TAV Havalimanları Holding A.Ş.
and its Subsidiaries

Interim Condensed Consolidated Financial Statements
As at and for the Three-Month Period Ended 31 March 2017

25 April 2017
This report contains the “Interim Condensed Consolidated Financial Statements and their explanatory notes” comprising 45 pages.

TAV Havalimanları Holding A.Ş.
and its Subsidiaries

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TAV Havalimanları Holding A.Ş. and its Subsidiaries

Interim Condensed Consolidated Statement of Financial Position
As at 31 March 2017

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

	Notes	(Unaudited) 31 March 2017	31 December 2016
ASSETS			
Property and equipment		219,579	230,318
Intangible assets		13,271	14,112
Airport operation right	7	1,688,342	1,693,930
Equity-accounted investees	19	78,659	94,371
Goodwill		135,831	135,831
Prepaid concession and rent expenses	8	38,268	9,258
Trade receivables		89,258	90,231
Non-current due from related parties	18	1,733	1,752
Other non-current assets		2,517	1,500
Deferred tax assets		35,773	36,993
Total non-current assets		**2,303,231**	**2,308,296**
Inventories		8,819	8,793
Prepaid concession and rent expenses	8	158,973	92,300
Trade receivables		136,455	130,141
Due from related parties	18	31,953	20,402
Other receivables and current assets	9	59,715	60,706
Cash and cash equivalents	10	161,901	316,832
Restricted bank balances	11	132,692	163,828
Total current assets		**690,508**	**793,002**
TOTAL ASSETS		**2,993,739**	**3,101,298**

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

Interim Condensed Consolidated Statement of Financial Position (continued)
As at 31 March 2017

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

	Notes	(Unaudited) 31 March 2017	31 December 2016
EQUITY			
Share capital		162,384	162,384
Share premium		220,286	220,286
Legal reserves		112,823	110,724
Other reserves		(70,010)	(68,449)
Purchase of shares of entities under common control		40,064	40,064
Cash flow hedge reserve		(56,132)	(59,087)
Translation reserves		(30,610)	(33,318)
Retained earnings		381,485	435,499
Total equity attributable to equity holders of the Company		**760,290**	**808,103**
Non-controlling interests	19	(1,262)	(1,011)
Total Equity		**759,028**	**807,092**
LIABILITIES			
Loans and borrowings	13	662,421	674,244
Reserve for employee severance indemnity		21,637	21,370
Derivative financial instruments	15	45,932	49,188
Deferred income		33,315	36,181
Other payables	14	584,569	598,101
Deferred tax liabilities		16,999	14,976
Total non-current liabilities		**1,364,873**	**1,394,060**
Bank overdraft	10	1,837	1,483
Loans and borrowings	13	555,703	566,301
Trade payables		43,557	56,051
Due to related parties	18	2,643	2,880
Derivative financial instruments	15	41	-
Current tax liabilities	6	15,899	23,146
Other payables	14	229,566	229,875
Provisions		6,827	6,790
Deferred income		13,765	13,620
Total current liabilities		**869,838**	**900,146**
Total Liabilities		**2,234,711**	**2,294,206**
TOTAL EQUITY AND LIABILITIES		**2,993,739**	**3,101,298**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Interim Condensed Consolidated Statement of Comprehensive Income
For the Three-Month Period Ended 31 March 2017

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

	Notes	(Unaudited) 1 January-31 March 2017	(Unaudited) 1 January-31 March 2016
Construction revenue		5,880	2,026
Operating revenue		203,068	209,182
Other operating income		17,207	16,390
Construction expenditure		(5,880)	(2,026)
Cost of catering inventory sold		(9,755)	(12,930)
Cost of services rendered		(13,070)	(10,585)
Personnel expenses		(57,625)	(63,917)
Concession and rent expenses		(39,334)	(35,973)
Depreciation and amortisation expenses		(29,630)	(24,312)
Other operating expenses		(28,101)	(29,670)
Share of profit of equity-accounted investees, net of tax	19	(1,666)	3,392
Operating profit		**41,094**	**51,577**
Finance income		2,117	5,412
Finance costs		(19,701)	(34,664)
Net finance costs		**(17,584)**	**(29,252)**
Profit before tax		**23,510**	**22,325**
Tax expense	6	(13,678)	(10,132)
Profit for the period		**9,832**	**12,193**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit obligation actuarial differences		1,127	(1,129)
Defined benefit obligation actuarial differences from equity accounted investees		(1,060)	288
Tax on defined benefit obligation actuarial differences		(225)	226
Tax on defined benefit obligation actuarial differences from equity accounted investees		215	(62)
Total items that will not be reclassified to profit or loss		**57**	**(677)**
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		4,555	(67)
Effective portion of changes in fair value of cash flow hedges from equity accounted investees		(507)	(165)
Portion of cash flow hedges charged to profit or loss		-	(9,275)
Foreign currency translation differences for foreign operations		10,281	(2,478)
Foreign currency translation differences for foreign operations from equity accounted investees		(6,520)	(80)
Tax on cash flow hedge reserves		(580)	2,295
Tax on cash flow hedge reserves from equity accounted investees		33	11
Total items that are or may be reclassified subsequently to profit or loss		**7,262**	**(9,759)**
Other comprehensive income for the period, net of tax		**7,319**	**(10,436)**
Total comprehensive income for the period		**17,151**	**1,757**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Interim Condensed Consolidated Statement of Comprehensive Income (continued)
For the Three-Month Period Ended 31 March 2017

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

	Notes	(Unaudited) 1 January- 31 March 2017	(Unaudited) 1 January- 31 March 2016
Profit attributable to:			
Owners of the Company		11,698	14,642
Non-controlling interest		(1,866)	(2,449)
Profit for the period		**9,832**	**12,193**
Total comprehensive income attributable to:			
Owners of the Company		17,377	4,078
Non-controlling interest		(226)	(2,321)
Total comprehensive income for the period		**17,151**	**1,757**
Weighted average number of shares outstanding		**363,281,250**	**363,281,250**
Basic and diluted earnings per share	12	**0.03**	**0.04**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Interim Condensed Consolidated Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2017

