

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

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

4 November 2016

This report contains the “Interim Condensed Consolidated Financial Statements and their explanatory notes” comprising 47 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 September 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>(Unaudited) 30 September 2016</u>	<u>31 December 2015</u>
ASSETS			
Property and equipment		229,719	209,913
Intangible assets		12,914	15,694
Airport operation right	7	1,708,276	1,726,903
Equity-accounted investees	19	98,294	105,651
Goodwill		135,831	135,831
Prepaid concession and rent expenses	8	10,034	14,664
Derivative financial instruments	15	-	15,436
Trade receivables		94,396	99,596
Non-current due from related parties	18	1,646	4,321
Other non-current assets		1,479	1,605
Deferred tax assets		41,978	57,510
Total non-current assets		<u>2,334,567</u>	<u>2,387,124</u>
Inventories		10,474	11,113
Prepaid concession and rent expenses	8	130,834	101,918
Derivative financial instruments	15	-	2,455
Trade receivables		151,030	98,406
Due from related parties	18	22,469	32,340
Other receivables and current assets	9	56,048	43,765
Cash and cash equivalents	10	248,960	211,666
Restricted bank balances	11	164,674	417,597
Total current assets		<u>784,489</u>	<u>919,260</u>
TOTAL ASSETS		<u>3,119,056</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 September 2016

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

	Notes	(Unaudited) 30 September 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		(67,242)	(60,762)
Revaluation surplus		17	273
Purchase of shares of entities under common control		40,064	40,064
Cash flow hedge reserve		(70,031)	(65,476)
Translation reserves		(26,347)	(20,949)
Retained earnings		420,968	417,026
Total equity attributable to equity holders of the Company		790,816	807,581
Non-controlling interests	19	1,417	5,852
Total Equity		792,233	813,433
LIABILITIES			
Loans and borrowings	13	728,202	856,504
Reserve for employee severance indemnity		20,334	17,651
Derivative financial instruments	15	64,580	60,703
Deferred income		43,616	45,206
Other payables	14	595,181	608,133
Deferred tax liabilities		15,125	4,940
Total non-current liabilities		1,467,038	1,593,137
Bank overdraft	10	2,867	-
Loans and borrowings	13	548,646	611,589
Trade payables		52,584	50,025
Due to related parties	18	951	5,469
Derivative financial instruments	15	88	-
Current tax liabilities	6	17,186	14,933
Other payables	14	216,607	193,207
Provisions		7,127	7,167
Deferred income		13,729	17,424
Total current liabilities		859,785	899,814
Total Liabilities		2,326,823	2,492,951
TOTAL EQUITY AND LIABILITIES		3,119,056	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 Nine-Month Period Ended 30 September 2016

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

		(Unaudited) 1 January- 30 September 2016	(Unaudited) 1 July- 30 September 2016	(Unaudited) 1 January- 30 September 2015	(Unaudited) 1 July- 30 September 2015
	Notes				
Construction revenue		112	56	-	-
Operating revenue		751,355	288,631	758,613	291,392
Other operating income		52,020	19,026	50,637	18,219
Construction expenditure		(112)	(56)	-	-
Cost of catering inventory sold		(42,148)	(13,927)	(38,447)	(14,630)
Cost of services rendered		(45,672)	(17,949)	(39,964)	(14,609)
Personnel expenses		(189,966)	(63,234)	(185,876)	(58,013)
Concession and rent expenses		(111,441)	(38,648)	(97,985)	(34,004)
Depreciation and amortisation expenses		(76,393)	(26,823)	(62,881)	(20,558)
Other operating expenses		(93,298)	(32,152)	(85,187)	(29,411)
Share of profit of equity-accounted investees, net of tax	19	18,035	9,510	20,230	10,526
Operating profit		262,492	124,434	319,140	148,912
Finance income		7,182	645	6,560	2,423
Finance costs		(96,239)	(21,276)	(91,001)	(36,879)
Net finance costs		(89,057)	(20,631)	(84,441)	(34,456)
Profit before tax		173,435	103,803	234,699	114,456
Tax expense	6	(70,088)	(21,944)	(71,673)	(34,032)
Profit for the period		103,347	81,859	163,026	80,424
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Defined benefit obligation actuarial differences		(2,613)	(2,184)	(2,556)	(901)
Defined benefit obligation actuarial differences from equity accounted investees		(361)	(419)	229	96
Tax on defined benefit obligation actuarial differences		523	437	511	180
Tax on defined benefit obligation actuarial differences from equity accounted investees		72	84	(46)	(19)
Total items that will not be reclassified to profit or loss		(2,379)	(2,082)	(1,862)	(644)
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of cash flow hedges		(30,353)	16	15,621	(7,606)
Effective portion of changes in fair value of cash flow hedges from equity accounted investees		1,328	154	(1,148)	(795)
Portion of cash flow hedges charged to profit or loss		23,766	-	15,325	4,343
Foreign currency translation differences for foreign operations		(5,527)	(6,003)	(14,067)	(2,584)
Foreign currency translation differences for foreign operations from equity accounted investees		284	3,229	(6,753)	(8,475)
Tax on cash flow hedge reserves		2,389	(601)	(4,338)	1,475
Tax on cash flow hedge reserves from equity accounted investees		(88)	(10)	76	51
Total items that are or may be reclassified subsequently to profit or loss		(8,201)	(3,215)	4,716	(13,591)
Other comprehensive income for the period, net of tax		(10,580)	(5,297)	2,854	(14,235)
Total comprehensive income for the period		92,767	76,562	165,880	66,189

