by identifying; ineffectivenesses 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 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), method of sales which is cash or credit card basis for duty free sales.

In addition, the Group receives letters of guarantee, and notes from some customers whose credibility is low.

## 5. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational and financial expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Group as mentioned in Note 36.

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 March 2012, 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, SEK and TRL which are disclosed within the relevant notes to these consolidated interim financial statements. The currencies in which these transactions primariliy denominated are USD and TRL. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial instruments as mentioned in Note 38.

***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 as mentioned in Note 38.

### 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.

### 5. FINANCIAL RISK MANAGEMENT (continued)

**Operational risk (continued)**

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

**Capital management**

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 6. SEGMENT REPORTING

**Operating Segments:**

For management purposes, the Group is currently organised into four reportable segment; 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 İzmir, TAV Ege, TAV Gazipaşa, TAV Tunisia, TAV Batumi, TAV Tbilisi, Batumi Airport LLC and TAV Macedonia. TAV Tbilisi, TAV Batumi, TAV Tunisia, TAV Gazipaşa and TAV Macedonia 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 and BTA Denizyolları.

- ***Duty free operations:*** Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATÜ, ATÜ Georgia, ATÜ Tunisia, ATÜ Macedonia and ATÜ Latvia.

- ***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, CAS, TAV Gözen, TGS, HAVAŞ Europe, HAVAŞ Europe Helsinki and HAVAŞ Europe Stockholm. HAVAŞ also provides bus operations.

- ***Other:*** Providing lounge services, IT and Security services, the Group companies included in this segment are TAV Holding, TAV İşletme, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV Bilişim, TAV Güvenlik and TAV Latvia.

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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 6. SEGMENT REPORTING (continued)

**Operating Segments**

| | Three-month period ended 31 March | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Terminal Operations | | Catering Operations | | Duty Free Operations | | Ground Handling and Bus Operations | | Other Operations | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Total external revenues | 83,459 | 67,316 | 17,224 | 12,417 | 49,230 | 40,326 | 38,942 | 36,615 | 5,445 | 6,400 | 194,300 | 163,074 |
| Inter-segment revenue | 28,692 | 24,639 | 3,472 | 3,105 | - | - | 89 | 27 | 4,507 | 4,422 | 36,760 | 32,193 |
| Construction revenue | 91 | 17,363 | - | - | - | - | - | - | - | - | 91 | 17,363 |
| Construction expenditure | (91) | (17,363) | - | - | - | - | - | - | - | - | (91) | (17,363) |
| Interest income | 3,273 | 2,715 | 118 | 106 | 219 | 217 | 297 | 94 | 1,883 | 970 | 5,790 | 4,102 |
| Interest expense | (19,018) | (21,474) | (47) | (24) | (261) | (337) | (1,654) | (1,884) | (2,045) | (1,614) | (23,025) | (25,333) |
| Depreciation and amortisation | (13,896) | (11,222) | (572) | (466) | (279) | (222) | (2,494) | (3,153) | (344) | (316) | (17,585) | (15,379) |
| Reportable segment operating profit / (loss) | 22,430 | 12,735 | 1,455 | 70 | 4,031 | 2,935 | (3,152) | (767) | (2,143) | (1,648) | 22,621 | 13,325 |
| Capital expenditure | 2,401 | 19,186 | 1,549 | 425 | 161 | 112 | 863 | 2,131 | 441 | 115 | 5,415 | 21,969 |

| | As at 31 March 2012 and 31 December 2011 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Terminal Operations | | Catering Operations | | Duty Free Operations | | Ground Handling and Bus Operations | | Other Operations | | Total | |
| | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 |
| Reportable segment assets | 1,647,161 | 1,670,273 | 26,881 | 22,378 | 27,894 | 31,852 | 136,273 | 144,205 | 226,431 | 212,540 | 2,064,640 | 2,081,248 |
| Other investments | - | - | - | - | - | - | - | - | 24 | 24 | 24 | 24 |
| Reportable segment liabilities | 1,142,006 | 1,206,338 | 19,203 | 15,836 | 39,836 | 38,377 | 115,974 | 120,794 | 185,374 | 137,479 | 1,502,393 | 1,518,824 |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

**6. SEGMENT REPORTING (continued)**

**Reconciliations of reportable segment revenues, profit before tax, assets and liabilities and other material items**

| **Revenues** | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| Total revenue for reportable segments | 221,199 | 201,808 |
| Other revenue | 9,952 | 10,822 |
| Elimination of inter-segment revenue | (36,760) | (32,193) |
| **Consolidated revenue** | **194,391** | **180,437** |

| **Operating profit** | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| Segment operating profit | 24,764 | 14,973 |
| Other operating loss | (2,143) | (1,648) |
| Elimination of inter-segment operating profit | (8) | (15) |
| **Consolidated operating profit** | **22,613** | **13,310** |
| Finance income | 8,912 | 5,255 |
| Finance expense | (23,536) | (30,630) |
| **Consolidated profit before tax** | **7,989** | **(12,065)** |

| **Assets** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Total assets for reportable segments | 1,838,209 | 1,868,708 |
| Other assets | 226,431 | 212,540 |
| **Consolidated total assets** | **2,064,640** | **2,081,248** |

| **Liabilities** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Total liabilities for reportable segments | 1,317,019 | 1,381,345 |
| Other liabilities | 185,374 | 137,479 |
| **Consolidated total liabilities** | **1,502,393** | **1,518,824** |

| **Interest income** | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| Total interest income for reportable segments | 3,907 | 3,132 |
| Other interest income | 1,883 | 970 |
| Elimination of inter-segment interest income | (1,369) | (1,312) |
| **Consolidated interest income** | **4,421** | **2,790** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 6. SEGMENT REPORTING (continued)

| **Interest expense** | **1 January-<br>31 March<br>2012** | **1 January-<br>31 March<br>2011** |
|---|---|---|
| Total interest expense for reportable segments | (20,980) | (23,719) |
| Other interest expense | (2,045) | (1,614) |
| Elimination of inter-segment interest expense | 1,399 | 1,315 |
| **Consolidated interest expense** | **(21,626)** | **(24,018)** |

**Geographical information**

The main geographical segments of the Group are comprised of Turkey, Tunisia, Georgia and Macedonia.

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** | **1 January-<br>31 March<br>2012** | **1 January-<br>31 March<br>2011** |
|---|---|---|
| Turkey | 178,579 | 151,577 |
| Georgia | 5,846 | 4,824 |
| Tunisia | 4,853 | 2,463 |
| Macedonia | 3,505 | 20,474 |
| Other | 1,608 | 1,099 |
| **Consolidated revenue** | **194,391** | **180,437** |

| **Non-current assets** | **31 March<br>2012** | **31 December<br>2011** |
|---|---|---|
| Turkey | 796,660 | 696,375 |
| Tunisia | 515,060 | 514,239 |
| Macedonia | 84,634 | 85,759 |
| Georgia | 75,316 | 78,411 |
| Other | 725 | 688 |
| **Consolidated non-current assets** | **1,472,395** | **1,375,472** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 7. ACQUISITIONS OF JOINTLY CONTROLLED ENTITIES AND ADDITIONAL INTERESTS

**Acquisitions of additional interest**

Acquisition of 16.67% shares of HAVAŞ Europe:

On 21 December 2011, HAVAŞ acquired 16.67% shareholding of HAVAŞ Europe in return for EUR 1,001, increasing its total share from 50% to 66.67%. After the transfer of 16.67% shares, HAVAŞ Europe is fully consolidated with the non-controlling interest's ownership reflected as a non-controlling interest.

| **Identifiable assets acquired and liabilities assumed** | **Recognized values on acquisition** |
|---|---|
| Property and equipment | 5,591 |
| Intangible assets | 2,444 |
| Other non-current assets | 65 |
| Deferred tax assets | 49 |
| Inventories | 90 |
| Trade receivables | 884 |
| Due from related parties | 1 |
| Cash and cash equivalents | 68 |
| Other assets | 389 |
| Loans and borrowings | (3,909) |
| Trade payables | (1,450) |
| Due to related parties | (35) |
| Other liabilities | (1,667) |
| Provisions | (536) |
| Deferred tax liabilities | (330) |
| **Total identifiable net assets** | **1,654** |
| | |
| Cash consideration paid | 1,002 |
| Total net identifiable assets | (1,654) |
| Fair value of non-controlling interest | 551 |
| Fair value of previously held interest | 827 |
| **Goodwill** | **726** |
| | |
| Cash consideration paid | 1,002 |
| Cash and cash equivalents acquired | (34) |
| **Net cash outflow arising on acquisition** | **968** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 8. CONSTRUCTION REVENUE AND EXPENDITURE

An analysis of the Group's construction revenue and expenditure for the three-month periods ended 31 March is as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| **Construction expenditure** | **91** | **17,363** |
| Mark-up on construction expenditure | - | - |
| **Construction revenue** | **91** | **17,363** |

Construction revenue and expenditure for the three-month periods ended 31 March 2012 are relate to the construction of Skopje International Airport and Enfidha International Airport (Construction revenue and expenditure for the three-month period ended 31 March 2011 are relate to the construction of Skopje International Airport and Ohrid International Airport).

### 9. OPERATING REVENUE

An analysis of the Group's operating revenue for the three-month periods ended 31 March is as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Sales of duty free goods | 49,230 | 40,326 |
| Aviation income | 44,920 | 35,971 |
| Ground handling income | 39,928 | 34,539 |
| Commission from sales of duty free goods | 20,676 | 17,512 |
| Catering services income | 15,760 | 11,002 |
| Area allocation income | 7,154 | 5,687 |
| Income from car parking operations and valet service income | 6,865 | 5,545 |
| Income from lounge services | 3,881 | 5,171 |
| Bus services income | 3,104 | 4,838 |
| Other operating revenue | 2,782 | 2,483 |
| **Total operating revenue** | **194,300** | **163,074** |

### 10. OTHER OPERATING INCOME

An analysis of the Group's other operating income for the three-month periods ended 31 March is as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Advertising income | 4,749 | 3,214 |
| Rent income from sublease | 3,217 | 2,411 |
| Utility and general participation income (*) | 408 | 149 |
| Other income | 1,974 | 1,925 |
| **Total other operating income** | **10,348** | **7,699** |

(*) Utility and general participation income consists of electricity, water supplies, heat, natural gas expenses which are initially paid by the Group and charged to the tenants of the terminal according to the $m^2$ of the areas rented.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 11. PERSONNEL EXPENSES

An analysis of the Group's personnel expenses for the three-month periods ended 31 March is as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---:|---:|
| Wages and salaries | 52,779 | 45,934 |
| Compulsory social security contributions | 7,555 | 6,803 |
| Employment termination benefit expenses | 1,620 | 2,176 |
| Other personnel expenses | 4,530 | 4,134 |
| **Total personnel expenses** | **66,484** | **59,047** |

## 12. CONCESSION AND RENT EXPENSES

An analysis of the Group's concession and rent expenses for the three-month periods ended 31 March is as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---:|---:|
| TAV İstanbul | 29,285 | 30,988 |
| TAV Ege (*) | 2,179 | - |
| TAV Macedonia (**) | 609 | 512 |
| TAV Tunisia (***) | 515 | 313 |
| **Total concession rent expenses** | **32,588** | **31,813** |

Rent expense is related with TAV İstanbul, concession rent expense is related with TAV Ege, TAV Macedonia and TAV Tunisia.

(*) TAV Ege will pay an aggregate concession amount of EUR 610,000 + VAT during the concession period. TAV Ege has paid 2% of the concession amount at the concession agreement execution date and 3% of the concession amount on the last day of the third month following the execution. The remaining part of the concession amount will be paid in equal installments on the first business day of every year, starting from 1 January 2013, throughout the concession period.

(**) 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.

