

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

**Interim Condensed Consolidated Financial Statements
As at and for the Six-Month Period Ended 30 June 2016**

27 July 2016

This report contains the “Interim Condensed Consolidated Financial Statements and their explanatory notes” comprising 46 pages.

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

Table of Contents

Interim Condensed Consolidated Statement of Financial Position
Interim Condensed Consolidated Statement of Profit or Loss and
Comprehensive Income
Interim Condensed Consolidated Statement of Changes in Equity
Interim Condensed Consolidated Statement of Cash Flows
Notes to the Interim Condensed Consolidated Financial Statements

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

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

	<u>Notes</u>	<u>Reviewed 30 June 2016</u>	<u>31 December 2015</u>
ASSETS			
Property and equipment		226,003	209,913
Intangible assets		13,982	15,694
Airport operation right	7	1,712,264	1,726,903
Equity-accounted investees	19	91,772	105,651
Goodwill		135,831	135,831
Prepaid concession and rent expenses	8	24,466	14,664
Derivative financial instruments	15	-	15,436
Trade receivables		95,245	99,596
Non-current due from related parties	18	1,539	4,321
Other non-current assets		1,720	1,605
Deferred tax assets		44,661	57,510
Total non-current assets		<u>2,347,483</u>	<u>2,387,124</u>
Inventories		11,240	11,113
Prepaid concession and rent expenses	8	152,150	101,918
Derivative financial instruments	15	-	2,455
Trade receivables		131,511	98,406
Due from related parties	18	28,776	32,340
Other receivables and current assets	9	62,599	43,765
Cash and cash equivalents	10	226,475	211,666
Restricted bank balances	11	127,947	417,597
Total current assets		<u>740,698</u>	<u>919,260</u>
TOTAL ASSETS		<u>3,088,181</u>	<u>3,306,384</u>

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 Financial Position (continued)

As at 30 June 2016

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

	Notes	Reviewed 30 June 2016	31 December 2015
EQUITY			
Share capital		162,384	162,384
Share premium		220,286	220,286
Legal reserves		110,717	114,735
Other reserves		(66,514)	(60,762)
Revaluation surplus		102	273
Purchase of shares of entities under common control		40,064	40,064
Cash flow hedge reserve		(69,057)	(65,476)
Translation reserves		(23,772)	(20,949)
Retained earnings		344,618	417,026
Total equity attributable to equity holders of the Company		718,828	807,581
Non-controlling interests	19	(3,163)	5,852
Total Equity		715,665	813,433
LIABILITIES			
Loans and borrowings	13	738,354	856,504
Reserve for employee severance indemnity		20,024	17,651
Derivative financial instruments	15	62,199	60,703
Deferred income		42,750	45,206
Other payables	14	586,746	608,133
Deferred tax liabilities		12,163	4,940
Total non-current liabilities		1,462,236	1,593,137
Bank overdraft	10	2,021	-
Loans and borrowings	13	595,422	611,589
Trade payables		49,057	50,025
Due to related parties	18	2,633	5,469
Current tax liabilities	6	18,915	14,933
Other payables	14	217,005	193,207
Provisions		8,137	7,167
Deferred income		17,090	17,424
Total current liabilities		910,280	899,814
Total Liabilities		2,372,516	2,492,951
TOTAL EQUITY AND LIABILITIES		3,088,181	3,306,384

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 Profit or Loss and Comprehensive Income For the Six-Month Period Ended 30 June 2016

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

	Notes	<u>Reviewed</u> 1 January- 30 June 2016	1 April- 30 June 2016	<u>Reviewed</u> 1 January- 30 June 2015	1 April- 30 June 2015
Construction revenue		56	(1,970)	-	-
Operating revenue		462,724	253,542	467,221	261,895
Other operating income		32,994	16,604	32,418	16,511
Construction expenditure		(56)	1,970	-	-
Cost of catering inventory sold		(28,221)	(15,291)	(23,817)	(12,942)
Cost of services rendered		(27,723)	(16,987)	(25,355)	(11,971)
Personnel expenses		(126,732)	(62,815)	(127,863)	(60,263)
Concession and rent expenses		(72,793)	(36,820)	(63,981)	(32,496)
Depreciation and amortisation expenses		(49,570)	(25,258)	(42,323)	(20,950)
Other operating expenses		(61,146)	(31,627)	(55,776)	(24,699)
Share of profit of equity-accounted investees, net of tax	19	8,525	5,133	9,704	3,880
Operating profit		138,058	86,481	170,228	118,965
Finance income		6,537	1,532	10,426	2,458
Finance costs		(74,963)	(40,706)	(60,411)	(40,109)
Net finance costs		(68,426)	(39,174)	(49,985)	(37,651)
Profit before tax		69,632	47,307	120,243	81,314
Tax expense	6	(48,144)	(38,012)	(37,641)	(25,137)
Profit for the period		21,488	9,295	82,602	56,177
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Defined benefit obligation actuarial differences		(429)	700	(1,655)	(467)
Defined benefit obligation actuarial differences from equity accounted investees		58	(230)	133	(39)
Tax on defined benefit obligation actuarial differences		86	(140)	331	93
Tax on defined benefit obligation actuarial differences from equity accounted investees		(12)	50	(27)	7
Total items that will not be reclassified to profit or loss		(297)	380	(1,218)	(406)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedges		(30,369)	(11,752)	23,227	213
Effective portion of changes in fair value of cash flow hedges from equity accounted investees		1,174	1,339	(353)	1,473
Portion of cash flow hedges charged to profit or loss		23,766	14,491	10,982	16,003
Foreign currency translation differences for foreign operations		476	2,954	(11,483)	(3,135)
Foreign currency translation differences for foreign operations from equity accounted investees		(2,945)	(2,865)	1,722	(3,613)
Tax on cash flow hedge reserves		2,990	695	(5,813)	(2,459)
Tax on cash flow hedge reserves from equity accounted investees		(78)	(89)	25	(95)
Total items that are or may be reclassified subsequently to profit or loss		(4,986)	4,773	18,307	8,387
Other comprehensive income for the period, net of tax		(5,283)	5,153	17,089	7,981
Total comprehensive income for the period		16,205	14,448	99,691	64,158

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 Profit or Loss and Comprehensive Income For the Six-Month Period Ended 30 June 2016 (continued)

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

		<u>Reviewed</u>		<u>Reviewed</u>	
		<u>1 January- 30 June 2016</u>	<u>1 April- 30 June 2016</u>	<u>1 January- 30 June 2015</u>	<u>1 April- 30 June 2015</u>
	<u>Notes</u>				
Profit attributable to:					
Owners of the Company		31,552	16,910	88,445	57,804
Non-controlling interest		(10,064)	(7,615)	(5,843)	(1,627)
Profit for the period		<u>21,488</u>	<u>9,295</u>	<u>82,602</u>	<u>56,177</u>
Total comprehensive income attributable to:					
Owners of the Company		24,996	20,918	106,164	64,628
Non-controlling interest		(8,791)	(6,470)	(6,473)	(470)
Total comprehensive income for the period		<u>16,205</u>	<u>14,448</u>	<u>99,691</u>	<u>64,158</u>
Weighted average number of shares outstanding		<u>363,281,250</u>	<u>363,281,250</u>	<u>363,281,250</u>	<u>363,281,250</u>
Basic and diluted earnings per share	12	0.09	0.05	0.24	0.16