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 Nine-Month Period Ended 30 September 2016 (continued)

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

	(Unaudited) 1 January- 30 September 2016	(Unaudited) 1 July- 30 September 2016	(Unaudited) 1 January- 30 September 2015	(Unaudited) 1 July- 30 September 2015
Notes				
Profit attributable to:				
Owners of the Company	109,834	78,282	168,314	79,869
Non-controlling interest	(6,487)	3,577	(5,288)	555
Profit for the period	103,347	81,859	163,026	80,424
Total comprehensive income attributable to:				
Owners of the Company	97,712	72,716	173,338	67,174
Non-controlling interest	(4,945)	3,846	(7,458)	(985)
Total comprehensive income for the period	92,767	76,562	165,880	66,189
Weighted average number of shares outstanding	363,281,250	363,281,250	363,281,250	363,281,250
Basic and diluted earnings per share	12	0.30	0.22	0.46
		0.22	0.46	0.22

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 Nine-Month Period Ended 30 September 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											
	Share Capital	Share Premium	Legal Reserves	Other Reserves	Revaluation Surplus	Purchase of Shares of Entities Under Common Control	Cash Flow Hedge Reserve	Translation Reserves	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at 1 January 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	-	-	-	-	-	-	-	-	168,314	168,314	(5,288)	163,026
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(256)	-	-	(51)	307	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	23,751	-	-	23,751	1,785	25,536
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(1,918)	(1,918)	56	(1,862)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(16,809)	-	(16,809)	(4,011)	(20,820)
Total other comprehensive income	-	-	-	-	(256)	-	23,751	(16,860)	(1,611)	5,024	(2,170)	2,854
Total comprehensive income for the period	-	-	-	-	(256)	-	23,751	(16,860)	166,703	173,338	(7,458)	165,880
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)	(1,819)	(102,785)
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)	(10,538)	(113,740)
Transfers	-	-	27,956	-	-	-	-	-	(27,956)	-	-	-
Balance at 30 September 2015	162,384	220,286	113,484	(19,841)	359	40,064	(68,120)	(26,129)	376,170	798,657	(823)	797,834
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	-	-	-	-	-	-	-	-	109,834	109,834	(6,487)	103,347
Other comprehensive income												
Revaluation of intangible assets	-	-	-	-	(256)	-	-	(51)	307	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	(4,555)	-	-	(4,555)	1,597	(2,958)
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	-	(2,220)	(2,220)	(159)	(2,379)
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	(5,347)	-	(5,347)	104	(5,243)
Total other comprehensive income	-	-	-	-	(256)	-	(4,555)	(5,398)	(1,913)	(12,122)	1,542	(10,580)
Total comprehensive income for the period	-	-	-	-	(256)	-	(4,555)	(5,398)	107,921	97,712	(4,945)	92,767
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)	-	-	-	(6,480)	-	-	-	-	-	(6,480)	6,387	(93)
Total transactions with owners of the Company	-	-	-	(6,480)	-	-	-	-	(107,997)	(114,477)	510	(113,967)
Transfers	-	-	(4,018)	-	-	-	-	-	4,018	-	-	-
Balance at 30 September 2016	162,384	220,286	110,717	(67,242)	17	40,064	(70,031)	(26,347)	420,968	790,816	1,417	792,233