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

	Attributable to owners of the Company											
	Share Capital	**Share Premium**	**Legal Reserves**	**Other Reserves**	**Revaluation Surplus**	**Purchase of Shares of Entities Under Common Control**	**Cash Flow Hedge Reserve**	**Translation Reserves**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balance at 1 January 2016	**162,384**	**220,286**	**114,735**	**(60,762)**	**273**	**40,064**	**(65,476)**	**(20,949)**	**417,026**	**807,581**	**5,852**	**813,433**
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	14,642	14,642	(2,449)	12,193
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(85)	-	-	(17)	102	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	(7,733)	-	-	(7,733)	532	(7,201)
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(614)	(614)	(63)	(677)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(2,217)	-	(2,217)	(341)	(2,558)
Total other comprehensive income	-	-	-	-	(85)	-	(7,733)	(2,234)	(512)	(10,564)	128	(10,436)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(85)**	**-**	**(7,733)**	**(2,234)**	**14,130**	**4,078**	**(2,321)**	**1,757**
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Dividend distributions	-	-	-	-	-	-	-	-	(107,997)	(107,997)	-	(107,997)
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(107,997)**	**(107,997)**	**-**	**(107,997)**
Transfers	-	-	20,003	-	-	-	-	-	(20,003)	-	-	-
Balance at 31 March 2016	**162,384**	**220,286**	**134,738**	**(60,762)**	**188**	**40,064**	**(73,209)**	**(23,183)**	**303,156**	**703,662**	**3,531**	**707,193**
Balance at 1 January 2017	**162,384**	**220,286**	**110,724**	**(68,449)**	**-**	**40,064**	**(59,087)**	**(33,318)**	**435,499**	**808,103**	**(1,011)**	**807,092**
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	11,698	11,698	(1,866)	9,832
Other comprehensive income												
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	2,955	-	-	2,955	546	3,501
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	16	16	41	57
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	2,708	-	2,708	1,053	3,761
Total other comprehensive income	-	-	-	-	-	-	2955	2708	16	5,679	1,640	7,319
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**2,955**	**2,708**	**11,714**	**17,377**	**(226)**	**17,151**
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Dividend distributions	-	-	-	-	-	-	-	-	(63,629)	(63,629)	(1,527)	(65,156)
Change in non-controlling interest (Note 13)	-	-	-	(1,561)	-	-	-	-	-	(1,561)	1,502	(59)
Total transactions with owners of the Company	**-**	**-**	**-**	**(1,561)**	**-**	**-**	**-**	**-**	**(63,629)**	**(65,190)**	**(25)**	**(65,215)**
Transfers	-	-	2,099	-	-	-	-	-	(2,099)	-	-	-
Balance at 31 March 2017	**162,384**	**220,286**	**112,823**	**(70,010)**	**-**	**40,064**	**(56,132)**	**(30,610)**	**381,485**	**760,290**	**(1,262)**	**759,028**

Interim Condensed Consolidated Statement of Cash Flows
For the Three-Month Period Ended 31 March 2017

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

	Notes	(Unaudited) 1 January- 31 March 2017	(Unaudited) 1 January- 31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**9,832**	**12,193**
Adjustments for:			
Amortisation of airport operation right	7	15,841	14,823
Depreciation of property and equipment		12,610	8,389
Amortisation of intangible assets		1,179	1,100
Concession and rent expenses		39,334	35,973
Provision for employee severance indemnity		1,431	1,631
Provision for doubtful receivables		131	338
Discount on receivables and payables, net		(2)	4,585
Gain / (Loss) on sale of property and equipment		78	(14)
Provision set for unused vacation		376	598
Interest income		(2,117)	(2,125)
Interest expense on financial liabilities		12,780	25,224
Tax expense	6	13,678	10,132
Unwinding of discount on concession receivable and payable		5,376	960
Share of profit of equity-accounted investees, net of tax		1,666	(3,392)
Unrealised foreign exchange differences on statement of financial position items		(1,445)	2,451
Cash flows from operating activities		**110,748**	**112,866**
Change in current trade receivables		(6,295)	(6,936)
Change in non-current trade receivables		4,050	5,288
Change in inventories		(40)	223
Change in due from related parties		(11,532)	(4,150)
Change in restricted bank balances		29,166	141,406
Change in other receivables and assets		2,088	(490)
Change in trade payables		(12,494)	(12,238)
Change in due to related parties		(237)	(2,396)
Change in other payables and provisions		(25,951)	(20,818)
Cash provided from operations		**89,503**	**212,755**
Income taxes paid		(18,135)	(14,099)
Interest paid		(2,321)	(13,217)
Retirement benefits paid		(933)	(946)
Additions to prepaid concession and rent expenses	8	(134,138)	(130,260)
Dividends from equity-accounted investees		14,198	14,660
Net cash (used in) / provided from operating activities		**(51,826)**	**68,893**

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

Interim Condensed Consolidated Statement of Cash Flows
For the Three-Month Period Ended 31 March 2017

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

	Notes	(Unaudited) 1 January- 31 March 2017	(Unaudited) 1 January- 31 March 2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,969	1,055
Proceeds from sale of property, equipment and intangible assets		503	1,209
Acquisition of property and equipment		(3,536)	(21,492)
Additions to airport operation right	7	(6,205)	(2,029)
Acquisition of intangible assets		(460)	(509)
Net cash used in investing activities		**(7,729)**	**(21,766)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,100	5,973
Repayment of borrowings		(40,997)	(92,954)
Dividends paid		(65,156)	(107,997)
Change in finance lease liabilities		(677)	(1,249)
Net cash used in financing activities		**(95,730)**	**(196,227)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(155,285)**	**(149,100)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	10	**315,349**	**211,666**
CASH AND CASH EQUIVALENTS AT 31 MARCH	10	**160,064**	**62,566**

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

Notes to the interim condensed consolidated financial statements

1. REPORTING ENTITY

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

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

The interim condensed consolidated financial statements of the Company as at and for the three-month period ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in joint ventures.

Description of Operations

The Group and its joint ventures' core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. TAV Esenboğa enters into Build Operate Terminate agreements ("BOT") with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMİ"), TAV Tbilisi with JSC Tbilisi International Airport ("JSC"), TAV Batumi with Georgian Ministry of Economic Development ("GMED"), TAV Tunisia with Tunisian Airport Authority (Office De L'Aviation Civil Et Des Aeroports) ("OACA"), Ministry of Transportation ("MOT") and TAV Macedonia with Macedonian Ministry of Transportation and Communication ("MOTC"). Tibah Development enters into Build – Transfer – Operate ("BTO") Agreement with General Authority of Civil Aviation ("GACA"). TAV Ege, TAV Milas Bodrum and TAV Gazipaşa enter into concession agreements with DHMİ, Medunarodna Zracna Luka Zagreb D.D. ("MZLZ") with Republic of Croatia. Under these agreements, the Group agrees to build or renovate or manage an airport or terminal within a specified period of time and in exchange receives the right to operate the airport and terminal for a pre-established period of time. At the end of the contracts, the Group will transfer the ownership of the terminal buildings or airports back to the related public authority, DHMİ, JSC, GMED, OACA, MOT, MOTC, GACA and Republic of Croatia accordingly. Group also signs separate contracts related with the airport operations. On 3 June 2005, TAV İstanbul signed a rent agreement to operate Atatürk International Airport Terminal ("AIAT") and Atatürk Domestic Airport Terminal ("ADAT") for 15.5 years until year 2021. According to the concession agreement dated 16 December 2011, TAV Ege started renting and operating the international terminal of İzmir Adnan Menderes Airport at 10 January 2015.

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

1. REPORTING ENTITY (continued)

Seasonality of Operations

Due to seasonal nature of operations, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period June to August are mainly attributed to the increased number of passengers during the peak season.

The Group employs 16,077 (average: 15,947) people as at 31 March 2017 (31 December 2016: 15,624 (average: 15,791) people).

2. BASIS OF PREPARATION

a) Statement of compliance

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 25 April 2017. The power to change the interim condensed consolidated financial statements after the issuing of the interim condensed consolidated financial statements is held by the General Assembly.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

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

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

The functional currencies of the Group entities and joint ventures are consistent with the Group's interim consolidated financial statements for the period ended 31 March 2017.