(***) 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. Based on the negotiations with OACA, the concession fee payable for 2011 is reduced by EUR 4,645 and concession fee payables for 2011, 2012, and 2013 are deferred by 3 years to 2014, 2015 and 2016.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 13. OTHER OPERATING EXPENSES

An analysis of the Group's other operating expenses for the three-month periods ended 31 March is as follows:

| | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| Insurance expense | 3,366 | 2,548 |
| Utility cost | 3,349 | 2,825 |
| VAT non-recoverable | 3,288 | 3,088 |
| Cleaning expense | 2,526 | 2,232 |
| Maintenance expenditures | 2,524 | 2,605 |
| Consultancy expense | 1,770 | 945 |
| Rent expense | 1,350 | 812 |
| Advertisement and marketing expenses | 1,232 | 587 |
| Traveling and transportation expenses | 1,120 | 723 |
| Communication and stationary expenses | 835 | 806 |
| Taxes | 743 | 1,306 |
| Representation expenses | 424 | 270 |
| Security cost | 298 | 305 |
| Provision expenses | 156 | 256 |
| Other operating expenses | 2,075 | 1,775 |
| **Total other operating expenses** | **25,056** | **21,083** |

### 14. DEPRECIATION AND AMORTISATION

An analysis of the Group's accumulated depreciation and amortisation for the year ended three-month periods ended 31 March is as follows:

| | **Airport operation right** | **Property and equipment** | **Other intangible assets** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2011** | **102,057** | **97,494** | **20,051** | **219,602** |
| Effect of movements in exchange rates | (442) | (889) | (83) | (1,414) |
| Charge for the period | 8,710 | 5,253 | 1,416 | 15,379 |
| Disposals | - | (185) | (153) | (338) |
| **Balance at 31 March 2011** | **110,325** | **101,673** | **21,231** | **233,229** |
| **Balance at 1 January 2012** | **140,863** | **117,773** | **25,074** | **283,710** |
| Effect of movements in exchange rates | (645) | 177 | 45 | (423) |
| Charge for the period | 10,039 | 6,266 | 1,280 | 17,585 |
| Disposals | - | (249) | - | (249) |
| **Balance at 31 March 2012** | **150,257** | **123,967** | **26,399** | **300,623** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 15. FINANCE INCOME AND FINANCE COSTS

**Recognised in profit or loss**

An analysis of the Group's finance income and finance costs for the three-month periods ended 31 March is as follows:

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| Interest income on bank deposits and intercompany loans | 4,421 | 2,790 |
| Discount income, net (*) | 2,836 | 2,447 |
| Foreign exchange gain, net | 1,640 | - |
| Other finance income | 15 | 18 |
| **Finance income** | **8,912** | **5,255** |
| Interest expense on financial liabilities and intercompany loans | (21,626) | (24,018) |
| Foreign exchange loss, net | - | (4,968) |
| Commission expense | (529) | (354) |
| Other finance costs (**) | (1,381) | (1,290) |
| **Finance costs** | **(23,536)** | **(30,630)** |
| **Net finance costs** | **(14,624)** | **(25,375)** |

(*) Discount income includes unwinding of discount on guaranteed passenger fee receivables from DHMİ (concession receivables) amounting to EUR 2,883 (31 March 2011: EUR 2,427).

(**) Other finance costs include bank charges and consultancy expenses charged in accordance with the requirements of project financing facilities.

**Recognised in other comprehensive income**

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| Effective portion of changes in fair value of cash flow hedges | (11,757) | 14,955 |
| Foreign currency translation differences for foreign operations | (35) | (3,214) |
| Tax on cash flow hedge reserves | 2,749 | (3,276) |
| **Finance (costs) / income recognised in other comprehensive income, net of tax** | **(9,043)** | **8,465** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 16. TAX EXPENSE

An analysis of the Group's tax expense for the three-month periods ended 31 March is as follows:

**Tax recognised in profit or loss**

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| **Current tax expense** | | |
| Current period tax expense | 4,657 | 1,367 |
| | 4,657 | 1,367 |
| **Deferred tax (income) / expense** | | |
| Origination and reversal of temporary differences | (3,115) | 6,191 |
| Change in previously recognised investment incentives (*) | (937) | 214 |
| Change in previously recognised tax losses (*) | (1,465) | (3,021) |
| | (5,517) | 3,384 |
| **Total tax (benefit) / expense** | **(860)** | **4,751** |

(*) See Note 22.

**Tax recognised in other comprehensive income**

| | 1 January - 31 March 2012 | | | 1 January - 31 March 2011 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax benefit | Net of tax | Before tax | Tax benefit | Net of tax |
| Revaluation of property and equipment | 17 | - | 17 | 17 | - | 17 |
| Effective portion of changes in fair value of cash flow hedges | (11,757) | 2,749 | (9,008) | 14,955 | (3,276) | 11,679 |
| Foreign currency translation differences for foreign operations | (35) | - | (35) | (3,214) | - | (3,214) |
| | **(11,775)** | **2,749** | **(9,026)** | **11,758** | **(3,276)** | **8,482** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 16. TAX EXPENSE (continued)

**Reconciliation of effective tax rate**

The reported tax expenses for the three-month periods ended 31 March 2012 and 2011 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:

| | % | 1 January-31 March 2012 | % | 1 January-31 March 2011 |
|---|---|---|---|---|
| Profit / (loss) for the period | | 8,849 | | (16,816) |
| Total tax (benefit) / expense | | (860) | | 4,751 |
| **Profit / (loss) before tax** | | **7,989** | | **(12,065)** |
| Tax using the Company's domestic tax rate | 20 | 1,598 | 20 | (2,413) |
| Tax effects of: | | | | |
| - not deductible expenses | 11 | 850 | (10) | 1,171 |
| - translation of non-monetary items according to IAS 21 | (26) | (2,081) | (6) | 699 |
| - change in previously recognised investment incentives | (12) | (937) | (2) | 214 |
| - tax exempt income | (5) | (366) | - | (49) |
| - translation effect on tax losses | (6) | (487) | (15) | 1,851 |
| - recognition of previously unrecognised tax losses | - | - | - | (1) |
| - current year losses for which no deferred tax asset is recognized | 5 | 369 | (24) | 2,923 |
| - effect of different tax rates for foreign jurisdictions | (8) | (630) | 9 | (1,120) |
| - change in unrecognized temporary differences | 2 | 159 | 2 | (301) |
| - other consolidation adjustments | 8 | 665 | (15) | 1,777 |
| **Tax (benefit) / expense** | **(11)** | **(860)** | **(39)** | **4,751** |

***Corporate tax:***

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Corporate tax provision | 4,657 | 33,147 |
| Adjustments for prior periods | - | 2,948 |
| Add: taxes payable from previous period | 11,782 | 9,921 |
| Less: corporation taxes paid during the period | (12,752) | (34,234) |
| **Current tax liabilities** | **3,687** | **11,782** |

The Turkish entities within the Group are subject to Turkish corporate taxes. Provision is made in the accompanying consolidated interim financial statements for the estimated charge based on the each of the Group entities' results for the year.

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 rate at 31 March 2012 is 20% (31 December 2011: 20%).

Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back.

### 16. TAX EXPENSE (continued)

***Corporate tax (continued):***

Georgian corporate income tax is levied at a rate of 15% on income less deductible expenses.

Tunisian corporate income tax is levied at a rate of 30% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

Macedonian corporate income tax is levied at a rate of 10% on income less deductible expenses. Unless there is a dividend distribution, no corporate tax is levied. Losses cannot be carried forward in determining corporate tax base. Corporate taxpayers should pay tax on their non-deductible expenses at a rate of %10. However, in determining the base of the tax over non-deductible expenses, losses can be carried forward for five years according to the amendment on tax legislation.

Latvian corporate income is levied at a rate of 15% on income less deductible expenses.

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.

***Investment allowance:***

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no. 26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other hand, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no. 5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no. 2 of the Article 15 of the Law no. 5479 and the expressions of “2006, 2007, 2008” in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no. 27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

## 16. TAX EXPENSE (continued)

***Investment allowance (continued):***

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 17 February 2012, the Turkish Constitutional Court decided to cancel the Article 5 of the Law no. 6009 and the cancelation 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.

***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. 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 6111***

The Law numbered 6111 has been put into effect following its promulgation in the Official Gazette on 25 February 2011. 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 2006 and 2009.

Some of the subsidiaries of the Group have benefited from the aforementioned law for the fiscal years 2006-2009 for corporate and value added taxes by increasing their tax bases, which resulted in additional and corporate taxes amounting to EUR 2,931 and VAT amounting to EUR 1,269. In 2011, the related corporate tax expense is included in the current tax expense for the period as an adjustment for prior periods.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 17. PROPERTY AND EQUIPMENT

| | Land | Buildings | Machinery and equipment | Vehicles | Furniture and fixtures | Leaseholds improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance at 1 January 2011** | **14,424** | **387** | **81,826** | **22,594** | **23,808** | **91,270** | **32,721** | **267,030** |
| Effect of movements in exchange rates | (309) | (5) | (1,119) | (303) | (573) | (590) | (14) | (2,913) |
| Additions (*) | - | - | 1,714 | 164 | 466 | 492 | 1,429 | 4,265 |
| Disposals | - | (2) | (27) | (174) | (44) | (73) | - | (320) |
| Transfers (**) | - | - | - | - | - | 20,323 | (20,562) | (239) |
| **Balance at 31 March 2011** | **14,115** | **380** | **82,394** | **22,281** | **23,657** | **111,422** | **13,574** | **267,823** |
| **Balance at 1 January 2012** | **7,967** | **325** | **88,825** | **27,027** | **27,127** | **136,713** | **8,752** | **296,736** |
| Effect of movements in exchange rates | (192) | (6) | 491 | (121) | 225 | 284 | (58) | 623 |
| Additions (*) | - | 7 | 374 | 388 | 1,093 | 859 | 2,206 | 4,927 |
| Disposals | - | - | (20) | (215) | (115) | (12) | (1,226) | (1,588) |
| Transfers | - | - | - | - | 13 | 227 | (240) | - |
| **Balance at 31 March 2012** | **7,775** | **326** | **89,670** | **27,079** | **28,343** | **138,071** | **9,434** | **300,698** |

(*) There is no capitalised borrowing costs on property and equipment during 2012 (31 March 2011: EUR 94). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 100% during 2011.

(**) The remaining portion of transfer amounting to EUR 239 comprises transfer to intangible assets.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 17. 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 2011** | **-** | **121** | **47,308** | **13,521** | **15,337** | **21,207** | **-** | **97,494** |
| Effect of movements in exchange rates | - | (2) | (166) | (94) | (388) | (239) | - | (889) |
| Depreciation for the period | - | 9 | 1,338 | 765 | 725 | 2,416 | - | 5,253 |
| Disposals | - | (2) | (15) | (110) | (37) | (21) | - | (185) |
| **Balance at 31 March 2011** | **-** | **126** | **48,465** | **14,082** | **15,637** | **23,363** | **-** | **101,673** |
| **Balance at 1 January 2012** | **-** | **157** | **52,239** | **16,228** | **17,205** | **31,944** | **-** | **117,773** |
| Effect of movements in exchange rates | - | (4) | 24 | (77) | 121 | 113 | - | 177 |
| Depreciation for the period | - | 9 | 1,125 | 497 | 773 | 3,862 | - | 6,266 |
| Disposals | - | - | (15) | (190) | (42) | (2) | - | (249) |
| **Balance at 31 March 2012** | **-** | **162** | **53,373** | **16,458** | **18,057** | **35,917** | **-** | **123,967** |
| **Carrying amounts** | | | | | | | | |
| **At 31 March 2011** | **14,115** | **254** | **33,929** | **8,199** | **8,020** | **88,059** | **13,574** | **166,150** |
| **At 31 December 2011** | **7,967** | **168** | **36,586** | **10,799** | **9,922** | **104,769** | **8,752** | **178,963** |
| **At 31 March 2012** | **7,775** | **164** | **36,297** | **10,621** | **10,286** | **102,154** | **9,434** | **176,731** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 17. PROPERTY AND EQUIPMENT (continued)

There is a pledge on vehicles of HAVAŞ amounting to EUR 3,148 (31 December 2011: EUR 3,148) for the outstanding notes payable amounting to EUR 262 (31 December 2011: EUR 1,049).

There is a pledge on property and equipment of TAV Tunisia amounting to EUR 2,878 as at 31 March 2012 (31 December 2011: EUR 2,999) with respect to the borrowings obtained from financial institutions.

### 18. INTANGIBLE ASSETS

| | Purchased software and brandmarks | Internally generated software | Customer relationships | DHMİ license | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2011** | **12,748** | **4,091** | **33,346** | **7,744** | **57,929** |
| Effect of movements in exchange rates | (125) | - | - | - | (125) |
| Additions | 343 | - | - | - | 343 |
| Disposals | (153) | - | - | - | (153) |
| Transfers from construction in progress (*) | 239 | - | - | - | 239 |
| **Balance at 31 March 2011** | **13,052** | **4,091** | **33,346** | **7,744** | **58,233** |
| **Balance at 1 January 2012** | **14,027** | **4,091** | **35,130** | **7,744** | **60,992** |
| Effect of movements in exchange rates | 87 | - | - | - | 87 |
| Additions | 404 | - | - | - | 404 |
| **Balance at 31 March 2012** | **14,518** | **4,091** | **35,130** | **7,744** | **61,483** |
| **Amortisation** | | | | | |
| **Balance at 1 January 2011** | **8,320** | **1,082** | **10,649** | **-** | **20,051** |
| Effect of movements in exchange rates | (83) | - | - | - | (83) |
| Amortisation for the period | 575 | 68 | 773 | - | 1,416 |
| Disposals | (153) | - | - | - | (153) |
| **Balance at 31 March 2011** | **8,659** | **1,150** | **11,422** | **-** | **21,231** |
| **Balance at 1 January 2012** | **9,976** | **1,355** | **13,743** | **-** | **25,074** |
| Effect of movements in exchange rates | 45 | - | - | - | 45 |
| Amortisation for the period | 361 | 68 | 851 | - | 1,280 |
| **Balance at 31 March 2012** | **10,382** | **1,423** | **14,594** | **-** | **26,399** |
| **Carrying amounts** | | | | | |
| **At 31 March 2011** | **4,393** | **2,941** | **21,924** | **7,744** | **37,002** |
| **At 31 December 2011** | **4,051** | **2,736** | **21,387** | **7,744** | **35,918** |
| **At 31 March 2012** | **4,136** | **2,668** | **20,536** | **7,744** | **35,084** |

(*) Transfers amounting to EUR 239 are related with construction in progress as of 31 March 2011.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 18. INTANGIBLE ASSETS (continued)

DHMİ licenses through the purchase of HAVAŞ shares in years 2005 and 2007 and purchase of TGS shares in the year 2009 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 DHMİ license associated with the acquisitions of HAVAŞ and TGS were deemed indefinite lived intangible assets since;

- without these licenses ground handling companies could not operate,
- it's 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 Group has reviewed for indications of impairment for DHMİ licences since 31 December 2011 and concluded that impairment testing is not needed as at 31 March 2012.