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 Six-Month Period Ended 30 June 2016

(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											Total Equity
	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	
Balance at 1 January 2015	162,384	220,286	85,528	(17,605)	615	40,064	(91,871)	(9,269)	338,389	728,521	17,173	745,694
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	88,445	88,445	(5,843)	82,602
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(171)	-	-	(34)	205	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	25,575	-	-	25,575	2,493	28,068
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(1,338)	(1,338)	120	(1,218)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(6,518)	-	(6,518)	(3,243)	(9,761)
Total other comprehensive income	-	-	-	-	(171)	-	25,575	(6,552)	(1,133)	17,719	(630)	17,089
Total comprehensive income for the period	-	-	-	-	(171)	-	25,575	(6,552)	87,312	106,164	(6,473)	99,691
Transactions with owners of the Company, recognised directly in equity												
<i>Contributions by and distributions to owners of the Company</i>												
Decrease in capital of subsidiary	-	-	-	-	-	-	-	-	-	-	(6,393)	(6,393)
Dividend distributions	-	-	-	-	-	-	-	-	(100,966)	(100,966)	(1,896)	(102,862)
Purchase of non-controlling interest	-	-	-	(2,236)	-	-	-	-	-	(2,236)	(2,326)	(4,562)
Total transactions with owners of the Company	-	-	-	(2,236)	-	-	-	-	(100,966)	(103,202)	(10,615)	(113,817)
Transfers	-	-	26,123	-	-	-	-	-	(26,123)	-	-	-
Balance at 30 June 2015	162,384	220,286	111,651	(19,841)	444	40,064	(66,296)	(15,821)	298,612	731,483	85	731,568
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	-	-	-	-	-	-	-	-	31,552	31,552	(10,064)	21,488
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(171)	-	-	(34)	205	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	(3,581)	-	-	(3,581)	1,064	(2,517)
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(186)	(186)	(111)	(297)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(2,789)	-	(2,789)	320	(2,469)
Total other comprehensive income	-	-	-	-	(171)	-	(3,581)	(2,823)	19	(6,556)	1,273	(5,283)
Total comprehensive income for the period	-	-	-	-	(171)	-	(3,581)	(2,823)	31,571	24,996	(8,791)	16,205
Transactions with owners of the Company, recognised directly in equity												
<i>Contributions by and distributions to owners of the Company</i>												
Dividend distributions	-	-	-	-	-	-	-	-	(107,997)	(107,997)	(5,877)	(113,874)
Change in non-controlling interest (Note 13)	-	-	-	(5,752)	-	-	-	-	-	(5,752)	5,653	(99)
Total transactions with owners of the Company	-	-	-	(5,752)	-	-	-	-	(107,997)	(113,749)	(224)	(113,973)
Transfers	-	-	(4,018)	-	-	-	-	-	4,018	-	-	-
Balance at 30 June 2016	162,384	220,286	110,717	(66,514)	102	40,064	(69,057)	(23,772)	344,618	718,828	(3,163)	715,665

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 Cash Flows For the Six-Month Period Ended 30 June 2016

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

	<u>Notes</u>	<u>Reviewed 1 January- 30 June 2016</u>	<u>Reviewed 1 January- 30 June 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		21,488	82,602
Adjustments for:			
Amortisation of airport operation right	7	29,711	24,746
Depreciation of property and equipment		17,644	15,314
Amortisation of intangible assets		2,217	2,263
Concession and rent expenses		72,793	63,981
Provision for employee severance indemnity		3,044	5,201
Provision for doubtful receivables		491	1,677
Discount on receivables and payables, net		(131)	(41)
(Loss) / gain on sale of property and equipment		(7)	938
Provision set for unused vacation		1,064	652
Interest income		(3,691)	(4,034)
Interest expense on financial liabilities		53,713	50,937
Tax expense		48,144	37,641
Unwinding of discount on concession receivable and payable		11,737	4,500
Share of profit of equity-accounted investees, net of tax		(8,525)	(9,704)
Unrealised foreign exchange differences on statement of financial position items		(4,207)	(3,836)
Cash flows from operating activities		245,485	272,837
Change in current trade receivables		(32,854)	(6,967)
Change in non-current trade receivables		10,431	10,126
Change in inventories		(147)	(958)
Change in due from related parties		6,346	(12,322)
Change in restricted bank balances		286,917	167,528
Change in other receivables and assets		(15,256)	54,658
Change in trade payables		(960)	(4,989)
Change in due to related parties		(2,835)	(11,161)
Change in other payables and provisions		(20,850)	239,548
Cash provided from operations		476,277	708,300
Income taxes paid		(21,910)	(30,374)
Interest paid		(47,082)	(45,858)
Retirement benefits paid		(1,997)	(1,644)
Additions to prepaid concession and rent expenses	8	(130,260)	(117,379)
Dividends from equity-accounted investees		23,371	23,302
Net cash provided from operating activities		298,399	536,347

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 Cash Flows For the Six-Month Period Ended 30 June 2016

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

	<u>Notes</u>	<u>Reviewed 1 January- 30 June 2016</u>	<u>Reviewed 1 January- 30 June 2015</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,733	3,067
Proceeds from sale of property, equipment and intangible assets		5,776	7,811
Acquisition of property and equipment		(40,714)	(42,397)
Acquisition of non-controlling interest		-	(4,562)
Additions to airport operation right	7	(14,758)	(297,715)
Acquisition of intangible assets		(649)	(614)
Net cash used in investing activities		<u>(47,612)</u>	<u>(334,410)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		260,358	73,720
Repayment of borrowings		(382,976)	(102,426)
Non-controlling interest change		-	(6,354)
Dividends paid		(113,874)	(102,862)
Change in finance lease liabilities		(1,507)	(238)
Net cash used in financing activities		<u>(237,999)</u>	<u>(138,160)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,788	63,777
CASH AND CASH EQUIVALENTS AT 1 JANUARY	10	<u>211,666</u>	<u>55,262</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	<u>224,454</u>	<u>119,039</u>

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

Notes to the interim condensed consolidated financial statements

	Page
1 Reporting entity	9-10
2 Basis of preparation	11-12
3 Changes in accounting policies	12-16
4 Determination of fair values	16-17
5 Operating segment	18-22
6 Tax expense	23
7 Airport operation right	24-25
8 Prepaid concession and rent expenses	26
9 Other receivables, current and non-current assets	27
10 Cash and cash equivalents	27
11 Restricted bank balances	28
12 Earnings per share	29
13 Loans and borrowings	29-31
14 Other payables	32
15 Derivative financial instruments	33-34
16 Financial instruments	34-37
17 Commitments, contingencies and contractual obligations	38
18 Related parties	39-43
19 Interests in other entities	43-46
20 Subsequent events	46

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 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 six-month period ended 30 June 2016 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.