(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)

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

	1 Euro Equivalent	
	31 March 2017	31 December 2016
TRL	3.9083	3.7099
GEL	2.6266	2.7940
TND	2.4805	2.4301
MKD	61.6939	61.4812
USD	1.0741	1.0542
SAR	4.0280	3.9532
HRK	7.4161	7.5116
KES	110.4439	111.6044
OMR	0.4129	0.4306

3. CHANGES IN ACCOUNTING POLICIES

The new standards, amendments and interpretations

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (continued)

The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows: (continued)

Annual Improvements to IFRSs - 2014-2016 Cycle

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

IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (continued)

The new standards, amendments and interpretations (continued)

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

IFRS 9 Financial Instruments

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

IFRS 16 Leases

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES (continued)

The new standards, amendments and interpretations (continued)

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

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

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

IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

4. DETERMINATION OF FAIR VALUES

Fair value determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property and equipment:

The fair value of property and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

ii) Intangible assets:

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

The fair values of customer relationship and DHMİ licence acquired in a business combination are determined according to the excess earnings method and depreciated replacement cost approach, respectively.

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered less any financial asset recognised. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV Esenboğa, TAV Gazipaşa, TAV Macedonia and TAV Ege are 0%, TAV Tbilisi and TAV Tunisia are 15% and %5 respectively.

iii) Trade and other receivables:

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

iv) Derivatives:

The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

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

4. DETERMINATION OF FAIR VALUES (continued)

v) <u>Other non-derivative financial liabilities:</u>

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.

<u>Fair value hierarchy:</u>

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
• Level 3: unobservable inputs for the asset or liability.

31 March 2017	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	225,713	-
Loans and borrowings	-	(1,218,124)	-
Other payables	-	(803,170)	-
Interest rate swap	-	(45,932)	-
Forward	-	(41)	-

31 December 2016	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	220,372	-
Loans and borrowings	-	(1,240,545)	-
Other payables	-	(820,009)	-
Interest rate swap	-	(49,188)	-

5. OPERATING SEGMENTS

Operating Segments:

For management purposes, the Group and its joint ventures are currently organised into four reportable segments regarding to their activities; such as Terminal Operations, Catering Operations, Duty Free Operations, Ground Handling and Bus Operations. These reportable segments are the basis on which the Group reports its primary segment information; the principal activities of each are as follows:

- ***Terminal operations:*** Operating terminal buildings, the car park and the general aviation terminal, the Group companies included in this segment are TAV İstanbul, TAV Esenboğa, TAV Ege, TAV Milas Bodrum, TAV Tunisia, TAV Tbilisi, TAV Batumi, Batumi Airport LLC, TAV Macedonia, TAV Gazipaşa, TAV Uluslararası Yatırım, Tibah Development, Tibah Operation, MZLZ, MZLZ Operation and AMS. TAV Tbilisi, TAV Batumi, TAV Tunisia, TAV Macedonia, TAV Gazipaşa, and MZLZ also include the ground handling operations, and parking-apron-taxi ways as they are not outsourced and are run by the airport.

- ***Catering operations:*** Managing all food and beverage operations of the terminal, both for the passengers and the terminal personnel, which is run by BTA, BTA Georgia, BTA Tunisia, BTA Macedonia, Cakes & Bakes, BTA Tedarik, BTA Danışmanlık, BTA Latvia, BTA Denizyolları, BTU Lokum, BTU Gıda, BTA Medinah, BS Kahve, BTA Uluslararası Yiyecek and BTA Erus, BTA MZLZ.

- ***Duty free operations:*** Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATU, ATU Georgia, ATU Tunisia, ATU Macedonia, ATU Latvia, ATU Tunisia Duty Free, Saudi Medinah, ATU Mağazacılık, ATU Uluslararası Mağazacılık and ATU Americas.

- ***Ground handling and bus operations:*** Providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation License. The Group operates the ground handling services through HAVAŞ, HAVAŞ Europe, HAVAŞ Europe Helsinki, HAVAŞ Europe Stockholm, HAVAŞ Germany, TAV Gözen, TGS and SAUDI HAVAŞ. HAVAŞ, HYT İzmir, HYT Muğla and HYT Samsun provides bus operations.

- ***Other:*** Providing lounge services, IT, security and education services, airline taxi services, the Group companies included in this segment are TAV Holding, TAV Latvia, TAV İşletme, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV Güvenlik, TAV Akademi, TAV Aviation Minds, Aviator Netherlands, ZAIC-A and ATU Holdings.

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.)

5. SEGMENT REPORTING (continued)

Operating Segments (continued)

	Three-month period ended 31 March											
	Terminal Operations		**Catering Operations**		**Duty Free Operations**		**Ground Handling and Bus Operations**		**Other Operations**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Total external revenues	136,850	135,375	24,646	31,094	67,303	71,163	52,062	60,526	13,477	8,107	294,338	306,265
Inter-segment revenue	33,918	37,175	5,071	5,589	-	4	-	1	7,198	7,065	46,187	49,834
							-					
Construction revenue	5,880	2,026	-	-	-	-	-	-	-	-	5,880	2,026
Construction expenditure	(5,880)	(2,026)	-	-	-	-	-	-	-	-	(5,880)	(2,026)
Interest income	1,672	1,074	32	59	257	9	108	151	2,873	3,129	4,942	4,422
Interest expense	(17,057)	(27,544)	(324)	(190)	(41)	(25)	(603)	(519)	(857)	(2,752)	(18,882)	(31,030)
Depreciation and amortisation	(29,444)	(24,431)	(1,367)	(1,357)	(1,129)	(899)	(3,318)	(3,578)	(1,261)	(985)	(36,519)	(31,250)
Reportable segment operating profit	36,224	52,299	767	752	4,796	832	2,302	3,203	3,038	(1,395)	47,127	55,691
Capital expenditure	7,157	27,225	957	1,653	1,657	1,315	931	779	1,494	752	12,196	31,724

	As at 31 March 2017 and 31 December 2016											
	Terminal Operations		**Catering Operations**		**Duty Free Operations**		**Ground Handling and Bus Operations**		**Other Operations**		**Total**	
	31 March 2017	**31 December 2016**	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**
Reportable segment assets	2,792,813	2,911,895	50,308	51,999	75,128	74,039	139,809	167,457	355,963	326,219	3,414,021	3,531,609
Reportable segment liabilities	2,387,099	2,424,489	36,932	40,370	69,013	63,223	68,601	98,583	105,759	109,823	2,667,404	2,736,488

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

5. OPERATING SEGMENTS (continued)

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

Revenues	**1 January-31 March 2017**	**1 January-31 March 2016**
Total revenue for reportable segments	325,730	342,953
Other revenue	20,675	15,172
Elimination of inter-segment revenue	(46,187)	(49,834)
	300,218	**308,291**
Effect of using the equity method for joint ventures	(91,270)	(97,083)
Consolidated revenue	**208,948**	**211,208**

Operating profit	**1 January-31 March 2017**	**1 January-31 March 2016**
Segment operating profit	44,089	57,086
Other operating profit / (loss)	3,038	(1,395)
Elimination of inter-segment operating loss	(689)	(626)
	46,438	**55,065**
Effect of using the equity method for joint ventures	(5,344)	(3,488)
Consolidated operating profit	**41,094**	**51,577**
Finance income	2,117	5,412
Finance expense	(19,701)	(34,664)
Consolidated profit before tax	**23,510**	**22,325**

Assets	**31 March 2017**	**31 December 2016**
Total assets for reportable segments	3,058,058	3,205,390
Other assets	355,963	326,219
	3,414,021	**3,531,609**
Effect of using the equity method for joint ventures	(420,282)	(430,311)
Consolidated total assets	**2,993,739**	**3,101,298**