**Goodwill**

An analysis of goodwill as at 31 March 2012 and 31 December 2011 is as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Balance at 1 January | 152,129 | 154,020 |
| Effect of change in group structure (*) | - | (1,891) |
| **Balance at the end of the period** | **152,129** | **152,129** |

Goodwill is related with the CGU's HAVAŞ, TGS, HAVAŞ Europe and TAV Tbilisi as at 31 March 2012 and 31 December 2011.

(*) After the step acquisition of additional 16.67% shares of HAVAŞ Europe in December 2011, HAVAŞ has obtained control of HAVAŞ Europe. As a result of obtaining control over HAVAŞ Europe, identifiable assets acquired and the liabilities assumed are reassessed and previous goodwill amounting to EUR 2,617 arising from the acquisition of 50% shares of HAVAŞ Europe in 2010 was recomputed as EUR 726 in the consolidated financial statements as at 31 December 2011 (see Note 7).

**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 March 2012 | 31 December 2011 |
|---|---|---|
| HAVAŞ | 131,565 | 131,565 |
| TGS | 15,980 | 15,980 |
| TAV Tbilisi | 3,858 | 3,858 |
| HAVAŞ Europe | 726 | 726 |
| | **152,129** | **152,129** |

The Group has reviewed for indications of impairment for goodwill since 31 December 2011 and concluded that impairment testing is not needed as at 31 March 2012.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 19. AIRPORT OPERATION RIGHT

| | Ankara Esenboğa International Airport | İzmir Adnan Menderes International Airport | Tbilisi International Airport | Enfidha International Airport | Antalya Gazipaşa Airport | Skopje International Airport | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance at 1 January 2011** | **111,500** | **80,469** | **83,767** | **511,662** | **20,804** | **28,124** | **836,326** |
| Effect of movements in exchange rates | - | - | (1,868) | - | - | - | (1,868) |
| Additions (*) | - | - | - | - | - | 17,363 | 17,363 |
| **Balance at 31 March 2011** | **111,500** | **80,469** | **81,899** | **511,662** | **20,804** | **45,487** | **851,821** |
| **Balance at 1 January 2012** | **111,500** | **80,469** | **91,079** | **515,971** | **21,525** | **86,711** | **907,255** |
| Effect of movements in exchange rates | - | - | (2,200) | - | - | - | (2,200) |
| Additions (*) | - | - | - | 68 | - | 23 | 91 |
| **Balance at 31 March 2012** | **111,500** | **80,469** | **88,879** | **516,039** | **21,525** | **86,734** | **905,146** |

(*) There is no capitalised borrowing costs on airport operation right during 2012 (31 March 2011: EUR 323). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 100% in 2011.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 19. AIRPORT OPERATION RIGHT (continued)

| | Ankara Esenboğa International Airport | İzmir Adnan Menderes International Airport | Tbilisi International Airport | Enfidha International Airport | Antalya Gazipaşa Airport | Skopje International Airport | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated amortization** | | | | | | | |
| **Balance at 1 January 2011** | **28,248** | **41,620** | **19,866** | **11,956** | **367** | **-** | **102,057** |
| Effect of movements in exchange rates | - | - | (442) | - | - | - | (442) |
| Amortisation for the period | 1,679 | 2,440 | 975 | 3,400 | 216 | - | 8,710 |
| **Balance at 31 March 2011** | **29,927** | **44,060** | **20,399** | **15,356** | **583** | **-** | **110,325** |
| **Balance at 1 January 2012** | **34,963** | **51,379** | **25,942** | **25,679** | **1,285** | **1,615** | **140,863** |
| Effect of movements in exchange rates | - | - | (645) | - | - | - | (645) |
| Amortisation for the period | 1,683 | 2,447 | 1,078 | 3,431 | 233 | 1,167 | 10,039 |
| **Balance at 31 March 2012** | **36,646** | **53,826** | **26,375** | **29,110** | **1,518** | **2,782** | **150,257** |
| **Carrying amounts** | | | | | | | |
| **At 31 March 2011** | **81,573** | **36,409** | **61,500** | **496,306** | **20,221** | **45,487** | **741,496** |
| **At 31 December 2011** | **76,537** | **29,090** | **65,137** | **490,292** | **20,240** | **85,096** | **766,392** |
| **At 31 March 2012** | **74,854** | **26,643** | **62,504** | **486,929** | **20,007** | **83,952** | **754,889** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 20. OTHER INVESTMENTS

***Non-current investments***

At 31 March 2012 and 31 December 2011, non-current investments comprised the following:

| | Ownership % | 31March 2012 | 31 December 2011 |
|---|---|---|---|
| **Unlisted entities** | | | |
| TAV Havacılık A.Ş. ("TAV Havacılık") | 1.00 | 24 | 24 |
| | | **24** | **24** |

### 21. PREPAID RENT EXPENSES

An analysis of the Group's prepaid rent expenses as at 31 March 2012, 31 December 2011 and 31 March 2011 are as follows:

| **31 March 2012** | **Rent** | **Prepaid development expenditures** | **Total** |
|---|---|---|---|
| **Balance at 31 December 2011** | **161,166** | **27,756** | **188,922** |
| Rent payments | 107,489 | - | 107,489 |
| Current period rent expense – TAV İstanbul | (28,518) | (767) | (29,285) |
| **Balance at 31 March 2012** | **240,137** | **26,989** | **267,126** |
| **Represented as current prepaid rent expense** | **91,844** | **3,088** | **94,932** |
| **Represented as non-current prepaid rent expense** | **148,293** | **23,901** | **172,194** |

| **31 December 2011** | **Rent** | **Prepaid development expenditures** | **Total** |
|---|---|---|---|
| **Balance at 31 December 2010** | **174,042** | **30,834** | **204,876** |
| Rent payments | 106,638 | - | 106,638 |
| Current period rent expense – TAV İstanbul | (119,514) | (3,078) | (122,592) |
| **Balance at 31 December 2011** | **161,166** | **27,756** | **188,922** |
| **Represented as current prepaid rent expense** | **120,363** | **3,087** | **123,450** |
| **Represented as non-current prepaid rent expense** | **40,803** | **24,669** | **65,472** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

**21. PREPAID RENT EXPENSES (continued)**

| **31 March 2011** | **Rent** | **Prepaid development expenditures** | **Total** |
|---|---|---|---|
| **Balance at 31 December 2010** | **174,042** | **30,834** | **204,876** |
| Rent payments | 106,638 | - | 106,638 |
| Current period rent expense – TAV İstanbul | (30,229) | (759) | (30,988) |
| **Balance at 31 March 2011** | **250,451** | **30,075** | **280,526** |
| **Represented as current prepaid rent expense** | **117,802** | **3,089** | **120,891** |
| **Represented as non-current prepaid rent expense** | **132,649** | **26,986** | **159,635** |

**Rent:**

The total rent associated with the rent agreement is USD 2,543,000 plus VAT (equivalent to EUR 1,905,208 as at 31 March 2012). 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 March 2012:

| **Year** | **Amount (US Dollar)** | **Amount (Euro)** |
|---|---|---|
| 2013 | 139,865 | 104,786 |
| 2014 | 139,865 | 104,786 |
| 2015 | 139,865 | 104,786 |
| 2016 | 139,865 | 104,786 |
| After 2017 to 2020 | 559,460 | 419,146 |
| | **1,118,920** | **838,290** |

**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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 22. DEFERRED TAX ASSETS AND LIABILITIES

The Group recognizes 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 2011: 20%), the rate of 15% for subsidiaries and joint ventures in Georgia and Latvia (31 December 2011: 15%), the rate of 30% for subsidiaries in Tunisia (31 December 2011: 30%) and the rate of 10% for subsidiaries in Macedonia (31 December 2011: 10%) are used.

In Turkey, companies cannot declare a consolidated tax return, therefore subsidiaries and joint ventures that have deferred tax assets position were not netted off against subsidiaries and joint ventures that have deferred tax liabilities position and disclosed separately.

**Recognised deferred tax assets and liabilities**

As at 31 March 2012 and 31 December 2011, deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 | 31 March 2012 | 31 December 2011 |
| Property and equipment, airport operation right, and other intangible assets | 9,297 | 7,421 | (15,155) | (15,334) | (5,858) | (7,913) |
| Prepaid rent expenses | - | - | (5,892) | (4,030) | (5,892) | (4,030) |
| Trade and other receivables and payables | 79 | 42 | (361) | (441) | (282) | (399) |
| Derivatives | 29,011 | 26,315 | - | - | 29,011 | 26,315 |
| Loans and borrowings | 5,878 | 3,639 | (832) | (986) | 5,046 | 2,653 |
| Reserve for employee severance indemnity | 2,224 | 1,968 | - | - | 2,224 | 1,968 |
| Provisions | 1,043 | 916 | - | - | 1,043 | 916 |
| Tax loss carry-forwards | 26,071 | 24,606 | - | - | 26,071 | 24,606 |
| Investment incentives | 30,727 | 29,790 | - | - | 30,727 | 29,790 |
| Other items | 2,736 | 2,699 | (985) | (964) | 1,751 | 1,735 |
| **Deferred tax assets / (liabilities)** | **107,066** | **97,396** | **(23,225)** | **(21,755)** | **83,841** | **75,641** |
| Set-off of tax | (17,196) | (15,678) | 17,196 | 15,678 | - | - |
| **Net deferred tax assets / (liabilities)** | **89,870** | **81,718** | **(6,029)** | **(6,077)** | **83,841** | **75,641** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

**Movements in temporary differences during the period**

| | Balance at 1 January 2011 | Recognised in profit or loss | Recognised in other comprehensive income | Effect of changes in foreign exchange rate | Acquisition through business combinations | Balance at 31 December 2011 | Recognised in profit or loss | Recognised in other comprehensive income | Effect of changes in foreign exchange rate | Balance at 31 March 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Property and equipment, airport operation right and other intangible assets | (870) | (6,863) | - | 63 | (243) | (7,913) | 2,121 | - | (66) | (5,858) |
| Prepaid rent expenses | (4,384) | 354 | - | - | - | (4,030) | (1,862) | - | - | (5,892) |
| Trade and other receivables and payables | (1,427) | 1,028 | - | - | - | (399) | 117 | - | - | (282) |
| Derivatives | 19,749 | 289 | 6,277 | - | - | 26,315 | (53) | 2,749 | - | 29,011 |
| Loans and borrowings | 2,513 | 140 | - | - | - | 2,653 | 2,393 | - | - | 5,046 |
| Reserve for employee severance indemnity | 1,401 | 567 | - | - | - | 1,968 | 256 | - | - | 2,224 |
| Provisions | 833 | 83 | - | - | - | 916 | 127 | - | - | 1,043 |
| Tax loss carry-forwards | 37,115 | (12,509) | - | - | - | 24,606 | 1,465 | - | - | 26,071 |
| Investment incentives | 16,445 | 13,345 | - | - | - | 29,790 | 937 | - | - | 30,727 |
| Other items | 1,837 | (102) | - | - | - | 1,735 | 16 | - | - | 1,751 |
| **Tax assets / (liabilities)** | **73,212** | **(3,668)** | **6,277** | **63** | **(243)** | **75,641** | **5,517** | **2,749** | **(66)** | **83,841** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

At the reporting date, the Group has unused tax losses of EUR 154,589 (31 December 2011: EUR 148,035) available for offset against future profits. Tax losses can be carried forward for five years under the current tax legislation. Deferred tax asset amounting to EUR 26,071 (31 December 2011: EUR 24,606) which the Group can utilize for offsetting the against tax losses in the following years, is recognised as at 31 March 2012. Unutilised tax losses will expire as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Expire in year 2012 | 9,190 | 9,073 |
| Expire in year 2013 | 90,594 | 92,529 |
| Expire in year 2014 | 23,062 | 21,864 |
| Expire in year 2015 | 760 | 52 |
| Expire in year 2016 | 20,507 | 24,517 |
| Expire in year 2017 and after | 10,476 | - |
| **Total** | **154,589** | **148,035** |

Tax loss carry forwards amounting to EUR 32,424 (31 December 2011: EUR 28,938) arise from TAV Tunisia's losses, and can be carried forward without any time restriction.