Subsidiaries established after 31 December 2015 are as follows:

Name of subsidiary	Principal Activity	Place of operation	30 June 2016		31 December 2015	
			Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
TAV Africa Operation Services Ltd. (“TAV İşletme Kenya”)	Lounge Services	Kenya	100.00	100.00	-	-
TAV USA Operation Services Co. (“TAV İşletme Amerika”)	Holding	United States	100.00	100.00	-	-
TAV Washington Operation Services Ltd. (“TAV İşletme Washington”)	Lounge Services	United States	100.00	100.00	-	-

Joint ventures established after 31 December 2015 are as follows:

Name of joint venture	Principal Activity	Place of operation	30 June 2016		31 December 2015	
			Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
BS Kahve Yiyecek ve İçecek Hizmetleri A.Ş. (“BS Kahve”)	Food and Beverage Services	Turkey	40.00	40.00	-	-
BTA Uluslararası Yiyecek İçecek Hizmetleri Sanayi ve Ticaret A.Ş. (“BTA Uluslararası Yiyecek”)	Food and Beverage Services	Turkey	66.66	66.66	-	-
BTA Erus Yiyecek İçecek Hizmetleri İnşaat ve Ticaret A.Ş. (“BTA Erus”)	Food and Beverage Services	Turkey	46.66	46.66	-	-

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

1. REPORTING ENTITY (continued)

Description of Operations

The Group and its joint ventures' core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. TAV Esenboğa enters into Build Operate Terminate agreements ("BOT") with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMI"), 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") Agreements with General Authority of Civil Aviation ("GACA"). TAV Ege, TAV Milas Bodrum and TAV Gazipaşa enter into concession agreement with DHMI. Medunarodna Zracna Luka Zagreb D.D. ("MZLZ") enters into concession agreement with The 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, DHMI, JSC, GMED, OACA, MOT, MOTC, GACA and GZLZ 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.

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 15,827 (average: 15,382) people as at 30 June 2016 (31 December 2015: 15,113 (average: 15,111) people).

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

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 2015.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 27 July 2016. 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 annual consolidated financial statements for the year ended 30 June 2016. The functional currencies of the Group entities formed after 31 December 2015 are as follows:

<u>Company</u>	<u>Functional Currency</u>
BS Kahve	TRL
BTA Uluslararası Yiyecek	TRL
BTA Erus	TRL
TAV İşletme Kenya	KES
TAV İşletme America	USD
TAV İşletme Washington	USD

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

2. BASIS OF PREPARATION

c) Functional and presentation currency (continued)

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

	<u>1 Euro Equivalent</u>	
	<u>30 June 2016</u>	<u>31 December 2015</u>
TRL	3.2044	3.1776
GEL	2.5976	2.6169
TND	2.4496	2.2188
MKD	61.6949	61.5947
SEK	9.4164	9.1350
USD	1.1074	1.0929
SAR	4.1528	4.0982
HRK	7.4893	7.6330
KES	112.3501	109.6380
OMR	0.4260	0.4184

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 30 June 2016 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 2016. 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 2016 are as follows:

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

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)

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the the Group and did not have an impact on the financial position or performance of the Group.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either at cost, in accordance with IFRS 9, or using the equity method defined in IAS 28.

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the consolidated financial statements of the Group and did not have an impact on the financial position or performance of the Group.

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. The amendment did not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

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)

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- *IFRS 7 Financial Instruments: Disclosures* – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- *IAS 19 Employee Benefits* – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- *IAS 34 Interim Financial Reporting* – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have significant impact on the financial position or performance of the Group.

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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 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.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the six-month period ended 30 June 2016

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

3. CHANGES IN ACCOUNTING POLICIES (continued)

The new standards, amendments and interpretations (continued)

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

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

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

IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. 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. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. 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.

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 amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

3. CHANGES IN ACCOUNTING POLICIES (continued)

The new standards, amendments and interpretations (continued)

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

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 amendments on financial position or performance of the Group.

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

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

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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)

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.

v) Other non-derivative financial liabilities:

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy:

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

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

30 June 2016	Level 1	Level 2	Level 3
Trade receivables	-	226,756	-
Loans and borrowings	-	(1,333,776)	-
Other payables	-	(794,923)	-
Interest rate swap	-	(62,199)	-
31 December 2015	Level 1	Level 2	Level 3
Trade receivables	-	198,002	-
Loans and borrowings	-	(1,468,093)	-
Other payables	-	(800,118)	-
Interest rate swap	-	(60,703)	-
Cross currency swap	-	15,436	-
Forward	-	2,455	-

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

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.
- **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 and ZAIC-A.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on arm's length basis.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Interim Financial Statements

As at and for the six-month period ended 30 June 2016

(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)

	Six-month period ended 30 June											
	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Total external revenues	290,964	287,915	66,501	61,691	154,688	156,305	130,165	118,286	27,284	23,738	669,602	647,935
Inter-segment revenue	81,277	83,847	12,032	11,660	4	-	-	-	14,737	12,235	108,050	107,742
Construction revenue	56	5,184	-	-	-	-	-	-	-	-	56	5,184
Construction expenditure	(56)	(5,184)	-	-	-	-	-	-	-	-	(56)	(5,184)
Interest income	1,885	4,206	156	238	-	170	316	294	6,134	11,014	8,491	15,922
Interest expense	(57,999)	(50,244)	(430)	(299)	(167)	88	(1,015)	(4,269)	(5,144)	(10,615)	(64,755)	(65,339)
Depreciation and amortisation	(49,342)	(37,823)	(2,776)	(2,501)	(2,047)	(1,184)	(7,144)	(6,907)	(1,976)	(1,553)	(63,285)	(49,968)
Reportable segment operating profit	127,456	139,731	3,626	5,453	4,359	10,615	12,536	11,383	(558)	9,528	147,419	176,710
Capital expenditure	55,037	335,137	4,371	3,174	4,221	1,279	1,559	6,031	2,232	1,567	67,420	347,188
	As at 30 June 2016 and 31 December 2015											
	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Reportable segment assets	2,840,166	3,038,102	61,381	52,543	74,187	63,910	157,667	185,034	369,266	382,848	3,502,667	3,722,437
Reportable segment liabilities	2,446,052	2,388,553	50,104	39,265	74,999	54,606	92,840	119,058	135,964	317,360	2,799,959	2,918,842