Liabilities	**31 March 2017**	**31 December 2016**
Total liabilities for reportable segments	2,561,645	2,626,665
Other liabilities	105,759	109,823
	2,667,404	**2,736,488**
Effect of using the equity method for joint ventures	(432,693)	(442,282)
Consolidated total liabilities	**2,234,711**	**2,294,206**

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

5. OPERATING SEGMENTS (continued)

Interest income	**1 January-31 March 2017**	**1 January-31 March 2016**
Total interest income for reportable segments	2,069	1,293
Other interest income	2,873	3,129
Elimination of inter-segment interest income	(2,566)	(2,352)
	2,376	**2,070**
Effect of using the equity method for joint ventures	(259)	55
Consolidated interest income	**2,117**	**2,125**

Interest expense	**1 January-31 March 2017**	**1 January-31 March 2016**
Total interest expense for reportable segments	(18,025)	(28,278)
Other interest expense	(857)	(2,752)
Elimination of inter-segment interest expense	2,512	2,504
	(16,370)	**(28,526)**
Effect of using the equity method for joint ventures	3,590	3,302
Consolidated interest expense	**(12,780)**	**(25,224)**

Geographical information

The main geographical segments of the Group and its joint ventures 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-31 March 2017**	**1 January-31 March 2016**
Turkey	180,148	191,406
Georgia	20,310	11,513
Macedonia	5,027	4,839
Tunisia	1,947	2,323
Other	1,516	1,127
Consolidated revenue	**208,948**	**211,208**

Non-current assets	**31 March 2017**	**31 December 2016**
Turkey	1,738,756	1,747,572
Tunisia	424,163	428,256
Macedonia	61,975	63,186
Georgia	77,842	68,820
Other	495	462
Consolidated non-current assets	**2,303,231**	**2,308,296**

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

6. TAX EXPENSE

The reported tax expenses for the periods ended 31 March 2017 and 2016 are different than the amounts computed by applying the statutory tax rate to profit before tax of the Group, as shown in the following reconciliation:

	%	**1 January-31 March 2017**	**%**	**1 January-31 March 2016**
Profit for the year		9,832		12,193
Total tax expense		13,678		10,132
Profit before tax		**23,510**		**22,325**
Tax using the Company's domestic tax rate	20	4,702	20	4,465
Tax effects of:				
- nondeductible expenses	1	275	1	194
- translation of non-monetary items according to IAS 21	18	4,126	(1)	(163)
- change in previously recognised investment incentives	(1)	(308)	-	69
- tax exempt income	(7)	(1,568)	(2)	(398)
- current year losses for which no deferred tax asset is recognised	26	6,137	(9)	(1,991)
- effect of different tax rates for foreign jurisdictions	(2)	(398)	(3)	(585)
- over provided in prior years		-	-	66
- change in unrecognized temporary differences	(3)	(615)	18	4,014
- adjustment for equity accounted investees	2	451	(3)	(632)
- other consolidation adjustments	4	876	23	5,093
Tax expense	**58**	**13,678**	**45**	**10,132**

Corporate tax:

	31 March 2017	**31 December 2016**
Corporate tax provision	10,888	59,060
Adjustments for prior years	-	61
Add: taxes payable from previous year	23,146	14,933
Less: corporation taxes paid during the year	(18,135)	(50,908)
Current tax liabilities	**15,899**	**23,146**

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

7. AIRPORT OPERATION RIGHT

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Antalya Gazipaşa Airport	Skopje International Airport	Milas-Bodrum Airport	Total
Cost							
Balance at 1 January 2016	**773,654**	**77,741**	**519,192**	**45,700**	**86,736**	**490,463**	**1,993,486**
Effect of movements in exchange rates	-	(1,815)	-	-	-	-	(1,815)
Additions (*)	-	2,029	-	-	-	-	2,029
Balance at 31 March 2016	**773,654**	**77,955**	**519,192**	**45,700**	**86,736**	**490,463**	**1,993,700**
Balance at 1 January 2017	**773,654**	**102,253**	**519,192**	**45,700**	**86,736**	**490,463**	**2,017,998**
Effect of movements in exchange rates	-	6,516	-	-	-	-	6,516
Additions (*)	-	6,205	-	-	-	-	6,205
Balance at 31 March 2017	**773,654**	**114,974**	**519,192**	**45,700**	**86,736**	**490,463**	**2,030,719**

(*) There is no capitalised borrowing cost on airport operation right during 2017 (31 March 2016: None). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 100%.

As at 31 March 2017 additions to is related with the construction works at runway and terminal of Tblisi International Airport (31 March 2016: additions to airport operation right is related with the construction works at Tbilisi International Airport).

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

7. AIRPORT OPERATION RIGHT (continued)

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Antalya Gazipaşa Airport	Skopje International Airport	Milas-Bodrum Airport	Total
Accumulated amortisation							
Balance at 1 January 2016	**118,500**	**36,321**	**80,861**	**5,505**	**20,360**	**5,036**	**266,583**
Effect of movements in exchange rates	-	(834)	-	-	-	-	(834)
Amortisation for the period	5,990	874	3,467	546	1,167	2,779	14,823
Balance at 31 March 2016	**124,490**	**36,361**	**84,328**	**6,051**	**21,527**	**7,815**	**280,572**
Balance at 1 January 2017	**142,466**	**37,967**	**94,729**	**7,701**	**25,055**	**16,150**	**324,068**
Effect of movements in exchange rates	-	2,468	-	-	-	-	2,468
Amortisation for the period	6,306	1,394	3,467	540	1,154	2,980	15,841
Balance at 31 March 2017	**148,772**	**41,829**	**98,196**	**8,241**	**26,209**	**19,130**	**342,377**
Carrying amounts							
At 31 March 2016	**649,164**	**41,594**	**434,864**	**39,649**	**65,209**	**482,648**	**1,713,128**
At 31 December 2016	**631,188**	**64,286**	**424,463**	**37,999**	**61,681**	**474,313**	**1,693,930**
At 31 March 2017	**624,882**	**73,145**	**420,996**	**37,459**	**60,527**	**471,333**	**1,688,342**

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

8. PREPAID CONCESSION AND RENT EXPENSES

An analysis of the Group's prepaid rent expenses as at 31 March 2017, 31 December 2016 and 31 March 2016 are as follows:

31 March 2017	**Concession and rent**	**Prepaid development expenditures**	**Total**
Balance at 31 December 2016	**89,211**	**12,347**	**101,558**
Concession and rent payments	134,138	-	134,138
Current period rent expense – TAV İstanbul	(37,696)	(759)	(38,455)
Balance at 31 March 2017	**185,653**	**11,588**	**197,241**
Represented as current prepaid concession and rent expense	**155,895**	**3,078**	**158,973**
Represented as non-current prepaid concession and rent expense	**29,758**	**8,510**	**38,268**

31 December 2016	**Concession and rent**	**Prepaid development expenditures**	**Total**
Balance at 31 December 2015	**101,148**	**15,434**	**116,582**
Concession and rent payments	130,260	-	130,260
Current year rent expense – TAV İstanbul	(142,197)	(3,087)	(145,284)
Balance at 31 December 2016	**89,211**	**12,347**	**101,558**
Represented as current prepaid concession and rent expense	**89,211**	**3,089**	**92,300**
Represented as non-current prepaid concession and rent expense	**-**	**9,258**	**9,258**