The Group recognised deferred tax assets related with the unused tax losses, 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, against which the unused tax losses can be utilised before they expire.

As per the annulment decision of the Turkish Constitutional Court (see Note 16), TAV Esenboğa and TAV İzmir, consolidated subsidiaries of the Company, 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 30,727 (31 December 2011: EUR 29,790) on such investment allowance of TAV Esenboğa and TAV İzmir is recorded in the accompanying consolidated interim financial statements as at 31 March 2012 since it is assessed as probable that TAV Esenboğa and TAV İzmir 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 as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Tax loss carry-forwards | 14,342 | 13,918 |
| Investment incentives | 8,066 | 7,532 |
| | **22,408** | **21,450** |

The tax incentives do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of the investment incentives because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom till the end of concession periods.

In accordance with IAS 12 "Income Taxes", at 31 March 2012, a deferred tax liability of EUR 32,922 (31 December 2011: EUR 35,584) related to investments in subsidiaries and joint ventures was not recognized since it is not assessed as probable that the temporary difference will reverse in the foreseeable future.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements of net deferred tax assets are as follows:

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| **Balance at 1 January** | **75,641** | **73,212** |
| Recognised in profit or loss for the period | 5,517 | (3,384) |
| Recognised in other comprehensive income | 2,749 | (3,276) |
| Effect of movements in exchange rates | (66) | (81) |
| **Balance at 31 March** | **83,841** | **66,471** |

## 23. INVENTORIES

At 31 March 2012 and 31 December 2011, inventories comprised the following:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Duty free inventories | 10,644 | 10,819 |
| Spare parts and other inventories | 6,948 | 6,190 |
| Catering inventories | 1,411 | 1,666 |
| | **19,003** | **18,675** |

At 31 March 2012, the write-down of inventories to net realizable value amounted to EUR 175 (31 December 2011: EUR 216).

## 24. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

At 31 March 2012 and 31 December 2011, other receivables and current assets comprised the following:

| **Other receivables and current assets** | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Advances to suppliers (*) | 31,016 | 13,601 |
| Income accruals | 9,527 | 9,576 |
| Prepaid insurance | 8,311 | 3,504 |
| Business advances given | 7,196 | 4,419 |
| VAT deductible | 5,694 | 8,222 |
| Other prepaid expense | 3,414 | 2,473 |
| Prepaid taxes and funds | 1,103 | 1,231 |
| Other receivables | 4,275 | 2,557 |
| | **70,536** | **45,583** |

(*) Advances to suppliers mainly comprises advance given to DHMİ by TAV Ege.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 24. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS (continued)

At 31 March 2012 and 31 December 2011, non-current assets comprised the following:

| **Other non-current assets:** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Advances to suppliers | 1,442 | 137 |
| Non-current prepaid insurance expenses | 3 | 23 |
| Other non-current receivables | 340 | 397 |
| | **1,785** | **557** |

## 25. TRADE RECEIVABLES

At 31 March 2012 and 31 December 2011, trade receivables comprised the following:

| **Trade receivables:** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Trade receivables (*) | 54,666 | 52,852 |
| Guaranteed passenger fee receivable from DHMİ (**) | 20,385 | 19,512 |
| Doubtful receivables | 10,223 | 10,251 |
| Allowance for doubtful receivables (-) | (10,223) | (10,251) |
| Notes receivable | 1,288 | 1,398 |
| Other | 539 | 61 |
| | **76,878** | **73,823** |
| **Non-current trade receivables:** | | |
| Guaranteed passenger fee receivable from DHMİ (**) | 89,689 | 94,299 |
| | **89,689** | **94,299** |

Allowance for doubtful receivables has been determined by reference to past default experience.

The Group's exposure to credit and market risks and impairment losses on trade receivables are disclosed in Note 38.

(*) Pledges on trade receivables are disclosed in Note 39.

(**) 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 and İzmir Adnan Menderes Airport as a result of IFRIC 12 application.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 26. CASH AND CASH EQUIVALENTS

At 31 March 2012 and 31 December 2011, cash and cash equivalents comprised the following:

| | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Cash on hand | 1,248 | 913 |
| Cash at banks | | |
| - Demand deposit | 50,456 | 14,813 |
| - Time deposits | 36,599 | 59,732 |
| Other liquid assets | 1,147 | 889 |
| Cash and cash equivalents | **89,450** | **76,347** |

The details of the Group's time deposits, maturities and interest rates as at 31 March 2012 and 31 December 2011 are as follows:

**31 March 2012**

| **Original Currency** | **Maturity** | **Interest rate %** | **Balance** |
|---|---|---|---|
| TRL | April - May 2012 | 4.00 - 12.50 | 28,949 |
| EUR | April - May 2012 | 0.50 - 5.50 | 4,784 |
| USD | April - May 2012 | 0.50 - 5.49 | 2,866 |
| | | | **36,599** |

**31 December 2011**

| **Original Currency** | **Maturity** | **Interest rate %** | **Balance** |
|---|---|---|---|
| TRL | January 2012 | 8.00 - 12.05 | 30,514 |
| EUR | January 2012 | 1.00 - 5.67 | 24,564 |
| USD | January 2012 | 0.50 - 5.74 | 4,654 |
| | | | **59,732** |

The Group's exposure interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 38.

There is no blockage or restriction on the use of cash and cash equivalents as at 31 March 2012 and 31 December 2011.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 27. RESTRICTED BANK BALANCES

At 31 March 2012 and 31 December 2011, restricted bank balances comprised the following:

| | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Project reserve and funding accounts (*) | 211,181 | 341,583 |
| Cash collaterals (**) | 1,475 | 14,163 |
| | **212,656** | **355,746** |

(*) Certain subsidiaries, namely TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Tbilisi, TAV Macedonia and ATÜ ("the Borrowers") opened Project Accounts designated mainly in order to reserve required amount of debt services, lease payment to DHMİ based on agreements with their lenders. As a result of pledges regarding the project bank loans as explained in Note 30, all cash except for cash on hand are classified in these accounts for TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Tbilisi and TAV Macedonia. 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.

(**) Cash collaterals include the time deposit provided by HAVAŞ as guarantee for its bank loan.

Interest rates are in the range of 0.50% - 4.50% (31 December 2011: 0.08% - 4.50%) for EUR reserves, in the range of 0.50% - 9.00% (31 December 2011: 0.10% - 9.00%) for USD reserves, and in the range of 4.00% - 11.05% (31 December 2011: 3.50% - 12.10%) for TRL reserves.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 28. CAPITAL AND RESERVES

At 31 March 2012 and 31 December 2011, the shareholding structure of the Company was as follows:

| **Shareholders** | **(%)** | **31 March 2012** |
|---|---|---|
| Akfen Holding A.Ş. ("Akfen Holding") | 26.12 | 94,886 |
| Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat") | 26.06 | 94,664 |
| Sera Yapı | 4.03 | 14,645 |
| Other non-floated | 3.52 | 12,775 |
| Other free float | 40.27 | 146,311 |
| **Paid in capital in TRL (nominal)** | **100.00** | **363,281** |
| Paid in capital in EUR (nominal) as at 31 March 2012 | | 153,516 |
| Effect of non-cash increases and exchange rates | | 8,868 |
| **Paid in capital EUR** | | **162,384** |

| **Shareholders** | **(%)** | **31 December 2011** |
|---|---|---|
| Akfen Holding | 26.12 | 94,886 |
| Tepe İnşaat | 26.06 | 94,664 |
| Sera Yapı | 4.03 | 14,645 |
| Other non-floated | 3.52 | 12,775 |
| Other free float | 40.27 | 146,311 |
| **Paid in capital in TRL (nominal)** | **100.00** | **363,281** |
| Paid in capital in EUR (nominal) as at 31 December 2011 | | 148,654 |
| Effect of non-cash increases and exchange rates | | 13,730 |
| **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 March 2012 (31 December 2011: 363,281,250 shares amounting to TRL 363,281).

**Legal reserves**

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and 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 Communiqué XI-29, 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 March 2012, legal reserves of the Group amount to EUR 37,597 (31 December 2011: EUR 36,350).

### 28. 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 March 2012 and 31 December 2011 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively EUR 82,863 and EUR 87,210. In addion, 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 March 2012 and 2011 loss amounts attributable to non-controlling interests in the consolidated statement of comprehensive income are respectively EUR 4,347 and EUR 935.

**Dividend distribution**

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") regulations explained below:

According to CMB's decision on 27 January 2010 numbered 02/51, corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends. For corporations that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1st party dividends in cash.

The Board of Directors of the Company has decided to distribute dividend amounting to TRL 90,820 (equivalent to EUR 38,379 as at 31 March 2012) in cash from the profit for the year 2011 with the decision numbered 2012/3. The decision will be presented to the General Assembly for the approval.

**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 cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

**Purchase of shares of entities under common control**

The purchase 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 recognized 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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 28. 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 in a subsidiary.

In 2011, TAV Holding acquired 16% of TAV Batumi’s shares from Akfen İnşaat in return for USD 667 (EUR 467). As a result, TAV Holding’s share in TAV Batumi increased to 76% and the effect of this transaction is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

In 2011, TAV Holding acquired 33.33% of TAV Güvenlik’s shares from Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş. in return for TRL 6,000 (EUR 2,761). As a result, TAV Holding’s share in TAV Güvenlik increased to 100% and TAV Güvenlik is fully consolidated without any non-controlling interest ownership and the effect of this transaction is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

In 2011, TAV Holding acquired 10% of TAV Tbilisi’s shares from Sera Yapı and Akfen İnşaat in return for USD 8,583 (EUR 5,954). As a result, TAV Holding’s share in TAV Tbilisi increased to 76% and the effect of this transaction is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

### 29. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 March 2012 was based on the profit attributable to ordinary shareholders of EUR 11,965 (31 March 2011: loss amounting to EUR 14,472) and a weighted average number of ordinary shares outstanding of 363,281,250 (31 March 2011: 363,281,250), as follows:

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Numerator: | | |
| Profit for the period | 11,965 | (14,472) |
| Denominator: | | |
| Weighted average number of shares | 363,281,250 | 363,281,250 |
| **Basic and diluted profit per share** | **0.03** | **(0.04)** |

| | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Issued ordinary shares at 1 January | 363,281,250 | 363,281,250 |
| Effect of shares issued during the period | - | - |
| **Weighted average number of ordinary shares** | **363,281,250** | **363,281,250** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 30. 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, see Note 38.

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| **Non-current liabilities** | | |
| Secured bank loans (*) | 912,418 | 964,512 |
| Unsecured bank loans | 96,411 | 55,896 |
| Finance lease liabilities | 629 | 635 |
| | **1,009,458** | **1,021,043** |
| **Current liabilities** | | |
| Current portion of long term secured bank loans (*) | 116,191 | 135,892 |
| Short term unsecured bank loans | 39,362 | 29,211 |
| Current portion of long term unsecured bank loans | 18,228 | 16,858 |
| Short term secured bank loans | 21,549 | 16,998 |
| Current portion of finance lease liabilities | 4,080 | 4,292 |
| | **199,410** | **203,251** |

(*) 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 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Bank loans | 1,204,159 | 1,219,367 |
| Finance lease liabilities | 4,709 | 4,927 |
| **Total** | **1,208,868** | **1,224,294** |

The Group's bank loans as at 31 March 2012 are as follows:

| | Presented as | | |
|---|---|---|---|
| | Current liabilities | Non-current liabilities | Total |
| TAV Tunisia | 21,950 | 350,124 | 372,074 |
| TAV İstanbul | 51,117 | 299,327 | 350,444 |
| TAV Holding | 56,473 | 95,560 | 152,033 |
| TAV Esenboğa | 11,039 | 113,484 | 124,523 |
| HAVAŞ | 18,171 | 54,723 | 72,894 |
| TAV Macedonia | 5,406 | 62,348 | 67,754 |
| ATÜ | 6,495 | 16,541 | 23,036 |
| TAV Tbilisi | 5,922 | 15,870 | 21,792 |
| TAV Gazipaşa | 17,545 | - | 17,545 |
| Others | 1,212 | 852 | 2,064 |
| | **195,330** | **1,008,829** | **1,204,159** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

The Group's bank loans as at 31 December 2011 are as follows:

| | **Presented as** | | |
|---|---|---|---|
| | **Current liabilities** | **Non-current liabilities** | **Total** |
| TAV İstanbul | 48,829 | 328,158 | 376,987 |
| TAV Tunisia | 21,666 | 346,252 | 367,918 |
| TAV Esenboğa | 11,154 | 112,107 | 123,261 |
| TAV Holding | 44,948 | 55,039 | 99,987 |
| HAVAŞ | 15,090 | 62,406 | 77,496 |
| TAV Macedonia | 6,100 | 60,458 | 66,558 |
| TAV İzmir | 20,169 | 21,605 | 41,774 |
| ATÜ | 6,776 | 17,370 | 24,146 |
| TAV Tbilisi | 6,006 | 16,155 | 22,161 |
| TAV Gazipaşa | 16,998 | - | 16,998 |
| Others | 1,223 | 858 | 2,081 |
| | **198,959** | **1,020,408** | **1,219,367** |

Redemption schedules of the Group's bank loans according to original maturities as at 31 March 2012 and 31 December 2011 are as follows:

| | **31 March 2012** | **31 December 2011** |
|---|---|---|
| On demand or within one year | 195,330 | 198,959 |
| In the second year | 210,063 | 181,405 |
| In the third year | 121,877 | 126,408 |
| In the fourth year | 130,851 | 126,878 |
| In the fifth year | 121,549 | 123,417 |
| After five years | 424,489 | 462,300 |
| | **1,204,159** | **1,219,367** |

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spread for EUR and USD denominated loans as at 31 March 2012 is between 1.54% – 5.75% and 4.50%, respectively (31 December 2011: 1.54% – 5.75% and 4.50%, respectively).