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Interim Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June											
	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Total external revenues	155,589	160,828	35,407	33,299	83,525	86,413	69,639	67,414	19,177	11,230	363,337	359,184
Inter-segment revenue	44,102	47,140	6,443	6,299	-	-	-	482	7,672	5,437	58,217	59,358
Construction revenue	(1,970)	1,086	-	-	-	-	-	-	-	-	(1,970)	1,086
Construction expenditure	1,970	(1,086)	-	-	-	-	-	-	-	-	1,970	(1,086)
Interest income	811	2,084	97	161	-	48	165	189	3,005	5,976	4,078	8,458
Interest expense	(30,455)	(29,823)	(240)	(150)	(151)	85	(496)	(458)	(2,392)	(4,388)	(33,734)	(34,734)
Depreciation and amortisation	(24,911)	(20,347)	(1,419)	(1,251)	(1,148)	(593)	(3,566)	(3,427)	(991)	(816)	(32,035)	(26,434)
Reportable segment operating profit	75,157	95,833	2,874	3,922	3,527	6,462	9,333	13,010	837	5,244	91,728	124,471
Capital expenditure	27,812	15,254	2,718	2,202	2,906	535	780	5,038	1,480	1,184	35,696	24,213

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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

	<u>1 January- 30 June 2016</u>	<u>1 April- 30 June 2016</u>	<u>1 January- 30 June 2015</u>	<u>1 April- 30 June 2015</u>
Revenues				
Total revenue for reportable segments	735,687	392,734	724,888	402,961
Other revenue	42,021	26,849	35,973	16,667
Elimination of inter-segment revenue	<u>(108,050)</u>	<u>(58,216)</u>	<u>(107,742)</u>	<u>(59,358)</u>
	669,658	361,367	653,119	360,270
Effect of using the equity method for joint ventures	<u>(206,878)</u>	<u>(109,795)</u>	<u>(185,898)</u>	<u>(98,375)</u>
Consolidated revenue	<u>462,780</u>	<u>251,572</u>	<u>467,221</u>	<u>261,895</u>
	<u>1 January- 30 June 2016</u>	<u>1 April- 30 June 2016</u>	<u>1 January- 30 June 2015</u>	<u>1 April- 30 June 2015</u>
Operating profit				
Segment operating profit	147,977	90,891	167,182	119,227
Other operating (loss) / profit	(558)	837	9,528	5,244
Elimination of inter-segment operating loss	<u>(880)</u>	<u>(254)</u>	<u>(710)</u>	<u>(247)</u>
	146,539	91,474	176,000	124,224
Effect of using the equity method for joint ventures	<u>(8,481)</u>	<u>(4,993)</u>	<u>(5,772)</u>	<u>(5,259)</u>
Consolidated operating profit	<u>138,058</u>	<u>86,481</u>	<u>170,228</u>	<u>118,965</u>
Finance income	6,537	1,125	10,426	(4,715)
Finance expense	<u>(74,963)</u>	<u>(40,299)</u>	<u>(60,411)</u>	<u>(32,936)</u>
Consolidated profit before tax	<u>69,632</u>	<u>47,307</u>	<u>120,243</u>	<u>81,314</u>
		<u>30 June 2016</u>		<u>31 December 2015</u>
Assets				
Total assets for reportable segments		3,133,401		3,339,589
Other assets		369,266		382,848
		3,502,667		3,722,437
Effect of using the equity method for joint ventures		<u>(414,486)</u>		<u>(416,053)</u>
Consolidated total assets		<u>3,088,181</u>		<u>3,306,384</u>
		<u>30 June 2016</u>		<u>31 December 2015</u>
Liabilities				
Total liabilities for reportable segments		2,663,995		2,601,482
Other liabilities		135,964		317,360
		2,799,959		2,918,842
Effect of using the equity method for joint ventures		<u>(427,443)</u>		<u>(425,891)</u>
Consolidated total liabilities		<u>2,372,516</u>		<u>2,492,951</u>

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

5. OPERATING SEGMENTS (continued)

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Interest income				
Total interest income for reportable segments	2,357	1,064	4,908	2,482
Other interest income	6,134	3,005	11,014	5,976
Elimination of inter-segment interest income	(4,830)	(2,478)	(11,754)	(6,047)
	3,661	1,591	4,168	2,411
Effect of using the equity method for joint ventures	30	(25)	(134)	(51)
Consolidated interest income	3,691	1,566	4,034	2,360
Interest expense				
Total interest expense for reportable segments	(59,611)	(31,333)	(54,724)	(30,346)
Other interest expense	(5,144)	(2,392)	(10,615)	(4,388)
Elimination of inter-segment interest expense	4,662	2,158	11,970	6,043
	(60,093)	(31,567)	(53,369)	(28,691)
Effect of using the equity method for joint ventures	6,380	3,078	2,432	2,507
Consolidated interest expense	(53,713)	(28,489)	(50,937)	(26,184)

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.

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Revenue				
Turkey	419,076	227,670	421,480	233,868
Georgia	22,366	10,853	19,135	10,815
Macedonia	10,788	5,949	9,229	5,114
Tunisia	8,080	5,757	14,508	10,376
Other	2,470	1,343	2,869	1,722
Consolidated revenue	462,780	251,572	467,221	261,895
Non-current assets		30 June 2016		31 December 2015
Turkey		1,786,012		1,809,674
Tunisia		435,768		458,615
Macedonia		65,477		67,707
Georgia		59,694		50,550
Other		532		578
Consolidated non-current assets		2,347,483		2,387,124

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June 2016 and 2015 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:

	%	2016	%	2015
Profit for the year		21,488		82,602
Total tax expense		48,144		37,641
Profit before tax		69,632		120,243
Tax using the Company's domestic tax rate	20	13,926	20	24,049
Tax effects of:				
- nondeductible expenses	-	(97)	2	2,008
- translation of non-monetary items according to IAS 21	1	422	2	1,961
- change in previously recognised investment incentives	(1)	(773)	1	1,389
- tax exempt income	(1)	(497)	-	(244)
- translation effect on recognised tax losses	-	(30)	1	872
- current year losses for which no deferred tax asset is recognised	11	7,671	2	1,878
- effect of different tax rates for foreign jurisdictions	-	(278)	(3)	(3,034)
- over provided in prior years	-	66	-	45
- change in unrecognized temporary differences	40	27,563	9	10,226
- adjustment for equity accounted investees	(2)	(1,705)	(2)	(1,848)
- other consolidation adjustments	1	1,876	-	339
Tax expense	69	48,144	31	37,641

Corporate tax:

	30 June 2016	31 December 2015
Corporate tax provision	25,826	72,151
Adjustments for prior years	66	40
Add: taxes payable from previous year	14,933	16,309
Less: corporation taxes paid during the year	(21,910)	(73,567)
Current tax liabilities	18,915	14,933

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 2015	475,939	86,889	515,959	28,923	86,736	118,051	1,312,497
Effect of movements in exchange rates	-	(8,122)	-	-	-	-	(8,122)
Additions (*)	297,715	-	-	-	-	-	297,715
Balance at 30 June 2015	773,654	78,767	515,959	28,923	86,736	118,051	1,602,090
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	-	487	-	-	-	-	487
Additions (*)	-	14,758	-	-	-	-	14,758
Balance at 30 June 2016	773,654	92,986	519,192	45,700	86,736	490,463	2,008,731

(*) There is no capitalised borrowing cost on airport operation right during 2016 (30 June 2015: None).