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 Nine-Month Period Ended 30 September 2016

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

	Notes	(Unaudited) 1 January- 30 September 2016	(Unaudited) 1 January- 30 September 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		103,347	163,026
Adjustments for:			
Amortisation of airport operation right	7	44,588	37,074
Depreciation of property and equipment		28,561	22,451
Amortisation of intangible assets		3,244	3,356
Concession and rent expenses		111,441	97,985
Provision for employee severance indemnity		4,506	5,928
Provision for doubtful receivables		668	1,722
Discount on receivables and payables, net		(81)	(38)
(Loss) / gain on sale of property and equipment		(10)	731
Provision / (Reversal) set for unused vacation		432	(169)
Interest income		(5,901)	(6,335)
Interest expense on financial liabilities		66,574	67,989
Tax expense		70,088	71,673
Unwinding of discount on concession receivable and payable		18,027	7,191
Share of profit of equity-accounted investees, net of tax		(18,035)	(20,230)
Unrealised foreign exchange differences on statement of financial position items		5,145	(6,310)
Cash flows from operating activities		432,594	446,044
Change in current trade receivables		(51,968)	(9,560)
Change in non-current trade receivables		14,186	15,198
Change in inventories		628	(30)
Change in due from related parties		12,545	(15,476)
Change in restricted bank balances		247,575	56,953
Change in other receivables and assets		(6,254)	56,791
Change in trade payables		2,567	(7,677)
Change in due to related parties		(4,516)	(11,803)
Change in other payables and provisions		(27,368)	229,057
Cash provided from operations		619,989	759,497
Income taxes paid		(39,244)	(46,247)
Interest paid		(50,647)	(58,358)
Retirement benefits paid		(3,288)	(2,586)
Additions to prepaid concession and rent expenses	8	(130,260)	(117,378)
Dividends from equity-accounted investees		24,235	27,100
Net cash provided from operating activities		420,785	562,028

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 Nine-Month Period Ended 30 September 2016

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

	Notes	(Unaudited) 1 January- 30 September 2016	(Unaudited) 1 January- 30 September 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		5,349	4,039
Proceeds from sale of property, equipment and intangible assets		6,161	7,694
Acquisition of property and equipment		(56,361)	(56,771)
Acquisition of non-controlling interest		-	(4,562)
Additions to airport operation right	7	(25,881)	(297,715)
Acquisition of intangible assets		(794)	(1,051)
Net cash used in investing activities		(71,526)	(348,366)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		269,960	88,719
Repayment of borrowings		(468,454)	(136,941)
Non-controlling interest change		-	(6,237)
Dividends paid		(113,874)	(102,785)
Change in finance lease liabilities		(2,464)	(326)
Net cash used in financing activities		(314,832)	(157,570)
NET INCREASE IN CASH AND CASH EQUIVALENTS		34,427	56,092
CASH AND CASH EQUIVALENTS AT 1 JANUARY	10	211,666	55,262
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	10	246,093	111,354

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	17-18
5 Operating segment	19-23
6 Tax expense	24
7 Airport operation right	25-26
8 Prepaid concession and rent expenses	27
9 Other receivables, current and non-current assets	28
10 Cash and cash equivalents	28
11 Restricted bank balances	29
12 Earnings per share	30
13 Loans and borrowings	30-32
14 Other payables	33
15 Derivative financial instruments	34-35
16 Financial instruments	35-38
17 Commitments, contingencies and contractual obligations	39
18 Related parties	40-44
19 Interests in other entities	44-47
20 Subsequent events	47

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 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 America”)	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 September 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	-	-
MZLZ-Ugostiteljstvo D.o.o (“BTA MZLZ”)	Food and Beverage Services	Turkey	66.66	66.66	-	-
ATU Holdings, Inc. (“ATU Holdings”)	Holding	United States	37.50	37.50	-	-

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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 nine 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 15,491 (average: 15,327) people as at 30 September 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 nine-month period ended 30 September 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 4 November 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 September 2016. The functional currencies of the Group entities formed after 31 December 2015 are as follows:

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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 September 2016</u>	<u>31 December 2015</u>
TRL	3.3608	3.1776
GEL	2.6132	2.6169
TND	2.4715	2.2188
MKD	61.4940	61.5947
SEK	9.6320	9.1350
USD	1.1218	1.0929
SAR	4.2067	4.0982
HRK	7.5116	7.6330
KES	0.4306	109.6380
OMR	111.716	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 September 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 nine-month period ended 30 September 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. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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.