31 March 2016	**Concession and rent**	**Prepaid development expenditures**	**Total**
Balance at 31 December 2015	**101,148**	**15,434**	**116,582**
Concession and rent payments	130,260	-	130,260
Current period rent expense – TAV İstanbul	(34,346)	(766)	(35,112)
Balance at 31 March 2016	**197,062**	**14,668**	**211,730**
Represented as current prepaid concession and rent expense	**145,547**	**3,087**	**148,634**
Represented as non-current prepaid concession and rent expense	**51,515**	**11,581**	**63,096**

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

9. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

At 31 March 2017 and 31 December 2016, other receivables and current assets comprised the following:

Other receivables and current assets	31 March 2017	31 December 2016
VAT deductible	16,814	16,060
Advances to suppliers	14,818	14,143
Income accruals	6,668	17,540
Prepaid taxes and funds	5,678	3,377
Prepaid insurance	5,663	1,902
Other prepaid expense	2,953	2,920
Deposits and guarantees received	1,546	1,299
Advances given to personnel	544	714
Other receivables	5,031	2,751
	59,715	**60,706**

10. CASH AND CASH EQUIVALENTS

At 31 March 2017 and 31 December 2016, cash and cash equivalents comprised the following:

	31 March 2017	31 December 2016
Cash on hand	741	804
Cash at banks		
- Demand deposits	41,966	48,834
- Time deposits	116,988	264,460
Other liquid assets	2,206	2,734
Cash and cash equivalents	**161,901**	**316,832**
Bank overdrafts used for cash management purposes	(1,837)	(1,483)
Cash and cash equivalents in the statement of cash flows	**160,064**	**315,349**

The details of the Group's time deposits, maturities and interest rates as at 31 March 2017 and 31 December 2016 are as follows:

31 March 2017

Original Currency	Maturity	Interest rate %	Balance
EUR	April 2017	0.01 - 2.06	61,329
USD	April 2017	0.25 - 3.35	42,270
TRL	April 2017	3.50 - 11.50	8,322
Other			5,067
			116,988

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

10. CASH AND CASH EQUIVALENTS (continued)

31 December 2016

Original Currency	Maturity	Interest rate %	Balance
EUR	January 2017	0.01 - 1.90	102,312
USD	January 2017	0.25 - 3.35	150,972
TRL	January 2017	3.49 - 10.70	11,176
			264,460

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 16.There is no blockage or restriction on the use of cash and cash equivalents as at 31 March 2017 and 31 December 2016.

11. RESTRICTED BANK BALANCES

At 31 March 2017 and 31 December 2016, restricted bank balances comprised the following:

	31 March 2017	31 December 2016
Project reserve and funding accounts (*)	132,692	163,828
	132,692	**163,828**

(*) Certain subsidiaries, namely TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Macedonia, TAV Milas Bodrum, TAV Ege, TAV Holding and ("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 13, all cash except for cash on hand are classified in these accounts for TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Ege, TAV Macedonia, TAV Milas Bodrum and TAV Holding. Based on these agreements, the Group can access and use such restricted cash as per the conditions and cascade defined in respective loan agreements. The project accounts should be used for predetermined purposes, such as, operational expenses, loan repayments or rent payments to airport administrations, tax payments, debt service, etc.

31 March 2017

Original Currency	Interest rate %	Balance
EUR	0.25 - 3.50	128,938
TRL	10.25 - 12.10	3,528
USD	0.25 - 2.30	195
Other		31
		132,692

31 December 2016

Original Currency	Interest rate %	Balance
EUR	0.25 - 3.50	156,991
TRL	9.55 - 10.75	558
USD	0.01 - 2.30	6,225
Other		54
		163,828

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

12. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 March 2017 was based on the profit attributable to ordinary shareholders of EUR 11,698 (31 March 2016: EUR 14,642) and a weighted average number of ordinary shares outstanding of 363,281,250 (31 March 2016: 363,281,250), as follows:

	1 January- 31 March 2017	**1 January- 31 March 2016**
Numerator:		
Profit for the period attributable to owners of the Company	**11,698**	**14,642**
Denominator:		
Weighted average number of shares	363,281,250	363,281,250
Basic and diluted profit per share (full EUR)	**0.03**	**0.04**

	1 January- 31 March 2017	**1 January- 31 March 2016**
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**

13. 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 foreign currency risk arising from these loans and borrowings, see Note 16.

	31 March 2017	**31 December 2016**
Non-current liabilities		
Secured bank loans (*)	637,356	649,906
Unsecured bank loans	12,062	10,741
Finance lease liabilities	13,003	13,597
	662,421	**674,244**
Current liabilities		
Current portion of long term secured bank loans (*)	377,834	384,745
Short term unsecured bank loans	142,192	145,868
Short term secured bank loans	25,716	25,489
Current portion of long term unsecured bank loans	7,577	7,732
Current portion of finance lease liabilities	2,384	2,467
	555,703	**566,301**

(*) Secured bank loans mainly consist of project finance loans that have been secured by pledges.

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

13. LOANS AND BORROWINGS (continued)

The Group's total bank loans and finance lease liabilities as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	**31 December 2016**
Bank loans	1,202,737	1,224,481
Finance lease liabilities	15,387	16,064
	1,218,124	**1,240,545**

The Group's bank loans as at 31 March 2017 are as follows:

	Presented as		
	Current liabilities	**Non-current liabilities**	**Total**
TAV Tunisia (*)	354,521	-	354,521
TAV Ege	17,090	222,244	239,334
TAV İstanbul	76,861	116,960	193,821
TAV Milas Bodrum	11,181	141,446	152,627
TAV Esenboğa	14,023	58,573	72,596
TAV Macedonia	6,638	52,003	58,641
TAV Gazipaşa	23,553	24,785	48,338
HAVAŞ	16,142	21,345	37,487
TAV Holding	25,716	-	25,716
Others	7,594	12,062	19,656
	553,319	**649,418**	**1,202,737**

(*) TAV Tunisia had started negotiations with the Tunisian Authorities and the Lenders regarding a potential restructuring to restore the economic balance of the concession in line with the Concession Agreement terms. In the meantime, Tunisia has suffered from major terrorist attacks on 18 March 2015 and 26 June 2015, which had a substantial negative impact on tourism and passenger traffic, which in turn negatively affected the revenues of TAV Tunisia. Passenger traffic has dropped by 58% from 3.3 million in 2014 to 1.4 million in 2015 and increased to 1.6 million in 2016. Under these new adverse circumstances, TAV Tunisia continued to be engaged in negotiations with the Tunisian Authorities and its Lenders for the restructuring of its concession and financing arrangements, with the aim to reach an agreement during year 2017. The negotiations are in an advanced stage and a 3-year Standstill Agreement (covering period until 2019 June) where no concession fees and debt is paid is about to be agreed on and signed by the parties. The aim is to arrange a further restructuring at the end of this 3-year period once passenger traffic stabilizes and there is more visibility regarding cash flow projections of the Company.

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

13. LOANS AND BORROWINGS (continued)

In the meantime, since TAV Tunisia has been in breach of its financing agreements due to its current difficulties, non-current loan liabilities of TAV Tunisia were reclassified to current loan liabilities on 30 June 2015 and the amount outstanding as of 31 March 2017 is EUR 354,521. Consequently minority deficit amounting to EUR 17,584 (31 December 2016: EUR 16,082) has been classified to other accruals and liabilities which is presented at a fair value of EUR 31,064 (31 December 2016: EUR 31,006). TAV Tunisia received an Acceleration Notice from the Lenders accompanied by a Letter of Intent stating that the Lenders' current intention is to protect their security rights while continuing the three-party negotiations towards a restructuring and they do not intend to make the loans due and payable. Tunisian Authorities also granted an extension of their standstill period until 30 April 2017, to be further extended in line with the calendar for the signing of the Standstill Agreement. Furthermore, TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 63,705 becoming due and payable (31 December 2016: EUR 63,548).