As at 30 June 2016 additions to airport operation right is related with the construction works at Tbilisi International Airport (30 June 2015: Additions to airport operation right is related with the rent agreement of International Terminal of İzmir Adnan Menderes Airport).

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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
<u>Accumulated amortisation</u>							
Balance at 1 January 2015	95,484	37,632	66,993	4,149	15,677	1,030	220,965
Effect of movements in exchange rates	-	(3,452)	-	-	-	-	(3,452)
Amortisation for the period	11,629	1,850	6,934	637	2,326	1,370	24,746
Balance at 30 June 2015	107,113	36,030	73,927	4,786	18,003	2,400	242,259
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	-	173	-	-	-	-	173
Amortisation for the period	11,981	1,811	6,934	1,092	2,335	5,558	29,711
Balance at 30 June 2016	130,481	38,305	87,795	6,597	22,695	10,594	296,467
<u>Carrying amounts</u>							
At 30 June 2015	666,541	42,737	442,032	24,137	68,733	115,651	1,359,831
At 31 December 2015	655,154	41,420	438,331	40,195	66,376	485,427	1,726,903
At 30 June 2016	643,173	54,681	431,397	39,103	64,041	479,869	1,712,264

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June 2016, 31 December 2015 and 30 June 2015 are as follows:

<u>30 June 2016</u>	<u>Concession and rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
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	(68,691)	(1,535)	(70,226)
Balance at 30 June 2016	162,717	13,899	176,616
Represented as current prepaid concession and rent expense	149,316	2,834	152,150
Represented as non-current prepaid concession and rent expense	13,401	11,065	24,466
	Concession and rent	Prepaid development expenditures	Total
<u>31 December 2015</u>	<u>Concession and rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
Balance at 31 December 2014	106,597	18,512	125,109
Concession and rent payments	117,378	-	117,378
Current year rent expense – TAV İstanbul	(122,827)	(3,078)	(125,905)
Balance at 31 December 2015	101,148	15,434	116,582
Represented as current prepaid concession and rent expense	101,148	770	101,918
Represented as non-current prepaid concession and rent expense	-	14,664	14,664
	Concession and rent	Prepaid development expenditures	Total
<u>30 June 2015</u>	<u>Concession and rent</u>	<u>Prepaid development expenditures</u>	<u>Total</u>
Balance at 31 December 2014	106,597	18,512	125,109
Concession and rent payments	117,379	-	117,379
Current period rent expense – TAV İstanbul	(59,993)	(1,526)	(61,519)
Balance at 30 June 2015	163,983	16,986	180,969
Represented as current prepaid concession and rent expense	131,524	2,322	133,846
Represented as non-current prepaid concession and rent expense	32,459	14,664	47,123

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June 2016 and 31 December 2015, other receivables and current assets comprised the following:

<u>Other receivables and current assets</u>	<u>30 June 2016</u>	<u>31 December 2015</u>
Advances to suppliers	16,737	6,636
VAT deductible	16,214	10,666
Income accruals	7,539	8,563
Prepaid insurance	5,720	4,552
Business advances given	3,019	290
Prepaid taxes and funds	2,583	5,360
Other prepaid expense	2,351	1,485
Deposits and guarantees received	889	555
Advances given to personnel	816	1,203
Other receivables	6,731	4,455
	<u>62,599</u>	<u>43,765</u>

10. CASH AND CASH EQUIVALENTS

At 30 June 2016 and 31 December 2015, cash and cash equivalents comprised the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Cash on hand	814	829
Cash at banks		
- Demand deposits	87,325	37,796
- Time deposits	136,722	168,148
Other liquid assets	1,614	4,893
Cash and cash equivalents	<u>226,475</u>	<u>211,666</u>
Bank overdrafts used for cash management purposes	(2,021)	-
Cash and cash equivalents in the statement of cash flows	<u>224,454</u>	<u>211,666</u>

The details of the Group's time deposits, maturities and interest rates as at 30 June 2016 and 31 December 2015 are as follows:

30 June 2016

<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	August 2016	0.01 - 1.99	111,288
TRL	July 2016	5.25 - 11.00	14,691
USD	August 2016	0.25 - 2.50	10,743
			<u>136,722</u>

31 December 2015

<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	January 2016	0.01 - 1.99	144,541
USD	January 2016	0.05 - 1.65	20,487
TRL	January 2016	5.25 - 11.50	3,120
			<u>168,148</u>

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 30 June 2016 and 31 December 2015.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

11. RESTRICTED BANK BALANCES

At 30 June 2016 and 31 December 2015, restricted bank balances comprised the following:

	<u>30 June 2016</u>	<u>31 December 2015</u>
Project reserve and funding accounts (*)	127,947	417,597
	<u>127,947</u>	<u>417,597</u>

(*) 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 DHMI 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 Macedonia, TAV Milas Bodrum, TAV Ege, 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.

30 June 2016

<u>Original Currency</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	0.10 - 1.98	87,974
USD	0.25 - 2.40	33,519
TRL	10.00 - 11.80	6,392
Other		62
		<u>127,947</u>

31 December 2015

<u>Original Currency</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	0.01 - 1.90	273,093
USD	0.25 - 1.80	135,571
TRL	7.50 - 11.35	8,869
Other		64
		<u>417,597</u>

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June 2016 was based on the profit attributable to ordinary shareholders of EUR 31,552 (30 June 2015: EUR 88,445) and a weighted average number of ordinary shares outstanding of 363,281,250 (30 June 2015: 363,281,250), as follows:

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Numerator:				
Profit for the period attributable to owners of the Company	31,552	16,910	88,445	57,804
Denominator:				
Weighted average number of shares	363,281,250	363,281,250	363,281,250	363,281,250
Basic and diluted profit per share (full EUR)	0.09	0.05	0.24	0.16
	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Issued ordinary shares at 1 January	363,281,250	363,281,250	363,281,250	363,281,250
Effect of shares issued during the year	-	-	-	-
Weighted average number of ordinary shares	363,281,250	363,281,250	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.