IFRS 4 Insurance Contracts (Amendments)

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The 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 nine-month period ended 30 September 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

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 nine-month period ended 30 September 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 September 2016	Level 1	Level 2	Level 3
Trade receivables	-	245,426	-
Loans and borrowings	-	(1,276,848)	-
Other payables	-	(805,110)	-
Interest rate swap	-	(64,580)	-
Forward	-	(88)	-
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 nine-month period ended 30 September 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, BTA MZLZ.
- **Duty free operations:** Sales of duty free goods for the international arriving and departing passengers. The Group operates its duty free services through ATU, ATU Georgia, ATU Tunisia, ATU Macedonia, ATU Latvia, ATU Tunisia Duty Free, Saudi Medinah, ATU Mağazacılık, ATU Uluslararası Mağazacılık and ATU Americas
- **Ground handling and bus operations:** Providing traffic, ramp, flight operation, cargo and all other ground handling services for domestic and international flights under the Civil Aviation Legislation License. The Group operates the ground handling services through HAVAŞ, HAVAŞ Europe, HAVAŞ Europe Helsinki, HAVAŞ Europe Stockholm, HAVAŞ Germany, TAV Gözen, TGS and SAUDI HAVAŞ. HAVAŞ, HYT İzmir, HYT Muğla and HYT Samsun provides bus operations.
- **Other:** Providing lounge services, IT, security and education services, airline taxi services, the Group companies included in this segment are TAV Holding, TAV Latvia, TAV İşletme, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV Güvenlik, TAV Akademi, TAV Aviation Minds, Aviator Netherlands, ZAIC-A and ATU Holdings.

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Interim Financial Statements As at and for the nine-month period ended 30 September 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)

	Nine-month period ended 30 September											
	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	475,833	465,034	104,636	100,814	246,619	246,138	208,848	210,787	43,549	33,929	1,079,485	1,056,702
Inter-segment revenue	130,675	134,798	18,266	17,359	-	-	-	-	22,253	18,649	171,194	170,806
Construction revenue	112	5,282	-	-	-	-	-	-	-	-	112	5,282
Construction expenditure	(112)	(5,282)	-	-	-	-	-	-	-	-	(112)	(5,282)
Interest income	3,313	6,526	193	339	(28)	149	518	491	9,308	16,882	13,304	24,387
Interest expense	(74,955)	(71,532)	(761)	(534)	(51)	23	(1,696)	(5,215)	(6,123)	(13,964)	(83,586)	(91,222)
Depreciation and amortisation	(76,339)	(58,899)	(4,210)	(3,724)	(3,143)	(1,788)	(10,810)	(10,381)	(2,582)	(1,707)	(97,084)	(76,499)
Reportable segment operating profit	230,256	251,605	8,747	10,385	13,088	17,222	26,978	36,268	(5)	16,782	279,064	332,262
Capital expenditure	81,622	344,669	5,113	4,786	10,182	4,133	3,726	9,049	2,906	2,315	103,549	364,952
	As at 30 September 2016 and 31 December 2015											
	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Reportable segment assets	2,912,596	3,038,102	61,189	52,543	69,427	63,910	158,220	185,034	323,299	382,848	3,524,731	3,722,437
Reportable segment liabilities	2,455,605	2,388,553	46,526	39,265	66,597	54,606	84,400	119,058	92,968	317,360	2,746,096	2,918,842

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Interim Financial Statements As at and for the nine-month period ended 30 September 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 September											
	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	184,869	177,119	38,135	39,123	91,931	89,833	78,683	92,501	16,265	10,191	409,883	408,767
Inter-segment revenue	49,398	50,951	6,234	5,699	-	-	-	-	7,516	6,414	63,148	63,064
Construction revenue	56	98	-	-	-	-	-	-	-	-	56	98
Construction expenditure	(56)	(98)	-	-	-	-	-	-	-	-	(56)	(98)
Interest income	1,428	2,320	37	101	(19)	(21)	202	197	3,174	5,868	4,822	8,465
Interest expense	(16,956)	(21,288)	(331)	(235)	107	(65)	(681)	(946)	(979)	(3,349)	(18,840)	(25,883)
Depreciation and amortisation	(26,997)	(21,076)	(1,434)	(1,223)	(1,096)	(604)	(3,666)	(3,474)	(606)	(154)	(33,799)	(26,531)
Reportable segment operating profit	102,800	111,874	5,121	4,932	8,729	6,607	14,442	24,885	553	7,254	131,645	155,552
Capital expenditure	26,585	9,532	742	1,612	5,961	2,854	2,167	3,018	674	748	36,129	17,764