100%, 100%, 50%, 100% and 85% of floating bank loans for TAV İstanbul, TAV Esenboğa, HAVAŞ, TAV Macedonia and TAV Tunisia respectively are fixed with interest rate swaps as explained in Note 36.

The Group has obtained project loans to finance construction of its BOT concession projects, namely TAV Esenboğa, TAV Tbilisi, TAV Macedonia and TAV Tunisia; and to be able to finance advance payments to DHMİ related to concession leasing project, TAV İstanbul.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

Details of the loans are summarised for each project below:

**<u>TAV Tunisia</u>**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2028 | Euribor + 2.28% | 165,804 | 165,787 |
| Secured bank loan | EUR | 2022 | Euribor + 1.90% | 107,479 | 107,375 |
| Secured bank loan | EUR | 2028 | Euribor + 1.54% | 68,950 | 68,773 |
| Secured bank loan | EUR | 2028 | Euribor + 4.75% | 29,950 | 30,139 |
| | | | | **372,183** | **372,074** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2028 | Euribor + 2.28% | 165,804 | 163,872 |
| Secured bank loan | EUR | 2022 | Euribor + 1.90% | 107,479 | 106,297 |
| Secured bank loan | EUR | 2028 | Euribor + 1.54% | 68,950 | 68,147 |
| Secured bank loan | EUR | 2028 | Euribor + 4.75% | 29,950 | 29,602 |
| | | | | **372,183** | **367,918** |

Redemption schedules of bank loans of TAV Tunisia as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 21,950 | 21,666 |
| In the second year | 18,216 | 18,663 |
| In the third year | 21,406 | 21,756 |
| In the fourth year | 25,429 | 25,758 |
| In the fifth year | 28,140 | 28,338 |
| After five years | 256,933 | 251,737 |
| | **372,074** | **367,918** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV İstanbul**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loans (*) | EUR | 2018 | Euribor + 2.50% | 355,600 | 350,444 |
| | | | | **355,600** | **350,444** |

TAV İstanbul has bank loan in the amount of EUR 350,444 under the facility agreement. The terms of the loan require semi-annual principal and interest payments on 4 July and 4 January of each year according to the loan agreements.

(*) Interest rate is Euribor + 2.50% until 4 January 2013, Euribor + 2.65% between the period of 4 January 2013 and 4 January 2016 and Euribor + 2.75% between the period of 4 January 2016 and 4 July 2018.

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loans (*) | EUR | 2018 | Euribor + 2.50% | 378,080 | 376,987 |
| | | | | **378,080** | **376,987** |

(*) Interest rate is Euribor + 2.50% until 4 January 2013, Euribor + 2.65% between the period of 4 January 2013 and 4 January 2016 and Euribor + 2.75% between the period of 4 January 2016 and 4 July 2018.

Redemption schedules of bank loans of TAV İstanbul according to the original maturities as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 51,117 | 48,829 |
| In the second year | 54,996 | 52,552 |
| In the third year | 59,760 | 57,367 |
| In the fourth year | 65,594 | 61,620 |
| In the fifth year | 61,168 | 62,640 |
| After five years | 57,809 | 93,979 |
| | **350,444** | **376,987** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV Holding**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Unsecured bank loan | EUR | 2012 - 2014 | 4.25% - 7.10% | 136,500 | 138,142 |
| Unsecured bank loan | USD | 2012 | 3.75% - 4.25% | 13,486 | 13,891 |
| | | | | **149,986** | **152,033** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Unsecured bank loan | EUR | 2012 - 2014 | 4.25% - 6.95% | 85,000 | 85,800 |
| Unsecured bank loan | USD | 2012 | 3.75% - 4.25% | 13,913 | 14,187 |
| | | | | **98,913** | **99,987** |

Redemption schedules of TAV Holding bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 56,473 | 44,948 |
| In the second year | 95,560 | 49,448 |
| In the third year | - | 5,591 |
| | **152,033** | **99,987** |

**TAV Esenboğa**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loans | EUR | 2021 | Euribor + 2.35% | 125,700 | 124,523 |
| | | | | **125,700** | **124,523** |

TAV Esenboğa has a bank loan in the amount of EUR 124,523 under loan agreement. The terms of the loan require semi-annual principal and interest payments on 30 June and 31 December according to the loan agreement starting from 31 December 2007 for interest and 30 June 2008 for principal.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV Esenboğa (continued)**

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loans | EUR | 2021 | Euribor + 2.35% | 125,700 | 123,261 |
| | | | | **125,700** | **123,261** |

Redemption schedules of TAV Esenboğa borrowings according to original maturities as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 11,039 | 11,154 |
| In the second year | 11,652 | 11,769 |
| In the third year | 12,922 | 12,890 |
| In the fourth year | 14,023 | 13,922 |
| In the fifth year | 14,085 | 13,944 |
| After five years | 60,802 | 59,582 |
| | **124,523** | **123,261** |

**HAVAŞ**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2018 | Euribor + 4.75% | 52,020 | 51,382 |
| Secured bank loan | EUR | 2017 | Euribor + 5.75% | 17,340 | 17,508 |
| Secured bank loan | EUR | 2012 | 6.40% | 4,000 | 4,004 |
| | | | | **73,360** | **72,894** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2018 | Euribor + 4.75% | 60,000 | 60,313 |
| Secured bank loan | EUR | 2017 | Euribor + 5.75% | 17,340 | 17,183 |
| | | | | **77,340** | **77,496** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**HAVAŞ (continued)**

Redemption schedules of the HAVAŞ bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 18,171 | 15,090 |
| In the second year | 12,654 | 13,286 |
| In the third year | 11,325 | 11,826 |
| In the fourth year | 10,104 | 10,529 |
| In the fifth year | 9,078 | 9,365 |
| After five years | 11,562 | 17,400 |
| | **72,894** | **77,496** |

On 24 March 2010, HAVAŞ utilized a bank loan amounting to EUR 60,000 with an interest rate of Euribor + 4.75% and a maturity of March 2018 from Türkiye İş Bankası A.Ş.. Following securities are provided in favor of the lender:

- TAV Holding has provided surety of EUR 10,000.
- Second ranking pledge was established on 50% of the shares in TGS.
- Dividend receivables arising from subsidiaries and joint ventures of HAVAŞ are assigned to repayment of the outstanding loan.
- Second ranking pledge was established on the shares of HAVAŞ.

In accordance with the loan agreement, HAVAŞ will have the right for the distribution of dividends only if there is a net cash balance in the related bank's accounts at least EUR 5,000, the first three repayment installments have been fully paid, all other payments related to financial liabilities are made till the maturity date and no event of default has occurred.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

On 9 December 2009, HAVAŞ utilized a bank loan amounting to EUR 20,000 with an interest rate of Euribor + 5.75% and maturity of December 2017 from Türkiye İş Bankası A.Ş.. Following securities are provided in favor of the lender:

- First degree and first ranking pledge was established on 50% of the shares in TGS.
- Time and demand deposit amounting to EUR 1,475 is provided as guarantee.
- TAV Holding was provided surety for the total outstanding loan amount.
- Dividend receivables arising from subsidiaries and joint ventures are assigned to repayment of the outstanding loan.
- Pledge has been registered with first priority against but not limited to business entity and entity name registered in trade register, machinery and equipment, furnitures and fixtures and vehicles of HAVAŞ.
- First ranking pledge was established on the shares of HAVAŞ.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

Related with the bank loans amounting to EUR 60,000 with an interest rate of Euribor + 4.75% and a maturity of March 2018 and the bank loan amounting to EUR 20,000 with an interest rate of Euribor + 5.75% and a maturity of December 2017 from Türkiye İş Bankası A.Ş., 65% shares of HAVAŞ with a nominal amount of TRL 118,711 have been pledged in favour of Türkiye İş Bankası A.Ş. by TAV Holding. However, the voting right for these shares remains at TAV Holding.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV Macedonia**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2020 | Euribor + 5.50% | 70,000 | 67,754 |
| | | | | **70,000** | **67,754** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2020 | Euribor + 5.50% | 70,000 | 66,558 |
| | | | | **70,000** | **66,558** |

Redemption schedules of TAV Macedonia bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 5,406 | 6,100 |
| In the second year | 5,388 | 2,433 |
| In the third year | 5,645 | 6,052 |
| In the fourth year | 7,611 | 6,673 |
| In the fifth year | 7,841 | 7,773 |
| After five years | 35,863 | 37,527 |
| | **67,754** | **66,558** |

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 1,555 (31 December 2011: EUR 1,486) have been pledged and all the commercial contracts and insurance policies have been assigned to the lenders.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**ATÜ**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2012 - 2018 | 4.80% - 6.00% | 14,789 | 14,322 |
| Secured bank loan | EUR | 2015 | Euribor + 2.70% | 8,605 | 8,472 |
| Secured bank loan | TND | 2013 | 5.23% | 248 | 242 |
| | | | | **23,642** | **23,036** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2012 - 2018 | 4.80% - 6.00% | 15,202 | 15,459 |
| Secured bank loan | EUR | 2015 | Euribor + 2.70% | 8,418 | 8,388 |
| Secured bank loan | TND | 2013 | 4.98% | 297 | 299 |
| | | | | **23,917** | **24,146** |

Redemption schedules of the ATÜ bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 6,495 | 6,776 |
| In the second year | 5,064 | 5,078 |
| In the third year | 4,620 | 4,543 |
| In the fourth year | 4,213 | 4,442 |
| In the fifth year | 1,150 | 1,285 |
| After five years | 1,494 | 2,022 |
| | **23,036** | **24,146** |

**TAV Tbilisi**

The breakdown of bank loan as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | USD | 2015 | Libor + 4.50% | 21,391 | 21,792 |
| | | | | **21,391** | **21,792** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV Tbilisi (continued)**

The breakdown of bank loan as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | USD | 2015 | Libor + 4.50% | 21,920 | 22,161 |
| | | | | **21,920** | **22,161** |

Redemption schedules of the TAV Tbilisi bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 5,922 | 6,006 |
| In the second year | 6,010 | 6,104 |
| In the third year | 6,073 | 6,187 |
| In the fourth year | 3,787 | 3,864 |
| | **21,792** | **22,161** |

Pledges regarding the bank loans:

a) Share pledge - to take control of 75 percent plus one share of the charter capital of TAV Tbilisi;

b) Revenue pledge - to take control of the revenues derived from Tbilisi International Airport operations as stipulated in the BOT Agreement;

c) Pledge over bank accounts – to take control of TAV Tbilisi's bank accounts in JSC Bank of Georgia, JSC Bank Republic and JSC TBC Bank and 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;

d) Pledge over insurance proceeds – to receive all insurance compensation and any other amounts payable under the insurance policies of TAV Tbilisi;

e) Pledge over BOT rights – to control all interests and benefits of TAV Tbilisi pursuant to the BOT Agreement;

f) Pledge over rights under the construction guarantees – to control all right, title and interest under each construction guarantee;

g) Pledge over project reserve account – to control the project reserve account.