	30 June 2016	31 December 2015
Non-current liabilities		
Secured bank loans (*)	705,304	671,076
Unsecured bank loans	18,218	169,698
Finance lease liabilities	14,832	15,730
	738,354	856,504
Current liabilities		
Short term secured bank loans	366,246	367,073
Current portion of long term secured bank loans (*)	162,261	144,569
Short term unsecured bank loans	45,740	88,421
Current portion of long term unsecured bank loans	19,004	8,746
Current portion of finance lease liabilities	2,171	2,780
	595,422	611,589

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the six-month period ended 30 June 2016

(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 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Bank loans	1,316,773	1,449,583
Finance lease liabilities	17,003	18,510
	<u>1,333,776</u>	<u>1,468,093</u>

The Group's bank loans as at 30 June 2016 are as follows:

	Presented as		Total
	Current liabilities	Non-current liabilities	
TAV Tunisia (*)	348,168	-	348,168
TAV İstanbul (**)	77,800	172,352	250,152
TAV Ege	15,858	219,939	235,797
TAV Milas Bodrum	10,898	143,102	154,000
TAV Esenboğa	14,532	64,331	78,863
TAV Holding	60,915	10,204	71,119
TAV Macedonia (**)	5,619	53,960	59,579
HAVAŞ	16,693	41,876	58,569
TAV Gazipaşa	37,424	9,744	47,168
BTA	2,220	2,543	4,763
TAV İşletme Hizmetleri	3,124	5,471	8,595
	<u>593,251</u>	<u>723,522</u>	<u>1,316,773</u>

- (*) 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 is not expected to return to its original levels 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 2016. The negotiations are in an advanced stage and a 3-year Standstill Agreement 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.

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 30 June 2016 is EUR 348,168. Consequently minority deficit amounting to EUR 14,252 (31 December 2015: EUR 8,598) has been classified to other accruals and liabilities which is presented at a fair value of EUR 30,902 (31 December 2015: EUR 30,803). 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 until 29 July 2016. This date had been originally set as 30 September 2015 and was extended several times to accommodate for the revised calendar for the signing of the Standstill Agreement and hence is subject to further extensions if there are further delays in signing. Tunisian Authorities also granted an extension of their standstill period until 31 July 2016, 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 63,213 becoming due and payable (31 December 2015: EUR 62,910).

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

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

(**) Loans of TAV İstanbul and TAV Macedonia are refinanced in 2016.

The Group's bank loans as at 31 December 2015 are as follows:

	Presented as		Total
	Current liabilities	Non-current liabilities	
TAV Tunisia	343,888	-	343,888
TAV Holding	95,894	168,837	264,731
TAV Ege	15,931	222,584	238,515
TAV İstanbul	72,074	115,948	188,022
TAV Milas Bodrum	9,660	144,340	154,000
TAV Esenboğa	19,917	65,668	85,585
HAVAŞ	21,879	45,593	67,472
TAV Macedonia	9,474	47,224	56,698
TAV Gazipaşa	17,306	29,719	47,025
Others	2,786	861	3,647
	608,809	840,774	1,449,583

Redemption schedules of the Group's bank loans according to original maturities as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
On demand or within one year	593,251	608,809
In the second year	261,311	330,970
In the third year	68,867	118,508
In the fourth year	49,172	62,295
In the fifth year	49,673	54,638
After five years	294,499	274,363
	1,316,773	1,449,583

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 30 June 2016 are between 1.54% - 5.50% (31 December 2015: Spreads for EUR denominated loans are between 1.54% - 5.50%).

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 as explained in Note 13.

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.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

14. OTHER PAYABLES

At 30 June 2016 and 31 December 2015, other payables comprised the following:

	30 June 2016	31 December 2015
Other short term payables		
Concession payable (*)	86,673	73,700
Advances received	8,828	1,222
Expense accruals	7,433	8,090
Due to personnel	5,494	5,968
Taxes and duties payable	4,713	4,976
Social security premiums payable	3,918	4,135
Other accruals and liabilities (**)	99,946	95,116
	217,005	193,207
	30 June 2016	31 December 2015
Other long term payables		
Concession payable (*)	586,267	607,787
Other accruals and liabilities	479	346
	586,746	608,133

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 DHMI 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 2014 to December 2035. The concession payable of TAV Milas Bodrum domestic terminal is presented in financials EUR 337,385 as of 30 June 2016 (31 December 2015: EUR 328,032).

The concession payable of the international and domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 305,177 as of 30 June 2016 (The concession payable of the domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 325,687 as of 31 December 2015).

(**) See Note 13.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 30 June 2016 and 31 December 2015, derivative financial instruments comprised the following:

	30 June 2016		
	Assets	Liabilities	Net Amount
Interest rate swap (*)	-	(62,199)	(62,199)
	-	(62,199)	(62,199)

	31 December 2015		
	Assets	Liabilities	Net Amount
Interest rate swap (*)	-	(60,703)	(60,703)
Cross currency swap (*)	15,436	-	15,436
Forward	2,455	-	2,455
	17,891	(60,703)	(42,812)

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

Interest rate swap:

TAV Esenboğa uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 30 June 2016, 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 2015: 100%).

TAV Ege uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 30 June 2016, 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 2015: 100%).

TAV Milas Bodrum uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 30 June 2016, 90% of total loan is hedged through IRS contract (31 December 2015: 90%).

TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 63,213 becoming due and payable.

TAV Macedonia terminated the hedge relationship in year 2016 due to refinancing (As at 31 December 2015, 80% of total loan is hedged through IRS contract).

TAV Istanbul terminated the hedge relationship in year 2016 due to refinancing (As at 31 December 2015, 100% of total loan is hedged through IRS contract).

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swap:

TAV Istanbul 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 30 June 2016 is estimated at loss of EUR 62,199 (31 December 2015: EUR 42,812). This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 30 June 2016, 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 3,614 (30 June 2015: income of EUR 28,066) 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.

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:

30 June 2016

Foreign currency

denominated financial assets

	<u>USD</u>	<u>EUR (*)</u>	<u>TRL</u>	<u>Other</u>	<u>Total</u>
Other non-current assets	7	-	9	-	16
Trade receivables	19,916	2,892	23,484	11,447	57,739
Due from related parties	8,112	1,912	7,975	58	18,057
Other receivables and current assets	5,281	595	16,151	-	22,027
Restricted bank balances	33,757	-	7,034	20	40,811
Cash and cash equivalents	23,335	1,354	16,715	6,057	47,461
	<u>90,408</u>	<u>6,753</u>	<u>71,368</u>	<u>17,582</u>	<u>186,111</u>

Foreign currency denominated financial liabilities

Loans and borrowings	(14,040)	(8,679)	(229)	(99)	(23,047)
Bank overdraft	-	(104)	(1,064)	-	(1,168)
Trade payables	(3,088)	(432)	(9,104)	(10,457)	(23,081)
Due to related parties	(229)	(4)	(250)	(3)	(486)
Other payables	(3,169)	(1,062)	(11,489)	(9,035)	(24,755)
	<u>(20,526)</u>	<u>(10,281)</u>	<u>(22,136)</u>	<u>(19,594)</u>	<u>(72,537)</u>
Net exposure	<u>69,882</u>	<u>(3,528)</u>	<u>49,232</u>	<u>(2,012)</u>	<u>113,574</u>