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Revenues				
Total revenue for reportable segments	1,184,989	449,302	1,180,212	455,324
Other revenue	65,802	23,781	52,578	16,605
Elimination of inter-segment revenue	(171,194)	(63,144)	(170,806)	(63,064)
	1,079,597	409,939	1,061,984	408,865
Effect of using the equity method for joint ventures	(328,130)	(121,252)	(303,371)	(117,473)
Consolidated revenue	751,467	288,687	758,613	291,392
	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Operating profit				
Segment operating profit	279,069	131,092	315,480	148,298
Other operating profit	(5)	553	16,782	7,254
Elimination of inter-segment operating loss	(706)	174	(333)	377
	278,358	131,819	331,929	155,929
Effect of using the equity method for joint ventures	(15,866)	(7,385)	(12,789)	(7,017)
Consolidated operating profit	262,492	124,434	319,140	148,912
Finance income	7,182	645	6,560	(3,866)
Finance expense	(96,239)	(21,276)	(91,001)	(30,590)
Consolidated profit before tax	173,435	103,803	234,699	114,456
		30 September 2016	31 December 2015	
Assets				
Total assets for reportable segments		3,201,432	3,339,589	
Other assets		323,299	382,848	
		3,524,731	3,722,437	
Effect of using the equity method for joint ventures		(405,675)	(416,053)	
Consolidated total assets		3,119,056	3,306,384	
		30 September 2016	31 December 2015	
Liabilities				
Total liabilities for reportable segments		2,653,128	2,601,482	
Other liabilities		92,968	317,360	
		2,746,096	2,918,842	
Effect of using the equity method for joint ventures		(419,273)	(425,891)	
Consolidated total liabilities		2,326,823	2,492,951	

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Interest income				
Total interest income for reportable segments	3,996	1,639	7,505	2,597
Other interest income	9,308	3,174	16,882	5,868
Elimination of inter-segment interest income	(7,483)	(2,653)	(17,941)	(6,187)
	5,821	2,160	6,446	2,278
Effect of using the equity method for joint ventures	80	50	(111)	23
Consolidated interest income	5,901	2,210	6,335	2,301
Interest expense				
Total interest expense for reportable segments	(77,463)	(17,852)	(77,258)	(22,534)
Other interest expense	(6,123)	(979)	(13,964)	(3,349)
Elimination of inter-segment interest expense	7,230	2,568	17,878	5,908
	(76,356)	(16,263)	(73,344)	(19,975)
Effect of using the equity method for joint ventures	9,782	3,402	5,355	2,923
Consolidated interest expense	(66,574)	(12,861)	(67,989)	(17,052)

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 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Revenue				
Turkey	669,268	250,192	683,314	261,834
Georgia	42,571	20,205	35,169	16,034
Macedonia	18,252	7,464	16,285	4,878
Tunisia	17,444	9,364	19,386	7,056
Other	3,932	1,462	4,459	1,590
Consolidated revenue	751,467	288,687	758,613	291,392
Non-current assets		30 September 2016		31 December 2015
Turkey		1,768,606		1,809,674
Tunisia		431,680		458,615
Macedonia		64,354		67,707
Georgia		69,457		50,550
Other		470		578
Consolidated non-current assets		2,334,567		2,387,124

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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 September 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		103,347		163,026
Total tax expense		70,088		71,673
Profit before tax		173,435		234,699
Tax using the Company's domestic tax rate	20	34,687	20	46,940
Tax effects of:				
- nondeductible expenses	1	1,392	2	5,800
- translation of non-monetary items according to IAS 21	1	2,265	3	6,031
- change in previously recognised investment incentives	-	624	3	6,630
- tax exempt income	(1)	(2,076)	-	(271)
- translation effect on recognised tax losses	-	(193)	-	63
- current year losses for which no deferred tax asset is recognised	12	19,999	1	1,910
- effect of different tax rates for foreign jurisdictions	(1)	(982)	(2)	(4,904)
- over provided in prior years	-	61	-	45
- change in unrecognized temporary differences	8	13,398	6	14,181
- adjustment for equity accounted investees	(2)	(3,607)	(2)	(3,608)
- other consolidation adjustments	3	4,520	-	(1,144)
Tax expense	40	70,088	31	71,673