The shareholders of TAV Tbilisi, TAV Holding, Urban İnşaat Sanayi ve Ticaret A.Ş., and Aeroser International Holding (UK) Limited concluded Guarantee, Share Retention, Support and Subordination Deed with EBRD and IFC in respect of the loans extended to TAV Tbilisi. Accordingly, all shareholders irrevocably and unconditionally guarantee, on joint and several basis:

- to pay to EBRD and IFC on demand, and in the currency in which the same falls due for payment by TAV Tbilisi, all monies and liabilities which shall have been advanced to, become due, owing or incurred by TAV Tbilisi to or in favour of EBRD and IFC;
- to indemnify EBRD and IFC in full on demand against all losses, costs and expenses suffered or incurred by EBRD and IFC arising from or in connection with any one or more of the purported liabilities or obligations of TAV Tbilisi to EBRD and IFC under the loan and related agreements.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

**TAV Gazipaşa**

The breakdown of bank loans as at 31 March 2012 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2012 | 5.40% - 6.75% | 10,450 | 10,911 |
| Secured bank loan | TRL | 2012 | 11.00% | 6,339 | 6,634 |
| | | | | **16,789** | **17,545** |

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2012 | 5.40% - 6.75% | 10,450 | 10,749 |
| Secured bank loan | TRL | 2012 | 11.00% | 6,138 | 6,249 |
| | | | | **16,588** | **16,998** |

Redemption schedules of TAV Gazipaşa bank loans as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | 17,545 | 16,998 |
| | **17,545** | **16,998** |

**TAV İzmir**

The breakdown of bank loans as at 31 December 2011 is as follows:

| | Original Currency | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount |
|---|---|---|---|---|---|
| Secured bank loan | EUR | 2013 | Euribor + 3.00% | 41,351 | 41,774 |
| | | | | **41,351** | **41,774** |

Redemption schedules of TAV İzmir bank loans according to original maturities as at 31 March 2012 and 31 December 2011 are as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| On demand or within one year | - | 20,169 |
| In the second year | - | 21,605 |
| | **-** | **41,774** |

### 30. LOANS AND BORROWINGS (continued)

<u>Pledges regarding the project bank loans of TAV İstanbul, TAV İzmir and TAV Esenboğa:</u>

a) Share pledge: TAV İstanbul and TAV Esenboğa have pledges over shares amounting to TRL 180,000 and TRL 241,650, respectively (31 December 2011: For TAV İstanbul, TAV Esenboğa and TAV İzmir, TRL 180,000, TRL 241,650, and TRL 150,000, 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 27) 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 and TAV Esenboğa have pledged their receivables amounting to EUR 28,451 and EUR 3,283, respectively as at 31 March 2012 (31 December 2011: For TAV İstanbul, TAV İzmir and TAV Esenboğa, EUR 26,600, EUR 1,125, and EUR 3,208, 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. 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 and TAV Esenboğa have pledges over bank accounts amounting to EUR 164,050 and EUR 22,706, respectively as at 31 March 2012 (31 December 2011: For TAV İstanbul, TAV İzmir and TAV Esenboğa, EUR 262,507, EUR 38,547, and EUR 19,756, respectively).

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.

Distribution lock-up tests for TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Tbilisi and TAV Macedonia 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 1.30 for TAV İstanbul, 1.25 for TAV Esenboğa, 1.20 for Tunisia, 1.30 for TAV Tbilisi and 1.20 for TAV Macedonia,
- 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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 30. LOANS AND BORROWINGS (continued)

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.

**Finance lease liabilities**

| | **31 March 2012** | | | | **31 December 2011** | | |
|---|---|---|---|---|---|---|---|
| | **Future minimum lease payments** | **Interest** | **Present value of minimum lease payments** | | **Future minimum lease payments** | **Interest** | **Present value of minimum lease payments** |
| 1 year | 4,149 | 69 | 4,080 | 1 year | 4,355 | 63 | 4,292 |
| 1-5 year | 672 | 43 | 629 | 1-5 year | 678 | 43 | 635 |
| **Total** | **4,821** | **112** | **4,709** | **Total** | **5,033** | **106** | **4,927** |

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average remaining lease term is five years as at 31 March 2012. For the three-month period ended 31 March 2012, the average effective borrowing rate was 6.13% (31 December 2011: 6.32%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 31. 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 2,805 as at 31 March 2012 (equivalent to full EUR 1,185 as at 31 March 2012) (31 December 2011: full TRL 2,732 (equivalent to full EUR 1,118 as at 31 December 2011)) 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 interim financial statements as at 31 March 2012, 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 2011 has been calculated assuming an annual inflation rate of 5.00% and a discount rate of 9.08% resulting in a real discount rate of approximately 3.89% (31 December 2011: annual inflation rate of 5.00% and a discount rate of 9.08% resulting in a real discount rate of approximately 3.89%). 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.

| | **1 January-<br>31 March<br>2012** | **1 January-<br>31 March<br>2011** |
|---|---:|---:|
| **Balance at 1 January** | **10,259** | **7,452** |
| Interest cost | 40 | 1,312 |
| Service cost | 1,558 | 1,069 |
| Payments made during the period | (670) | (424) |
| Effects of changes in foreign exchange rate | 305 | (390) |
| Actuarial difference | 22 | (205) |
| **Balance at 31 March** | **11,514** | **8,814** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 32. OTHER PAYABLES

At 31 March 2012 and 31 December 2011, other payables comprised the following:

| Other short term payables | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Due to personnel | 9,082 | 6,711 |
| Social security premiums payable | 8,677 | 8,495 |
| Taxes and duties payable (*) | 7,361 | 6,507 |
| Expense accruals | 4,909 | 2,722 |
| Advances received | 2,146 | 1,191 |
| Concession payable (**) | 2,056 | 1,991 |
| Other accruals and liabilities | 3,383 | 919 |
| | **37,614** | **28,536** |

| Other long term payables | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Concession payable (**) | 14,356 | 14,487 |
| Taxes and duties payable (*) | 447 | 1,273 |
| Other accruals and liabilities | 381 | 183 |
| | **15,184** | **15,943** |

(*) The Group has obtained benefits from tax amnesty within the context of Law no.6111. In this context, the Group has payables amounting to EUR 2,365 in other short term payables and EUR 447 in other long term payables as of 31 March 2012 (31 December 2011: EUR 2,128 in other short term payables and EUR 1,273 in other long term payables).

(**) 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. Based on the negotiations with OACA, the concession fee payable for 2011 is reduced by EUR 4,645 and concession fee payables for 2011, 2012, and 2013 are deferred by 3 years to 2014, 2015 and 2016. 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.

The Group's exposure to currency and liquidity risk is related to other payables is disclosed in Note 38.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 33. DEFERRED INCOME

The breakdown of deferred income as at 31 March 2012 and 31 December 2011 is as follows:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| **Deferred income** | | |
| Short-term deferred income | 10,773 | 11,113 |
| Long-term deferred income | 20,308 | 19,926 |
| | **31,081** | **31,039** |

EUR 16,776 (31 December 2011: EUR 17,283) of deferred income is related with the unearned portion of concession rent income from ATÜ.

### 34. PROVISIONS

At 31 March 2012 and 31 December 2011, provisions comprised the following:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Unused vacation provision | 5,939 | 5,286 |
| Other provisions | 89 | 327 |
| | **6,028** | **5,613** |

| Unused vacation | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| **Balance at 1 January** | **5,286** | **4,401** |
| Provision set during the period, net | 504 | 50 |
| Effects of change in foreign exchange rate | 149 | 23 |
| **Balance at 31 March** | **5,939** | **4,474** |

### 35. TRADE PAYABLES

At 31 March 2012 and 31 December 2011, trade payables comprised the following:

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Trade payables | 31,472 | 39,312 |
| Deposits and guarantees received | 1,043 | 1,028 |
| Other | 71 | 64 |
| | **32,586** | **40,404** |

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 38.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 36. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2012 and 31 December 2011, derivative financial instruments comprised the following:

| | 31 March 2012 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Net Amount** |
| Interest rate swap | - | (130,038) | (130,038) |
| Cross currency swap | - | (4,781) | (4,781) |
| | **-** | **(134,819)** | **(134,819)** |

| | 31 December 2011 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Net Amount** |
| Interest rate swap | - | (126,736) | (126,736) |
| Cross currency swap | 4,207 | - | 4,207 |
| | **4,207** | **(126,736)** | **(122,529)** |

***Interest rate swap:***

TAV Esenboğa uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2012, 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 2011: 100%).

TAV Tunisia uses interest rate swaps to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2012, 85% of floating senior bank loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2011: 85%).

TAV İstanbul uses interest rate swaps to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2012, 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 2011: 100%).

TAV İzmir uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2011, 49% of total project finance loan was hedged through IRS contract. As of 23 January 2012, this IRS contract has been terminated.

HAVAŞ uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2012, 50% of total loan with variable interest rate is hedged through IRS contract (31 December 2011: 50%).

TAV Macedonia uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2012, 100% of total loan is hedged through IRS contract (31 December 2011: 100%).

***Cross currency swap:***

TAV İstanbul uses cross currency swaps to manage its exposure to foreign currency exchange rate fluctuations on its rent installments that will be paid to DHMİ in terms of USD.

TAV İstanbul had signed a derivative contract with Dexia Credit Local ("DCL") on 12 March 2008 to manage and fix its exposure on foreign currency exchange rate fluctuations between USD and EUR on the rent installments that will be paid to DHMİ till 2018. TAV İstanbul terminated the hedge relationship in 2010 and two new cross currency swap contracts were signed by and between TAV İstanbul, DCL, and ING Bank N.V. on 16 December 2010. The total notional amount of the contract is EUR 275,309 (in exchange of USD 362,858) as at 31 March 2012 (31 December 2011: EUR 275,309 (in exchange of USD 362,858)).

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 36. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

***Cross currency swap: (continued)***

The fair value of derivatives at 31 March 2012 is estimated at EUR 142,273 (31 December 2011: EUR 122,529). This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 March 2012, changes in the fair value of these interest rate swaps and cross currency swaps are reflected to other comprehensive income resulting to a loss of EUR 14,742 (31 March 2011: Income of EUR 11,679), 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.

Since the book values of the foreign exchange denominated monetary items are estimated to approximate their fair values, these monetary items are translated to EUR by using the foreign exchange rates as at the reporting date. Since the financial assets and liabilities are short term in nature, it is accepted that their fair values approximate to their carrying amounts.

### 37. OPERATING LEASES

The Group entered into various operating lease agreements (excluding rent agreement for TAV İstanbul, and concession agreement for TAV Macedonia and TAV Tunisia). For the three-month period ended 31 March 2012, total rent expenses for operating leases amounted to EUR 1,350 recognised in profit or loss (31 March 2011: EUR 812).

### 38. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. However, most of the Group's revenues are denominated in hard currency. The gap between hard currency assets and liabilities are hedged by derivative financial instruments such as cross currency swaps. In addition to hedging of the currency risk, TAV İstanbul, TAV Esenboğa, TAV Tunisia, HAVAŞ and TAV Macedonia use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. 100%, 100%, 85%, 50% and 100% of floating loans of TAV İstanbul, TAV Esenboğa, TAV Tunisia, HAVAŞ and TAV Macedonia, 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 March 2012 | 31 December 2011 |
|---|---|---|---|
| Trade receivables - non-current | 25 | 89,689 | 94,299 |
| Trade receivables - current | 25 | 76,878 | 73,823 |
| Due from related parties | 40 | 28,790 | 7,945 |
| Other receivables and current assets (*) | 24 | 9,199 | 7,304 |
| Restricted bank balances | 27 | 212,656 | 355,746 |
| Cash and cash equivalents (**) | 26 | 88,202 | 75,434 |
| Derivative financial instruments | 36 | - | 4,207 |
| | | **505,414** | **618,758** |

(*) 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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 38. FINANCIAL INSTRUMENTS (continued)

***Impairment losses***

The movements in the allowance for impairment in respect of trade receivables during the three-month periods ended 31 March were as follows:

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| **Balance at 1 January** | **(10,251)** | **(3,112)** |
| Collections during the period | 31 | 289 |
| Impairment loss recognized | (156) | (256) |
| Effect of changes in foreign exchange rates | 153 | 114 |
| **Balance at 31 March** | **(10,223)** | **(2,965)** |

Allowance for doubtful receivables is determined by reference to past default experience. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the trade receivable directly.

**Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**31 March 2012**

| | 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 | 1,050,158 | (1,348,475) | (6,239) | (134,196) | (570,166) | (637,874) |
| Unsecured bank loans | 154,001 | (167,687) | (8,397) | (51,331) | (107,959) | - |
| Financial lease liabilities | 4,709 | (4,716) | (353) | (3,729) | (634) | - |
| Trade payables (*) | 31,543 | (31,603) | (31,603) | - | - | - |
| Due to related parties | 14,983 | (17,868) | (11,664) | (3,083) | (999) | (2,122) |
| Other payables (*) | 50,652 | (50,652) | (34,672) | (796) | (15,184) | - |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps used for hedging | 130,038 | (141,214) | (722) | (26,362) | (91,213) | (22,917) |
| Currency swaps | | | | | | |
| Outflow | 4,781 | (275,349) | - | (40,165) | (166,374) | (68,810) |
| Inflow | - | 268,822 | - | 39,213 | 162,430 | 67,179 |
| | **1,440,865** | **(1,768,742)** | **(93,650)** | **(220,449)** | **(790,099)** | **(664,544)** |

(*) Non-financial instruments such as deposits on guarantees and advances received are excluded from trade payables and other payables.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 38. FINANCIAL INSTRUMENTS (continued)

**Liquidity risk (continued)**

**31 December 2011**

| | 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 | 1,117,402 | (1,447,539) | (58,099) | (99,031) | (568,336) | (722,073) |
| Unsecured bank loans | 101,965 | (110,274) | (6,943) | (40,803) | (62,528) | - |
| Financial lease liabilities | 4,927 | (4,936) | (295) | (4,004) | (637) | - |
| Trade payables (*) | 39,376 | (39,483) | (39,483) | - | - | - |
| Due to related parties | 18,141 | (20,208) | (7,563) | (3,058) | (6,716) | (2,871) |
| Other payables (*) | 43,288 | (43,288) | (26,511) | (834) | (15,943) | - |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps used for hedging | 126,736 | (140,577) | (5,271) | (20,003) | (83,203) | (32,100) |
| Currency swaps | | | | | | |
| Outflow | - | (275,349) | - | (40,165) | (166,374) | (68,810) |
| Inflow | (4,207) | 280,506 | - | 40,918 | 169,490 | 70,098 |
| | **1,447,628** | **(1,801,148)** | **(144,165)** | **(166,980)** | **(734,247)** | **(755,756)** |

(*) Non-financial instruments such as deposits on guarantees and advances received are excluded from trade payables and other payables.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 38. 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 March 2012**

| | Carrying Amount | Contractual cash flows | 3 months or less | 3 -12 months | 1-5 years | More than five years |
|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | |
| Assets | - | - | - | - | - | - |
| Liabilities | (130,038) | (141,214) | (722) | (26,362) | (91,213) | (22,917) |
| **Cross currency swaps** | | | | | | |
| Assets | - | - | - | - | - | - |
| Liabilities | (4,781) | (6,527) | - | (952) | (3,944) | (1,631) |

**31 December 2011**

| | Carrying Amount | Contractual cash flows | 3 months or less | 3 -12 months | 1-5 years | More than five years |
|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | |
| Assets | - | - | - | - | - | - |
| Liabilities | (126,736) | (140,577) | (5,271) | (20,003) | (83,203) | (32,100) |
| **Cross currency swaps** | | | | | | |
| Assets | 4,207 | 5,157 | - | 753 | 3,116 | 1,288 |
| Liabilities | - | - | - | - | - | - |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

**38. FINANCIAL INSTRUMENTS (continued)**

**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 March 2012**

| **Foreign currency denominated financial assets** | **USD** | **EUR (*)** | **TRL** | **Other** | **Total** |
|---|---|---|---|---|---|
| Other non-current assets | 6 | - | 12 | 4 | 22 |
| Trade receivables | 11,609 | 1,022 | 4,988 | 6,226 | 23,845 |
| Due from related parties | 4,078 | 15 | 1,318 | 38 | 5,449 |
| Other receivables and current assets | 2,853 | - | 15,919 | 5,124 | 23,896 |
| Restricted bank balances | 25,048 | 5 | 91,665 | 1,574 | 118,292 |
| Cash and cash equivalents | 3,512 | 896 | 18,861 | 4,956 | 28,225 |
| | **47,106** | **1,938** | **132,763** | **17,922** | **199,729** |
| **Foreign currency denominated financial liabilities** | | | | | |
| Loans and borrowings | (36,155) | (529) | (6,634) | (745) | (44,063) |
| Trade payables | (2,253) | (83) | (4,333) | (7,820) | (14,489) |
| Due to related parties | (99) | (44) | (5,460) | - | (5,603) |
| Derivative financial instruments | (4,781) | - | - | - | (4,781) |
| Other payables | (1,194) | (49) | (19,776) | (4,437) | (25,456) |
| | **(44,482)** | **(705)** | **(36,203)** | **(13,002)** | **(94,392)** |
| **Net exposure** | **2,624** | **1,233** | **96,560** | **4,920** | **105,337** |

(*) The figures in this column reflect the EUR position of subsidiaries and joint ventures that have functional currencies other than EUR.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

**38. FINANCIAL INSTRUMENTS (continued)**

**Currency risk (continued)**

***Exposure to currency risk (continued):***

**<u>31 December 2011</u>**

| **Foreign currency denominated financial assets** | **USD** | **EUR (*)** | **TRL** | **Other** | **Total** |
|---|---|---|---|---|---|
| Other non-current assets | 7 | - | 12 | 32 | 51 |
| Trade receivables | 11,704 | 722 | 3,505 | 7,753 | 23,684 |
| Due from related parties | 1,271 | 120 | 1,174 | 88 | 2,653 |
| Derivative financial instruments | 4,207 | - | - | - | 4,207 |
| Other receivables and current assets | 65 | - | 15,493 | 7,788 | 23,346 |
| Restricted bank balances | 11,484 | 7 | 88,121 | 2,507 | 102,119 |
| Cash and cash equivalents | 5,047 | 533 | 17,534 | 4,051 | 27,165 |
| | **33,785** | **1,382** | **125,839** | **22,219** | **183,225** |
| **Foreign currency denominated financial liabilities** | | | | | |
| Loans and borrowings | (36,993) | (300) | (6,249) | (1,373) | (44,915) |
| Trade payables | (2,029) | (122) | (7,090) | (6,021) | (15,262) |
| Due to related parties | (681) | (48) | (3,797) | (4) | (4,530) |
| Other payables | (1,109) | (30) | (13,318) | (3,940) | (18,397) |
| | **(40,812)** | **(500)** | **(30,454)** | **(11,338)** | **(83,104)** |
| **Net exposure** | **(7,027)** | **882** | **95,385** | **10,881** | **100,121** |

(*) The figures in this column reflect the EUR position of subsidiaries and joint ventures that have functional currencies other than EUR.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 38. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates against Euro applied during the year:

| | Average Rate | | Reporting Date Closing Rate | |
|---|---|---|---|---|
| | **31 March 2012** | **31 March 2011** | **31 March 2012** | **31 December 2011** |
| USD | 0.7630 | 0.7317 | 0.7492 | 0.7729 |
| TRL | 0.4262 | 0.4659 | 0.4226 | 0.4092 |
| GEL | 0.4594 | 0.4156 | 0.4515 | 0.4627 |
| MKD | 0.0163 | 0.0163 | 0.0163 | 0.0163 |
| TND | 0.5056 | 0.5164 | 0.4980 | 0.5159 |
| SEK | 0.1129 | 0.1127 | 0.1131 | 0.1118 |

***Sensitivity analysis:***

The Group's principal currency rate risk relates to changes in the value of the Euro relative to TRL and the 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. The analysis excludes net foreign currency investments.

A 10 percent strengthening / (weakening) of EUR against the following currencies at 31 March 2012 and 31 December 2011 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 March 2012** | | | | |
| USD | (23,807) | 29,097 | (740) | 740 |
| TRL | - | - | (9,656) | 9,656 |
| Other | - | - | (492) | 492 |
| **Total** | **(23,807)** | **29,097** | **(10,888)** | **10,888** |
| | | | | |
| **31 December 2011** | | | | |
| USD | (24,409) | 29,837 | 1,124 | (1,124) |
| TRL | - | - | (9,538) | 9,538 |
| Other | - | - | (1,088) | 1,088 |
| **Total** | **(24,409)** | **29,837** | **(9,502)** | **9,502** |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 38. FINANCIAL INSTRUMENTS (continued)

### 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 İstanbul, TAV Esenboğa, TAV Tunisia, HAVAŞ and TAV Macedonia use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. 100%, 100%, 85%, 50% and 100% of floating loans of TAV İstanbul, TAV Esenboğa, TAV Tunisia, HAVAŞ, and TAV Macedonia, respectively are fixed).

***Profile:***

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

| | Carrying amount | |
|---|---|---|
| | **31 March 2012** | **31 December 2011** |
| **Fixed rate instruments** | | |
| Financial assets | 211,429 | 371,757 |
| Financial liabilities | (336,771) | (281,656) |
| | **(125,342)** | **90,101** |

| | Carrying amount | |
|---|---|---|
| | **31 March 2012** | **31 December 2011** |
| **Variable rate instruments** | | |
| Financial assets | - | 15,197 |
| Financial liabilities | (1,014,046) | (1,084,647) |
| | **(1,014,046)** | **(1,069,450)** |

***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 1,109 on the Group's variable rate debt when ignoring effect of derivative financial instruments. EUR 1,076 of the exposure is hedged through interest rate swap contracts. Therefore, the net exposure on statement of comprehensive income would be EUR 33. A 50 basis points increase in Euribor or Libor would have resulted an increase in cash flow hedge reserve in equity approximately by EUR 49,728 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 51,800.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 38. FINANCIAL INSTRUMENTS (continued)

### Fair values

***Fair values versus carrying amounts:***

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated interim statement of financial position, are as follows:

| | | 31 March 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|
| | **Note** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| **Financial assets** | | | | | |
| Trade receivables - non current | 25 | 89,689 | 153,014 | 94,299 | 159,502 |
| Trade receivables - current | 25 | 76,878 | 84,972 | 73,823 | 83,446 |
| Due from related parties | 40 | 28,790 | 28,790 | 7,945 | 7,945 |
| Other receivables and current assets (*) | 24 | 9,199 | 9,199 | 7,304 | 7,304 |
| Restricted bank balances | 27 | 212,656 | 212,656 | 355,746 | 355,746 |
| Cash and cash equivalents | 26 | 89,450 | 89,450 | 76,347 | 76,347 |
| Derivative financial instruments | 36 | - | - | 4,207 | 4,207 |
| **Financial liabilities** | | | | | |
| Loans and borrowings | 30 | (1,208,868) | (1,208,868) | (1,224,294) | (1,224,294) |
| Trade payables (**) | 35 | (31,543) | (31,543) | (39,376) | (39,376) |
| Due to related parties | 40 | (14,983) | (14,983) | (18,141) | (18,141) |
| Derivative financial instruments | 36 | (134,819) | (134,819) | (126,736) | (126,736) |
| Other payables (**) | 32 | (50,652) | (50,652) | (43,288) | (43,288) |
| | | **(934,203)** | **(862,784)** | **(832,164)** | **(757,338)** |

(*) 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.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 38. FINANCIAL INSTRUMENTS (continued)

***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
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
• Level 3: input for the asset or liability that are not based on observable market data (unobservable inputs).

| **31 March 2012** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Interest rate swap | - | (137,492) | - |
| Cross currency swap | - | (4,781) | - |
| | **-** | **(142,273)** | **-** |

| **31 December 2011** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Interest rate swap | - | (126,736) | - |
| Cross currency swap | - | 4,207 | - |
| | **-** | **(122,529)** | **-** |

### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

**Commitments and contingencies**

| | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Letters of guarantee given to DHMİ | 157,609 | 161,462 |
| Letters of guarantee given to third parties | 86,311 | 88,204 |
| Letters of guarantee given to Macedonian Government | 20,250 | 20,250 |
| Letters of guarantee given to Tunisian Government | 11,607 | 11,941 |
| | **275,777** | **281,857** |

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 EUR 7,310 (31 December 2011: EUR 7,520) to the Ministry of Transport and EUR 4,297 (31 December 2011: EUR 4,421) to OACA according to the BOT agreement 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 rent 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.

Majority of letters of guarantee given to third parties includes the guarantees given to customs, lenders and some customers.

### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

**Contractual obligations**

**TAV İstanbul**

TAV İstanbul is bound by the terms of the Rent Agreement made with DHMİ. If TAV İstanbul does not comply with the rules and regulations set forth in the Rent Agreement, this might lead to the forced cessation of TAV İstanbul's operation.

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İstanbul.

Pursuant to the provisions of this agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned 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 and TAV İzmir**

TAV Esenboğa and TAV İzmir are 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.

DHMİ has requested an extension of EUR 13,900 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for such extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ on 21 March 2008.

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 İzmir and TAV Esenboğa.

## 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

**Contractual obligations (continued)**

**TAV Esenboğa and TAV İzmir (continued)**

All equipment used by TAV Esenboğa and TAV İzmir 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 not 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 and TAV İzmir have the responsibility of repair and maintenance of all fixed assets under the investment period.

**HAVAŞ and TGS**

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ, HAVAŞ and TGS undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, Havaş and TGS cover those losses by an insurance policy amounting to USD 50,000. They also take 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 and TGS are required to provide DHMİ with letters of guarantee each 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 and TGS. 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 and TGS are 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 Atatürk, Esenboğa, Adnan Menderes, Dalaman, Adana, Trabzon, Milas, Nevşehir, Antalya, Gaziantep, Kayseri, Urfa, Batman, Adıyaman, Elazığ, Muş, Sivas and Konya 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.

### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

**Contractual obligations (continued)**

**TAV Tbilisi (continued)**

**Tax legislation and contingencies**

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management’s interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for five years. Management believes that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained.