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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):

31 December 2015

Foreign currency denominated financial assets

	<u>USD</u>	<u>EUR (*)</u>	<u>TRL</u>	<u>Other</u>	<u>Total</u>
Other non-current assets	-	-	16	-	16
Trade receivables	15,984	3,382	9,351	11,008	39,725
Due from related parties	13,295	4,490	5,448	80	23,313
Derivative financial instruments	15,436	-	2,455	-	17,891
Other receivables and current assets	1,164	2,685	10,753	5,940	20,542
Restricted bank balances	135,321	-	10,929	-	146,250
Cash and cash equivalents	37,508	48	3,302	5,747	46,605
	<u>218,708</u>	<u>10,605</u>	<u>42,254</u>	<u>22,775</u>	<u>294,342</u>

Foreign currency denominated financial liabilities

Loans and borrowings	(14,758)	(1,645)	(25,176)	(232)	(41,811)
Trade payables	(6,400)	(803)	(16,444)	(9,350)	(32,997)
Due to related parties	(5,307)	(255)	(656)	-	(6,218)
Other payables	434	(585)	(14,243)	(5,356)	(19,750)
	<u>(26,031)</u>	<u>(3,288)</u>	<u>(56,519)</u>	<u>(14,938)</u>	<u>(100,776)</u>
Net exposure	<u>192,677</u>	<u>7,317</u>	<u>(14,265)</u>	<u>7,837</u>	<u>193,566</u>

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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	
	30 June 2016	30 June 2015	30 June 2016	31 December 2015
USD	0.8963	0.8958	0.9030	0.9150
TRL	0.3071	0.3498	0.3121	0.3147
GEL	0.3859	0.4111	0.3850	0.3821
MKD	0.0162	0.0162	0.0162	0.0162
TND	0.4366	0.4622	0.4082	0.4507
SEK	0.1076	0.1070	0.1062	0.1095
SAR	0.2390	0.2387	0.2408	0.2440
HRK	0.1322	0.1310	0.1335	0.1303
KES	0.0087	0.0085	0.0088	0.0091
OMR	2.3277	2.3302	2.3310	2.3733

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 30 June 2016 and 31 December 2015 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
30 June 2016				
USD	(8,463)	10,626	(6,979)	6,979
TRL	-	-	(5,006)	5,006
Other	-	-	275	(275)
Total	(8,463)	10,626	(11,710)	11,710
31 December 2015				
USD	(9,757)	11,962	(17,724)	17,724
TRL	-	-	1,427	(1,427)
Other	-	-	(784)	784
Total	(9,757)	11,962	(17,081)	17,081

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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:

	Note	30 June 2016		31 December 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Other non-current assets		419	419	407	407
Trade receivables - non current		95,245	103,070	99,596	108,291
Trade receivables - current		131,511	131,885	98,406	98,747
Due from related parties	17	30,315	30,315	36,661	36,661
Other receivables and current assets (*)		5,011	5,011	3,468	3,468
Restricted bank balances	10	127,947	127,947	417,597	417,597
Cash and cash equivalents	9	226,475	226,475	211,666	211,666
Derivative financial instruments	14	-	-	17,891	17,891
Financial liabilities					
Bank overdraft	9	(2,021)	(2,021)	-	-
Loans and borrowings	12	(1,333,776)	(1,333,241)	(1,468,093)	(1,468,969)
Trade payables (**)		(47,175)	(47,175)	(48,310)	(48,310)
Due to related parties	17	(2,633)	(2,633)	(5,469)	(5,469)
Derivative financial instruments	14	(62,199)	(62,199)	(60,703)	(60,703)
Other payables (**)		(794,923)	(708,444)	(800,118)	(710,504)
		(1,625,804)	(1,530,591)	(1,497,001)	(1,399,227)

(*) 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.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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

	<u>30 June 2016</u>	<u>31 December 2015</u>
Letters of guarantee given to third parties	246,913	264,869
Letters of guarantee given to DHMİ	223,697	227,511
Letters of guarantee given to Saudi Arabian Government	24,079	25,620
Letters of guarantee given to Tunisian Government	23,320	23,355
Letters of guarantee given to Macedonian Government	250	250
	<u>518,259</u>	<u>541,605</u>

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 24,079) (31 December 2015: USD 27,999 (EUR 25,620)) 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 146,970) (31 December 2015: USD 162,756 (EUR 148,926)) 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 15,277 (31 December 2015: EUR 15,313) to the Ministry of State Property and Land Affairs and EUR 8,042 (31 December 2015: 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.

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Short-term benefits (salaries, bonuses etc.)	11,370	4,654	11,516	2,394
	11,370	4,654	11,516	2,394

As at 30 June 2016 and 31 December 2015, 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:

	30 June 2016	31 December 2015
Due from related parties	17,958	26,173
Current loan to related parties	10,818	6,167
	28,776	32,340
	30 June 2016	31 December 2015
Non-current due from related parties	-	2,849
Non-current loan to related parties	1,539	1,472
	1,539	4,321

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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	30 June 2016	31 December 2015
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. (“TAV İnşaat”) (1) (*)	7,819	12,022
ATU (2) (**)	4,025	7,548
BTA Medinah (2)	1,845	1,766
Tibah Operation (2)	1,104	1,058
BTA Denizyolları (2)	998	573
BTU Lokum (2)	334	457
TGS (2)	285	-
Other related parties	1,548	2,749
	17,958	26,173

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

(**) Receivables from ATU comprise of concession fee duty-free receivables.

Non-current due from related parties	30 June 2016	31 December 2015
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. (“TAV İnşaat”) (1)	-	2,849
	-	2,849

Loan to related parties	30 June 2016	31 December 2015
ATU (2)	5,915	-
TAV İnşaat (1)	3,202	5,672
Tibah Development (2)	673	430
Saudi Havaş (2)	448	-
Other related parties	580	65
	10,818	6,167

Non-current loan to related parties	30 June 2016	31 December 2015
Saudi Havaş (2)	1,539	1,472
	1,539	1,472

Due to related parties	30 June 2016	31 December 2015
Due to related parties	2,219	5,055
Current loan from related parties	414	414
	2,633	5,469

(1) Subsidiary of shareholders

(2) Joint Venture

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

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

18. RELATED PARTIES (continued)

	30 June 2016	31 December 2015
Due to related parties		
Bilintur Bilkent Turizm İnşaat Yatırım Tic. A.Ş. ("Bilintur") (1) (*)	1,085	-
IBS Brokerlik ve Sigorta Hizmetleri A.Ş. ("IBS Sigorta") (1) (**)	886	4,796
ATU	176	175
Other related parties	72	84
	2,219	5,055

(*) BTA has dividends payable to Bilintur.