Corporate tax:

	30 September 2016	31 December 2015
Corporate tax provision	41,436	72,151
Adjustments for prior years	61	40
Add: taxes payable from previous year	14,933	16,309
Less: corporation taxes paid during the year	(39,244)	(73,567)
Current tax liabilities	17,186	14,933

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the nine-month period ended 30 September 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	-	(13,260)	-	-	-	-	(13,260)
Additions (*)	297,715	-	-	-	-	-	297,715
Balance at 30 September 2015	773,654	73,629	515,959	28,923	86,736	118,051	1,596,952
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	-	20	-	-	-	-	20
Additions (*)	-	25,881	-	-	-	-	25,881
Balance at 30 September 2016	773,654	103,642	519,192	45,700	86,736	490,463	2,019,387

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

As at 30 September 2016 additions to airport operation right is related with the construction works at Tbilisi International Airport (30 September 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 nine-month period ended 30 September 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	-	(5,874)	-	-	-	-	(5,874)
Amortisation for the period	17,323	2,834	10,401	958	3,502	2,056	37,074
Balance at 30 September 2015	112,807	34,592	77,394	5,107	19,179	3,086	252,165
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	-	(60)	-	-	-	-	(60)
Amortisation for the period	17,974	2,716	10,401	1,647	3,515	8,335	44,588
Balance at 30 September 2016	136,474	38,977	91,262	7,152	23,875	13,371	311,111
<u>Carrying amounts</u>							
At 30 September 2015	660,847	39,037	438,565	23,816	67,557	114,965	1,344,787
At 31 December 2015	655,154	41,420	438,331	40,195	66,376	485,427	1,726,903
At 30 September 2016	637,180	64,665	427,930	38,548	62,861	477,092	1,708,276

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September 2016, 31 December 2015 and 30 September 2015 are as follows:

<u>30 September 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	(103,661)	(2,313)	(105,974)
Balance at 30 September 2016	127,747	13,121	140,868
Represented as current prepaid concession and rent expense	127,747	3,087	130,834
Represented as non-current prepaid concession and rent expense	-	10,034	10,034
<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
<u>30 September 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 period rent expense – TAV İstanbul	(90,402)	(2,302)	(92,704)
Balance at 30 September 2015	133,573	16,210	149,783
Represented as current prepaid concession and rent expense	133,573	1,546	135,119
Represented as non-current prepaid concession and rent expense	-	14,664	14,664

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September 2016 and 31 December 2015, other receivables and current assets comprised the following:

<u>Other receivables and current assets</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
VAT deductible	15,976	10,666
Advances to suppliers	13,298	6,636
Income accruals	8,022	8,563
Business advances given	3,456	290
Prepaid taxes and funds	3,015	5,360
Prepaid insurance	3,014	4,552
Other prepaid expense	1,641	1,485
Deposits and guarantees received	1,230	555
Advances given to personnel	653	1,203
Due from personnel	210	96
Other receivables	5,533	4,359
	<u>56,048</u>	<u>43,765</u>

10. CASH AND CASH EQUIVALENTS

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

	<u>30 September 2016</u>	<u>31 December 2015</u>
Cash on hand	914	829
Cash at banks		
- Demand deposits	59,133	37,796
- Time deposits	187,180	168,148
Other liquid assets	1,733	4,893
Cash and cash equivalents	<u>248,960</u>	<u>211,666</u>
Bank overdrafts used for cash management purposes	(2,867)	-
Cash and cash equivalents in the statement of cash flows	<u>246,093</u>	<u>211,666</u>

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

30 September 2016			
<u>Original Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	October 2016	0.01 - 2.00	118,533
USD	October 2016	0.25 - 3.00	50,271
TRL	October 2016	3.49 - 11.00	18,376
			<u>187,180</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 September 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 nine-month period ended 30 September 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 September 2016 and 31 December 2015, restricted bank balances comprised the following:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Project reserve and funding accounts (*)	164,674	417,597
	<u>164,674</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 September 2016