The Company has been advised by its legal counsels that under the Finance Documents the Hedging Banks cannot act alone in demanding these payments and hence a coordinated solution among all Lenders in line with the Standstill Agreement is currently being negotiated.

While the management believes that the signing of the Standstill Agreement in the near future is very likely, in the event that it is not signed and a joint solution cannot be reached in due course, TAV Tunisia is exposed to the material legal and financial consequences including but not limited to using its legal rights including filing for arbitration for the rebalancing of the Concession Agreement and, in failure to be able to do so, the termination of the Concession Agreement.

The Group's bank loans as at 31 December 2016 are as follows:

	Presented as		
	Current liabilities	**Non-current liabilities**	**Total**
TAV Tunisia (*)	352,418	-	352,418
TAV Ege	17,099	218,398	235,497
TAV İstanbul (**)	77,162	135,413	212,575
TAV Bodrum	11,059	139,881	150,940
TAV Esenboğa	14,200	57,942	72,142
TAV Macedonia (**)	6,588	51,289	57,877
HAVAŞ	19,503	31,159	50,662
TAV Gazipaşa	31,085	15,825	46,910
TAV Holding	25,489	-	25,489
Others	9,231	10,740	19,971
	563,834	**660,647**	**1,224,481**

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

13. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group’s bank loans according to original maturities as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
On demand or within one year	553,319	563,834
In the second year	208,714	220,426
In the third year	61,323	68,181
In the fourth year	53,417	50,762
In the fifth year	46,843	46,040
After five years	279,121	275,238
	1,202,737	**1,224,481**

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spreads for EUR denominated loans as at 31 March 2017 are between 1.54% - 5.50% (31 December 2016: Spreads for EUR denominated loans are between 1.54% - 5.50%, respectively).

Interest payments of 100%, 100% and 90% of floating bank loans for TAV Esenboğa, TAV Ege and TAV Milas Bodrum respectively are fixed with interest rate swaps.

The Group has obtained project financing loans to finance construction of its BOT and BTO concession projects, namely TAV Esenboğa, TAV Macedonia, TAV Tunisia and TAV Ege; and to be able to finance advance payments to DHMİ related to rent agreement of TAV Milas Bodrum.

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

14. OTHER PAYABLES

At 31 March 2017 and 31 December 2016, other payables comprised the following:

Other short term payables	**31 March 2017**	**31 December 2016**
Concession payable (*)	90,069	95,871
Expense accruals	11,828	14,534
Advances received	10,965	7,967
Taxes and duties payable	8,483	4,358
Due to personnel	6,774	4,182
Social security premiums payable	6,010	6,604
Other accruals and liabilities (**)	95,437	96,359
	229,566	**229,875**

Other long term payables	**31 March 2017**	**31 December 2016**
Concession payable (*)	583,847	597,314
Other accruals and liabilities	722	787
	584,569	**598,101**

The Group's exposure to currency and liquidity risk is related to other payables is disclosed in Note 16.

(*) TAV Tunisia has a concession period of 40 years and annual concession fee is paid based on the annual revenue of Monastir and Enfidha Airports. The concession fee is computed at an increasing rate between 11% and 26% of the annual revenues.

The concession fee of TAV Macedonia is 15% of the gross annual turnover until the number of passengers using the two airports reaches to 1 million, and when the number of passengers exceeds 1 million, this percentage shall change between 4% and 2% depending on the number of passengers.

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2014 for the leasing of the operating rights of the Milas Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from 22 October 2015 to 31 December 2035 (approximately 20 years and 2 months) and operation right of the domestic terminal starting from July 2015 to December 2035. The concession payable of TAV Milas Bodrum domestic terminal is presented in financials EUR 351,294 as of 31 March 2017 (31 December 2016: EUR 346,840). According to Council of Ministers decision, concession payment of TAV Milas Bodrum related to 2016 amounting to EUR 28,680 is deferred to June 2018.

According to the concession agreement dated 16 December 2011, TAV Ege started renting and operating the international terminal of İzmir Adnan Menderes Airport at 10 January 2015. The concession payable of the international and domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 288,998 as of 31 March 2017 (The concession payable of the domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 313,975 as of 31 December 2016).

(**) See Note 13.

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2017 and 31 December 2016, derivative financial instruments comprised the following:

	31 March 2017		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap (*)	-	(45,932)	(45,932)
Forward	-	(41)	(41)
	-	**(45,973)**	**(45,973)**

	31 December 2016		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap (*)	-	(49,188)	(49,188)
	-	**(49,188)**	**(49,188)**

(*) The Group applied hedge accounting for interest rate swaps.

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 2017, 100% of project finance loan is hedged through Interest Rate Swap (“IRS”) contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2016: 100%).

TAV Ege uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2017, 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2016: 100%).

TAV Milas Bodrum uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 March 2017, 90% of total loan is hedged through IRS contract (31 December 2016: 90%).

TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 63,705 becoming due and payable.

Cross currency swap:

TAV İstanbul terminated the hedge relationship in year 2016 due to refinancing (The total notional amount of the contract is EUR 80,276 (in exchange of USD 105,804) as at 31 December 2015).

The fair value of derivatives at 31 March 2017 is estimated at loss of EUR 45,973. This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 March 2017, changes in the fair value of these interest rate swaps and cross currency swaps are reflected to other comprehensive income resulting to an income of EUR 3,975 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.

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

16. FINANCIAL INSTRUMENTS

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 2017

Foreign currency denominated financial assets	**USD**	**EUR (*)**	**TRL**	**Other**	**Total**
Other non-current assets	-	-	8	15	23
Trade receivables	30,055	2,137	15,670	12,763	60,625
Due from related parties	7,144	21,818	3,057	1,667	33,686
Other receivables and current assets	1,994	892	18,780	787	22,453
Restricted bank balances	729	-	5,538	31	6,298
Cash and cash equivalents	53,426	2,493	8,906	12,603	77,428
	93,348	**27,340**	**51,959**	**27,866**	**200,513**
Foreign currency denominated financial liabilities					
Loans and borrowings	(18,355)	(9,291)	(54)	(71)	(27,771)
Bank overdraft	(113)	-	(816)	-	(929)
Trade payables	(6,704)	(367)	(5,575)	(13,956)	(26,602)
Due to related parties	(706)	(1,920)	(12)	-	(2,638)
Other payables	(5,769)	(684)	(18,438)	(18,432)	(43,323)
	(31,647)	**(12,262)**	**(24,895)**	**(32,459)**	**(101,263)**
Net exposure	**61,701**	**15,078**	**27,064**	**(4,593)**	**99,250**

(*) The figures in this column reflect the EUR position of subsidiaries 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.)

16. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

Exposure to currency risk (continued):

<u>31 December 2016</u>

Foreign currency denominated financial assets	**USD**	**EUR (*)**	**TRL**	**Other**	**Total**
Other non-current assets	1	-	9	25	35
Trade receivables	20,261	2,667	15,814	16,405	55,147
Due from related parties	9,049	7,327	5,432	347	22,155
Other receivables and current assets	2,568	610	17,427	14,022	34,627
Restricted bank balances	558	-	6,193	54	6,805
Cash and cash equivalents	163,650	1,589	13,612	13,202	192,053
	196,087	**12,193**	**58,487**	**44,055**	**310,822**
Foreign currency denominated financial liabilities					
Loans and borrowings	(18,943)	(8,647)	-	(106)	(27,696)
Trade payables	(6,596)	(702)	(8,081)	(22,298)	(37,677)
Due to related parties	(475)	(1,451)	(953)	-	(2,879)
Other payables	(206)	(717)	(22,833)	(16,310)	(40,066)
	(26,220)	**(11,517)**	**(31,867)**	**(38,714)**	**(108,318)**
Net exposure	**169,867**	**676**	**26,620**	**5,341**	**202,504**

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

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

16. FINANCIAL INSTRUMENTS (continued)

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

	Average Rate		Reporting Date Closing Rate	
	31 March 2017	**31 March 2016**	**31 March 2017**	**31 December 2016**
USD	0.9389	0.9071	0.9310	0.9486
TRL	0.2543	0.3085	0.2559	0.2695
GEL	0.3608	0.3725	0.3807	0.3579
MKD	0.0162	0.0162	0.0162	0.0163
TND	0.4087	0.4464	0.4031	0.4115
SAR	0.2504	0.2418	0.2483	0.2530
HRK	0.1343	0.1307	0.1348	0.1327
OMR	2.4491	2.3467	2.4219	2.4913
KES	0.0091	0.0090	0.0091	0.0090

Sensitivity analysis:

The Group's principal currency risk relates to changes in the value of the Euro relative to TRL and USD. The Group manages its exposure to foreign currency risk by entering into derivative contracts and, where possible, seeks to incur expenses with respect to each contract in the currency in which the contract is denominated and attempt to maintain its cash and cash equivalents in currencies consistent with its obligations.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts.

A 10 percent strengthening / (weakening) of EUR against the following currencies at 31 March 2017 and 31 December 2016 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	Strengthening of EUR	Weakening of EUR
31 March 2017		
USD	(6,170)	6,170
TRL	(2,707)	2,707
Other	459	(459)
Total	**(8,418)**	**8,418**
31 December 2016		
USD	(16,987)	16,987
TRL	(2,662)	2,662
Other	(534)	534
Total	**(20,183)**	**20,183**

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

16. 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 statement of financial position, are as follows:

		31 March 2017		31 December 2016	
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets					
Trade receivables - non current		89,258	92,326	90,231	117,627
Trade receivables - current		136,455	133,699	130,141	128,669
Due from related parties	18	33,686	33,686	22,154	22,154
Other receivables and current assets (*)		22	22	137	137
Restricted bank balances	11	132,692	132,692	163,828	163,828
Cash and cash equivalents	10	161,901	161,901	316,832	316,832
Financial liabilities					
Bank overdraft	10	(1,837)	(1,837)	(1,483)	(1,483)
Loans and borrowings	13	(1,218,124)	(1,218,338)	(1,240,545)	(1,240,759)
Trade payables (**)		(41,519)	(41,519)	(54,111)	(54,111)
Due to related parties	18	(2,643)	(2,643)	(2,880)	(2,880)
Derivative financial instruments	15	(45,973)	(45,973)	(49,188)	(49,188)
Other payables (**)		(803,170)	(721,578)	(820,009)	(736,005)
		(1,559,252)	**(1,477,562)**	**(1,444,893)**	**(1,335,179)**

(*) Non-financial instruments such as prepaid expenses, prepaid taxes and dues and advances given are excluded from other non-current assets and other receivables and current assets.

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

The methods used in determining the fair values of financial instruments are discussed in Note 4.

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

17. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Commitments and contingencies

	31 March 2017	**31 December 2016**
Letters of guarantee given to third parties	271,500	266,958
Letters of guarantee given to DHMİ	228,099	230,808
Letters of guarantee given to Saudi Arabian Government	24,825	25,295
Letters of guarantee given to Tunisian Government	23,402	23,455
Letters of guarantee given to Macedonian Government	250	250
	548,076	**546,766**

The Group is obliged to give 6% of the total rent amount of USD 152,580 of TAV İstanbul as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by the Group.

The Group is obliged to give a letter of guarantee at an amount equivalent of USD 26,665 (EUR 24,825) (31 December 2016: USD 26,665 (EUR 25,295)) to GACA according to the BTO agreement signed with GACA in Saudi Arabia. Furthermore, the Group is obliged to provide a letter of guarantee at an amount equivalent of USD 162,756 (EUR 151,524) (31 December 2016: USD 162,756 (EUR 154,389)) to National Commercial Bank which is included in letters of guarantee given to third parties. The total obligation has been provided by the Group.

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 15,360 (31 December 2016: EUR 15,412) to the Ministry of State Property and Land Affairs and EUR 8,042 (31 December 2016: EUR 8,042) to OACA according to the BOT agreements and its amendments signed with OACA in Tunisia. The total obligation has been provided by the Group.

TAV Ege is obliged to pay an aggregate amount of EUR 610,000 plus VAT during the rent period according to the concession agreement. 5% of this amount is already paid in two installments. The remaining amount will be paid in equal installments at the first business days of each year. Furthermore, The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 36,600 to DHMİ. The total obligation has been provided by the Group.

TAV Milas Bodrum is obliged to pay an aggregate amount of EUR 717,000 plus VAT during the rent period according to the concession agreement. 20% of this amount is already paid. The remaining amount will be paid in equal installments at the last day of October for each year. Furthermore, The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 43,020 to DHMİ. The total obligation has been provided by the Group.

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

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

18. RELATED PARTIES

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

All other transactions not described in this footnote between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of balances between the Group and other related parties are disclosed below.

Key management personnel compensation:

The remuneration of directors and other members of key management during the year comprised the following:

	1 January- 31 March 2017	**1 January- 31 March 2016**
Short-term benefits (salaries, bonuses etc.)	8,959	6,716
	8,959	**6,716**

As at 31 March 2017 and 31 December 2016, none of the Group's directors and executive officers has outstanding personnel loans from the Group.

The details of the transactions between the Group and any other related parties are disclosed below:

Other related party transactions:

	31 March 2017	**31 December 2016**
Due from related parties	13,383	15,307
Current loan to related parties	18,570	5,095
	31,953	**20,402**

	31 March 2017	**31 December 2016**
Non-current loan to related parties	1,733	1,752
	1,733	**1,752**

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

18. RELATED PARTIES (continued)

Due from related parties	**31 March 2017**	**31 December 2016**
ATU (1) (*)	3,936	6,894
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. ("TAV İnşaat") (2) (**)	2,681	1,817
BTA Medinah	1,841	1,824
BTA Denizyolları	1,150	2,277
Zagreb	999	432
Tibah Operation	729	510
TGS	389	206
BTU Lokum	327	305
Other related parties	1,331	1,042
	13,383	**15,307**

(*) Receivables from ATU comprise of concession fee duty-free receivables.
(**) Receivables from TAV İnşaat are mainly comprised of advances given by TAV Ege for construction work to be rendered by TAV İnşaat.

Loan to related parties	**31 March 2017**	**31 December 2016**
ATÜ (2)	14,263	-
TAV İnşaat (1)	2,079	2,954
Tibah Development (2)	1,655	1,561
Other related parties	573	580
	18,570	**5,095**

(*) Receivables from ATU comprise of dividend receivables.