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

	30 June 2016	31 December 2015
Current loan from related parties		
Tepe İnşaat (1)	414	414
	414	414

	30 June 2016	31 December 2015
Short term deferred income from related parties		
ATU (2) (*)	4,257	4,755
Other related parties	15	7
	4,272	4,762

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

	30 June 2016	31 December 2015
Long term deferred income from related parties		
ATU (2) (*)	32,413	33,627
	32,413	33,627

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

(1) Subsidiary of shareholders

(2) Joint Venture

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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-30 June 2016	1 April-30 June 2016	1 January-30 June 2015	1 April-30 June 2015
ATU (1) (*)	119,679	64,662	126,458	70,758
BTA Denizyolları (1)	1,856	985	1,996	1,060
Other related parties	6,159	3,497	5,046	2,761
	127,694	69,144	133,500	74,579

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

Services rendered by related parties	1 January-30 June 2016	1 April-30 June 2016	1 January-30 June 2015	1 April-30 June 2015
IBS Sigorta (2) (*)	8,867	6,784	3,221	1,610
Akfen Elektrik Enerjisi Toptan Satış A.Ş. (2) (**)	3,726	2,731	1,660	1,065
TAV İnşaat (2)	4,030	4,027	218	218
Other related parties	1,307	1,097	1,833	155
	17,930	14,639	6,932	3,048

(*) 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-30 June 2016	1 April-30 June 2016	1 January-30 June 2015	1 April-30 June 2015
Saudi Havaş (1)	91	72	59	-
Saudi BTA (1)	42	42	-	-
ATU (1)	-	(155)	(408)	(259)
Tibah Development (1)	-	-	142	-
Other related parties	15	6	29	(18)
	148	(35)	(178)	(277)

The average interest rate used within the Group is 4.04% per annum (31 December 2015: 6.14%). 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-30 June 2016	1 April-30 June 2016	1 January-30 June 2015	1 April-30 June 2015
TAV İnşaat (*) (2)	19,058	7,080	-	-
	19,058	7,080	-	-

(*) Construction work rendered for the period ended 30 June 2016 is related to the construction works at Tblisi International Airport and İstanbul Atatürk International Airport extension project (30 June 2015: None).

(1) Joint venture

(2) Subsidiary of shareholders

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 2016 the Company distributed dividends to the shareholders amounting to EUR 107,997 (TRL 347,560) from the Company's distributable profits computed for 2015 (2015: EUR 100,966 (TRL 306,053)). Dividend per share is full EUR 0.29 (full TRL 0.96) (2015: EUR 0.28 (full TRL 0.84)).

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.

	30 June 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
NCI Percentage	33,00%	20,00%	33,33%		
Non-current assets	435,768	58,658	27,362		
Current assets	18,346	23,061	35,981		
Non-current liabilities	5,584	-	14,041		
Current liabilities	543,540	13,541	44,732		
Net assets	(95,010)	68,178	4,570		
Carrying amount of NCI	(31,353)	13,636	1,523	(1,221)	(17,415)
Change in non-controlling interest	14,252	-	-	-	14,252
	(17,101)	13,636	1,523	(1,221)	(3,163)
	1 January – 30 June 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	8,884	22,242	72,295		
(Loss) / profit	(40,912)	10,417	2,765		
Total comprehensive income	(37,689)	12,235	2,008		
(Loss) / profit allocated to NCI	(13,501)	2,083	922	432	(10,064)
	1 April – 30 June 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	6,355	10,494	38,473		
(Loss) / profit	(30,538)	5,899	2,417		
Total comprehensive income	(28,926)	9,430	1,921		
(Loss) / profit allocated to NCI	(10,078)	1,179	806	478	(7,615)

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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 2015				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
NCI Percentage	33,00%	20,00%	33,33%		
Non-current assets	458,615	49,513	26,646		
Current assets	19,200	27,169	25,773		
Non-current liabilities	10,975	-	14,968		
Current liabilities	524,163	4,012	28,424		
Net assets	(57,323)	72,670	9,027		
Carrying amount of NCI	(18,917)	14,534	3,009	(1,372)	(2,746)
Change in non-controlling interest	8,598	-	-	-	8,598
	(10,319)	14,534	3,009	(1,372)	5,852
	1 January – 30 June 2015				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	16,045	19,199	68,433		
(Loss) / profit	(27,337)	8,604	4,432		
Total comprehensive income	(19,777)	2,942	4,244		
(Loss) / profit allocated to NCI	(9,021)	1,721	1,477	(20)	(5,843)
	1 April – 30 June 2015				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	11,543	10,801	36,401		
(Loss) / profit	(12,150)	5,323	3,274		
Total comprehensive income	(2,765)	3,336	2,660		
(Loss) / profit allocated to NCI	(4,009)	1,065	1,091	226	(1,627)

In 2015, TAV Holding acquired 4% of shares of TAV Urban Georgia LLC held by Aeroser International Holding in return for USD 5,200 (EUR 4,562). After the share transfer, the share of TAV Airports Holding in TAV Urban Georgia increased from 76% to 80% and the share of Aeroser International Holding decreased to 20% from 24%. The effect of this transaction is recognized as an equity transaction as other reserves in the consolidated financial statements.

	30 June 2016	31 December 2015
Joint ventures	83,765	98,189
Associates	8,007	7,462
	91,772	105,651

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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)

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
Joint ventures	7,979	4,684	9,129	3,325
Associates	546	449	575	555
	8,525	5,133	9,704	3,880

Joint Ventures

Carrying amounts of the Group's joint ventures in the statement of financial position as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
TGS	55,021	58,088
ATU	22,907	32,775
Tibah Development	3,730	3,671
Tibah Operation	1,347	928
BTA Denizyolları	894	1,428
Other	(134)	1,299
	83,765	98,189

Group's share of profit / (loss) of the Group's joint ventures in the statement of comprehensive income for the period ended 30 June are as follows:

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
ATU	4,884	3,537	7,913	4,888
TGS	4,513	2,923	2,704	1,807
Tibah Operation	428	195	430	209
BTA Denizyolları	246	186	115	174
Tibah Development	(938)	(1,462)	(2,269)	(3,815)
Other	(1,154)	(695)	236	62
	7,979	4,684	9,129	3,325

Associates

Carrying amount of the Group's associate in the statement of financial position as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
ZAIC-A	6,664	6,583
Other	1,343	879
	8,007	7,462

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the six-month period ended 30 June 2016

(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)

Group's share of profit of the Group's associate in the statement of comprehensive income for the period ended 30 June is as follows:

	1 January- 30 June 2016	1 April- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2015
ZAIC-A	87	272	575	555
Other	459	177	-	-
	546	449	575	555

20. SUBSEQUENT EVENTS

None.