**TAV Batumi**

TAV Batumi is obliged to perform the terms agreed under the Agreement for Management of 100 percent of Shares in “Batumi Airport LLC” (the “Agreement”) together with its Schedules annexed to the Agreement. In the event that TAV Batumi fails to fulfill its material obligations under the Agreement and its Schedules, it may be forced to cease the management of the Batumi International Airport and all operation rights generated at the Airport.

With regards to the Agreement, TAV Batumi is required to;

- comply with all requirements of the relevant statutes and the Applicable Laws of Georgia;
- prevent repatriation and transfer of the dividends distributable by Batumi Airport LLC from Georgia;
- comply with the terms of Permits that materially adversely affect the performance of TAV Batumi's obligations under the Agreement or achievement of the Revenues by Batumi Airport LLC and/or achievement of dividends by the TAV Batumi from Batumi Airport LLC;
- protect, promote, develop and extend the business interests and reputation of Batumi Airport in connection with the Services (reasonable effort basis);
- maintain and operate Batumi Airport in accordance with the international standards applicable to similar international airports, and any other local standards that will be applicable to the operations of an international airport;
- recruit and train sufficient number of staff for the operation of Batumi Airport in accordance with standard, accepted operational standards;
- perform regular, periodic and emergency maintenance and repair works of all the fixed assets, as well as the annexations and accessories related thereto located on the territory of Batumi Airport; and
- procure and maintain insurance policies listed under the Agreement during the term of the operation.

The Final Acceptance Protocol was concluded in March 2012.

**TAV Tunisia**

TAV Tunisia is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisia fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.

### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

**Contractual obligations (continued)**

**TAV Tunisia (continued)**

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 is then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- finance up to 30% of the Project by Equity.

According to Monastir Concession Agreement, TAV Tunisia is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport.

Pursuant to both Concession Agreements, TAV Tunisia is required to:

- market and promote the activities operated in the Airports and perform the public service related with these activities;
- provide with and maintain the bank guarantees in accordance with the Agreements;
- pay the Concession Royalties to the Conceding Authorities (Tunisian State and OACA);
- comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisia's shareholders;
- require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
- comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
- comply with its obligations related to insurance as provided for by the Agreements.

TAV Tunisia may also be obliged to cease the operation of the said airports if (i) it is declared insolvent or is subject to judicial liquidation proceedings or (ii) it is forced to cease the operation of one of the Airports.

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 Antalya 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.

### 39. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

**Contractual obligations (continued)**

**TAV Gazipaşa (continued)**

The Agreement is made for a period of twenty-five years effective from the date TAV Gazipaşa obtains the operation authorisation from the Ministry of Transportation. The contractual obligations of TAV Gazipaşa include the operation of the facilities in compliance with the international norms and standards subject to the supervision of the Ministry of Transportation Civil Aviation General Directorate and DHMİ; obtaining maintenance and periodic maintenance and repairs of all systems and equipment requisite for the operation and the transfer of the facilities together with the systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ, without any debt or liabilities, upon the expiry of the Agreement (if the economic lives of the systems, equipment, furniture and fixtures have come to an end, they should be renewed before the transfer to DHMİ). Upon the expiry of the Agreement, TAV Gazipaşa will be responsible for one year for the maintenance and repair of the systems and equipment in the facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repairs made and the cost will be charged to TAV Gazipaşa.

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement, TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.

In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ, TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount.

Facility usage amount represents the USD 50 fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

**TAV Macedonia**

TAV Macedonia is bound by the terms of the Concession Agreement made with Macedonian Ministry of Transport and Communication (“MOTC”).

If TAV Macedonia violates the agreement and does not remedy the violation within the period granted by MOTC, MOTC may terminate the Agreement.

All equipment used by TAV Macedonia must need to meet the Concession Agreement’s standards.

All fixed assets covered by the implementation contract will be transferred to MOTC free of charge. Transferred items must be in working conditions and should not be damaged. TAV Macedonia has the responsibility of repair and maintenance of all fixed assets under the investment period.

**TAV Ege**

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment 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 rent agreement will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Ege have the responsibility of repair and maintenance of all fixed assets during the contract period.

Management believes that as at 31 March 2012, the Group has complied with the terms of the contingencies mentioned above.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 40. RELATED PARTIES

The major immediate parents and ultimate controlling parties of the Group are Tepe and Akfen Groups.

All other transactions not described in this footnote between the Company and its subsidiaries and joint ventures, 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:

| | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| Short-term benefits (salaries, bonuses etc.) | 4,070 | 3,695 |
| | **4,070** | **3,695** |

As at 31 March 2012 and 31 December 2011, 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 March 2012 | 31 December 2011 |
|---|---|---|
| Due from related parties | 28,232 | 7,418 |
| Current loan to related parties | 558 | 527 |
| | **28,790** | **7,945** |

| **Due from related parties** | 31 March 2012 | 31 December 2011 |
|---|---|---|
| TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. ("TAV İnşaat") (*) | 24,362 | 4,276 |
| ATÜ (**) | 2,507 | 2,324 |
| Other related parties | 1,363 | 818 |
| | **28,232** | **7,418** |

(*) Receivables from TAV İnşaat is mainly comprised of advances given by TAV Ege for construction work rendered by TAV İnşaat.

(**) Receivables from ATÜ comprise non-eliminated portion of concession fee duty-free receivables per proportionate consolidation.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 40. RELATED PARTIES (continued)

| Loan to related parties | 31 March 2012 | 31 December 2011 |
|---|---|---|
| CAS | 511 | 521 |
| Other related parties | 47 | 6 |
| | **558** | **527** |

| | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Due to related parties | 3,072 | 2,869 |
| Current loan from related parties | 5,944 | 7,553 |
| | **9,016** | **10,422** |
| Non-current loan from related parties | 5,967 | 7,719 |
| | **14,983** | **18,141** |

| Due to related parties | 31 March 2012 | 31 December 2011 |
|---|---|---|
| IBS Brokerlik ve Sigorta Hizmetleri A.Ş. (IBS Sigorta) (*) | 3,013 | 2,628 |
| Other related parties | 59 | 241 |
| | **3,072** | **2,869** |

(*) IBS Sigorta provides insurance intermediatory services to the Group.

| Current loan from related parties | 31 March 2012 | 31 December 2011 |
|---|---|---|
| TGS (*) | 4,608 | 4,363 |
| TAV İnşaat | 922 | 933 |
| ATÜ (**) | - | 1,844 |
| Other related parties | 414 | 413 |
| | **5,944** | **7,553** |

| Non-current loan from related parties | 31 March 2012 | 31 December 2011 |
|---|---|---|
| ATÜ (**) | 5,967 | 7,719 |
| | **5,967** | **7,719** |

(*) Loan from TGS is related with HAVAŞ's share of unpaid portion of the capital increase of TGS.
(**) Loan received from ATÜ for financing purposes.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

## 40. RELATED PARTIES (continued)

| **Short term deferred income from related parties** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| ATÜ (*) | 1,493 | 2,003 |
| Other related parties | 8 | 3 |
| | **1,501** | **2,006** |

| **Long term deferred income from related parties** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| ATÜ (*) | 15,283 | 15,281 |
| | **15,283** | **15,281** |

(*) Deferred income from related parties is related with the unearned portion of concession rent income from ATÜ.

| **Services rendered to related parties** | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| ATÜ (*) | 22,149 | 18,281 |
| Other related parties | 1,217 | 2,109 |
| | **23,366** | **20,390** |

(*) Services rendered to ATÜ comprise non-eliminated portion of concession fee duty-free per proportionate consolidation.

| **Services rendered by related parties** | **1 January- 31 March 2012** | **1 January- 31 March 2011** |
|---|---|---|
| IBS Sigorta (*) | 1,205 | 912 |
| Tepe Servis | 171 | 454 |
| Other related parties | 173 | 161 |
| | **1,549** | **1,527** |

(*) IBS Sigorta provides insurance brokerage services to the Group.

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 40. RELATED PARTIES (continued)

| Interest (expense) / income from related parties (net) | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| ATÜ | (121) | (161) |
| TGS | (87) | (204) |
| Other related parties | 18 | 16 |
| | **(190)** | **(349)** |

The average interest rate used within the Group is 4.51% per annum (31 March 2011: 3.88%). 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 | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| TAV G | 68 | 450 |
| TAV İnşaat (*) | 23 | 16,623 |
| | **91** | **17,073** |

(*) TAV İnşaat mainly provided services relating to the construction of Skopje International Airport in 2012 (TAV İnşaat mainly provided services relating to the construction of Skopje International Airport and Ohrid International Airport in 2011).

### 41. JOINT VENTURES

The Group has the following significant interests in joint ventures:

- 49.98% equity shareholding with 50% voting power in ATÜ, a jointly controlled entity established in Turkey. Summary of financial information of ATÜ and its subsidiaries, not adjusted for the percentage ownership held by the Group is as follows:

| Statement of Financial Position | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Current assets | 44,674 | 56,085 |
| Non-current assets | 58,769 | 61,456 |
| Current liabilities | (50,484) | (42,964) |
| Non-current liabilities | (36,362) | (38,589) |

| Statement of Comprehensive Income | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| Total revenues | 100,991 | 82,719 |
| Total expenses | (93,643) | (79,775) |
| Profit for the period | 7,348 | 2,944 |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 41. JOINT VENTURES (continued)

- 50% equity shareholding with 50% voting power, in CAS, a joint venture established in KKTC. Summary of financial information of CAS, not adjusted for the percentage ownership held by the Group is as follows:

| **Statement of Financial Position** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Current assets | 330 | 362 |
| Non-current assets | 603 | 625 |
| Current liabilities | (3,489) | (3,352) |

| **Statement of Comprehensive Income** | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Total revenues | 632 | 492 |
| Total expenses | (900) | (769) |
| Loss for the period | (268) | (277) |

- 32.40% equity shareholding with 32.40% voting power, in TAV Gözen, a joint venture established in Turkey. Summary of financial information of TAV Gözen, not adjusted for the percentage ownership held by the Group is as follows:

| **Statement of Financial Position** | **31 March 2012** | **31 December 2011** |
|---|---|---|
| Current assets | 487 | 408 |
| Non-current assets | 375 | 471 |
| Current liabilities | (60) | (23) |

| **Statement of Comprehensive Income** | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---|---|
| Total revenues | 154 | 134 |
| Total expenses | (183) | (202) |
| Loss for the period | (29) | (68) |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 41. JOINT VENTURES (continued)

- 50% equity shareholding with 50% voting power, in TGS, a joint venture established in Turkey. Summary of financial information of TGS, not adjusted for the percentage ownership held by the Group is as follows:

| **Statement of Financial Position** | **31 March 2012** | **31 December 2011** |
|---|---:|---:|
| Current assets | 43,445 | 41,763 |
| Non-current assets | 37,294 | 35,288 |
| Current liabilities | (13,130) | (14,366) |
| Non-current liabilities | (3,675) | (3,020) |

| **Statement of Comprehensive Income** | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---:|---:|
| Total revenues | 33,942 | 31,280 |
| Total expenses | (31,603) | (27,193) |
| Profit for the period | 2,339 | 4,087 |

- 50% equity shareholding with 50% voting power in HAVAŞ Europe, a joint venture established in Latvia. HAVAŞ acquired 50% of shares of HAVAŞ Europe in 2010. In 2011, the Group obtained 16.67% of HAVAŞ Europe's shares and consequently acquired 66.67% equity shareholding with 66.67% voting power. HAVAŞ Europe was fully consolidated with the minority's ownership reflected as a minority interest. Summary of financial information of HAVAŞ Europe, not adjusted for the percentage ownership held by the Group is as follows:

| **Statement of Comprehensive Income** | **1 January-31 March 2012** | **1 January-31 March 2011** |
|---|---:|---:|
| Total revenues | - | 2,652 |
| Total expenses | - | (2,846) |
| Loss for the period | - | (194) |

*(Amounts expressed in thousands of Euro unless otherwise stated. Currencies other than Euro also expressed in thousands unless otherwise stated.)*

### 41. JOINT VENTURES (continued)

- 49.98% equity shareholding with 49.98% voting power in BTA Denizyolları, a joint venture established in Turkey. Summary of financial information of BTA Denizyolları, not adjusted for the percentage ownership held by the Group is as follows:

| Statement of Financial Position | 31 March 2012 | 31 December 2011 |
|---|---|---|
| Current assets | 6,961 | 4,857 |
| Non-current assets | 2,540 | 1,625 |
| Current liabilities | (3,748) | (2,462) |
| Non-current liabilities | (4,777) | (3,199) |

| Statement of Comprehensive Income | 1 January-31 March 2012 | 1 January-31 March 2011 |
|---|---|---|
| Total revenues | 3,960 | - |
| Total expenses | (3,831) | - |
| Profit for the period | 129 | - |

### 42. SUBSEQUENT EVENTS

None.