Non-current loan to related parties	**31 March 2017**	**31 December 2016**
Saudi Havaş (2)	1,733	1,752
	1,733	**1,752**

	31 March 2017	**31 December 2016**
Due to related parties	2,229	2,446
Current loan from related parties	414	434
	2,643	**2,880**

(1) Subsidiary of shareholders
(2) Joint Venture

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

18. RELATED PARTIES (continued)

Due to related parties	**31 March 2017**	**31 December 2016**
IBS Brokerlik ve Sigorta Hizmetleri A.Ş. ("IBS Sigorta") (1) (*)	1,946	2,160
Other related parties	283	286
	2,229	**2,446**

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

Current loan from related parties	**31 March 2017**	**31 December 2016**
Tepe İnşaat (1)	414	414
Other related parties	-	20
	414	**434**

Short term deferred income from related parties	**31 March 2017**	**31 December 2016**
ATU (2) (*)	4,069	4,832
Other related parties	16	2
	4,085	**4,834**

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

Long term deferred income from related parties	**31 March 2017**	**31 December 2016**
ATU (2) (*)	28,811	29,162
	28,811	**29,162**

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

(1) Subsidiary of shareholders
(2) Joint Venture

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

18. RELATED PARTIES (continued)

Services rendered to related parties	**1 January-31 March 2017**	**1 January-31 March 2016**
ATÜ (1) (*)	49,656	55,017
BTA Denizyolları (1)	412	871
Other related parties	3,011	2,662
	53,079	**58,550**

(*) Services rendered to ATÜ comprise of concession fee for duty-free operations.

Services rendered by related parties	**1 January-31 March 2017**	**1 January-31 March 2016**
Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen Elektrik") (2) (**)	1,582	995
IBS Sigorta (2) (*)	1,437	2,083
Other related parties	254	213
	3,273	**3,291**

(*) IBS Sigorta provides insurance brokerage services to the Group.
(**) Akfen Elektrik Enerjisi Toptan Satış A.Ş. provides electric services to the Group.

Interest income/ (expense) from related parties (net)	**1 January-31 March 2017**	**1 January-31 March 2016**
ATU (1)	-	155
Other related parties	-	28
	-	**183**

The average interest rate used within the Group is 3.53% per annum (31 December 2016: 3.55%). The Group converts related party TRL loan receivable and payable balances to USD at month end using the Central Bank's announced exchange rates and then charges interest on the USD balances.

Construction work rendered by related parties	**1 January-31 March 2017**	**1 January-31 March 2016**
TAV İnşaat (2) (*)	7,760	11,978
	7,760	**11,978**

(*) Construction revenue and expenditure for the year ended 31 March 2017 is related to the construction of runway and terminal of Tblisi International Airport. (31 March 2016 is related to the construction works at Tblisi International Airport and İstanbul Atatürk International Airport extension project).

(1) Joint venture
(2) Subsidiary of shareholders

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

18. RELATED PARTIES (continued)

Dividend distribution

In 2017 the Company distributed dividends to the shareholders amounting to EUR 63,629 (TRL 247,951) from the Company's distributable profits computed for 2016 (2016: EUR 107,997 (TRL 347,560)). Dividend per share is full EUR 0.17 (full TRL 0.68) (2016: EUR 0.29 (full TRL 0.96)).

19. INTERESTS IN OTHER ENTITIES

Non-controlling interests in subsidiaries

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") before any intra group eliminations.

	31 March 2017				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**33.00%**	**20.00%**	**33.33%**		
Non-current assets	424,163	76,720	22,205		
Current assets	22,594	19,408	31,367		
Non-current liabilities	5,460	-	10,706		
Current liabilities	558,519	6,071	36,064		
Net assets	**(117,222)**	**90,057**	**6,802**		
Carrying amount of NCI	(38,683)	18,011	2,267	(441)	(18,846)
Change in non-controlling interest	17,584	-	-	-	17,584
	(21,099)	**18,011**	**2,267**	**(441)**	**(1,262)**

	1 January - 31 March 2017				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
Revenue	2,082	20,675	27,522		
(Loss) / profit	(11,666)	8,974	292		
Total comprehensive income	**(10,011)**	**14,282**	**(72)**		
(Loss) / profit allocated to NCI	(3,850)	1,795	97	92	(1,866)

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

19. INTERESTS IN OTHER ENTITIES (continued)

Non-controlling interests in subsidiaries (continued)

	31 December 2016				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**33,00%**	**20,00%**	**33,33%**		
Non-current assets	428,256	67,768	23,885		
Current assets	25,939	20,706	31,141		
Non-current liabilities	5,490	-	13,350		
Current liabilities	555,916	5,065	34,802		
Net assets	**(107,211)**	**83,409**	**6,874**		
Carrying amount of NCI	(35,380)	16,682	2,291	(686)	(17,093)
Change in non-controlling interest	16,082	-	-	-	16,082
	(19,298)	**16,682**	**2,291**	**(686)**	**(1,011)**

	1 January - 31 March 2016				
	TAV Tunisia	**TAV Tbilisi**	**BTA**	**Other immaterial subsidiaries**	**Total**
Revenue	2,529	11,748	33,822		
(Loss) / profit	(10,374)	4,518	348		
Total comprehensive income	**(8,763)**	**2,805**	**87**		
(Loss) / profit allocated to NCI	(3,423)	904	116	(46)	(2,449)

	31 March 2017	**31 December 2016**
Joint ventures	66,542	83,426
Associates	12,117	10,945
	78,659	**94,371**

	1 January-31 March 2017	**1 January-31 March 2016**
Joint ventures	(1,190)	3,295
Associates	(476)	97
	(1,666)	**3,392**

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

19. INTERESTS IN OTHER ENTITIES (continued)

Joint Ventures

Carrying amounts of the Group's joint ventures in the statement of financial position as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
TGS	49,127	49,896
ATU	23,595	34,069
Tibah Operation	1,175	962
BTA Denizyolları	364	841
Tibah Development	(6,086)	(839)
Other	(1,633)	(1,503)
	66,542	**83,426**

Group's share of (loss) / profit of the Group's joint ventures in the statement of comprehensive income for the period ended 31 March are as follows:

	1 January-31 March 2017	1 January-31 March 2016
ATÜ	3,365	1,347
TGS	553	1,590
Tibah Operation	232	233
BTA Denizyolları	(400)	60
Tibah Development	(4,776)	524
Other	(164)	(459)
	(1,190)	**3,295**

Associates

Carrying amount of the Group's associate in the statement of financial position as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
ZAIC-A	9,885	8,721
Other	2,232	2,224
	12,117	**10,945**

Group's share of profit of the Group's associate in the statement of comprehensive income for the period ended 31 March is as follows:

	1 January-31 March 2017	1 January-31 March 2016
ZAIC-A	(484)	(185)
Other	8	282
	(476)	**97**

20. SUBSEQUENT EVENTS

The consortium formed by TAV Holding and Al Rajhi Holding Group has been selected by GACA concerning the operating and development of Prince Nayef bin Abdulaziz (Qassim) and Hail International Airport in Saudi Arabia, with a 30 years concession contract. TAV Holding and Al Rajhi Holding Group each have equal shares (50%) within the consortium. Qassim Airport and Hail Airport served nearly 2.5 million passengers in 2016.