<u>Original Currency</u>	<u>Interest rate %</u>	<u>Balance</u>
EUR	0.25 - 1.85	120,024
USD	0.25 - 3.00	33,491
TRL	9.75 - 11.40	11,088
Other		71
		<u>164,674</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 nine-month period ended 30 September 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 September 2016 was based on the profit attributable to ordinary shareholders of EUR 109,834 (30 September 2015: EUR 168,314) and a weighted average number of ordinary shares outstanding of 363,281,250 (30 September 2015: 363,281,250), as follows:

	<u>1 January - 30 September 2016</u>	<u>1 July - 30 September 2016</u>	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>
Numerator:				
Profit for the period attributable to owners of the Company	109,834	78,282	168,314	79,869
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)	<u>0.30</u>	<u>0.22</u>	<u>0.46</u>	<u>0.22</u>
	<u>1 January - 30 September 2016</u>	<u>1 July - 30 September 2016</u>	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>
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	<u>363,281,250</u>	<u>363,281,250</u>	<u>363,281,250</u>	<u>363,281,250</u>

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.

	<u>30 September 2016</u>	<u>31 December 2015</u>
Non-current liabilities		
Secured bank loans (*)	695,942	671,076
Unsecured bank loans	18,788	169,698
Finance lease liabilities	13,472	15,730
	<u>728,202</u>	<u>856,504</u>
Current liabilities		
Short term secured bank loans	382,972	367,073
Current portion of long term secured bank loans (*)	136,605	144,569
Short term unsecured bank loans	20,563	88,421
Current portion of long term unsecured bank loans	5,932	8,746
Current portion of finance lease liabilities	2,574	2,780
	<u>548,646</u>	<u>611,589</u>

(*) 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 nine-month period ended 30 September 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 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Bank loans	1,260,802	1,449,583
Finance lease liabilities	16,046	18,510
	<u>1,276,848</u>	<u>1,468,093</u>

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

	Presented as		
	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total</u>
TAV Tunisia (*)	350,040	-	350,040
TAV Ege	15,938	223,385	239,323
TAV İstanbul (**)	77,430	153,881	231,311
TAV Milas Bodrum	11,338	144,424	155,762
TAV Esenboğa	14,635	64,830	79,465
TAV Macedonia (**)	5,716	54,783	60,499
HAVAŞ	11,293	39,066	50,359
TAV Gazipaşa	31,675	15,573	47,248
TAV Holding	20,268	10,258	30,526
TAV İşletme Hizmetleri	4,355	4,136	8,491
BTA	3,384	4,394	7,778
	<u>546,072</u>	<u>714,730</u>	<u>1,260,802</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 September 2016 is EUR 350,040. Consequently minority deficit amounting to EUR 14,979 (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 30 November 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 30 November 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 63,364 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 nine-month period ended 30 September 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 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
On demand or within one year	546,072	608,809
In the second year	242,359	330,970
In the third year	74,805	118,508
In the fourth year	52,572	62,295
In the fifth year	50,403	54,638
After five years	294,591	274,363
	1,260,802	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 September 2016 are between 1.54% - 4.75% (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 nine-month period ended 30 September 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 September 2016 and 31 December 2015, other payables comprised the following:

	30 September 2016	31 December 2015
Other short term payables		
Concession payable (*)	89,328	73,700
Expense accruals	9,916	8,090
Advances received	6,678	1,222
Due to personnel	5,507	5,968
Taxes and duties payable	5,024	4,976
Social security premiums payable	4,067	4,135
Other accruals and liabilities (**)	96,087	95,116
	216,607	193,207
Other long term payables		
Concession payable (*)	594,658	607,787
Other accruals and liabilities	523	346
	595,181	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 342,214 as of 30 September 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 309,544 as of 30 September 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 nine-month period ended 30 September 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 September 2016 and 31 December 2015, derivative financial instruments comprised the following:

	30 September 2016		
	Assets	Liabilities	Net Amount
Interest rate swap (*)	-	(64,580)	(64,580)
Forward	-	(88)	(88)
	-	(64,668)	(64,668)

	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 September 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 September 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 September 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 63,364 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 nine-month period ended 30 September 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 September 2016 is estimated at loss of EUR 64,668 (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 September 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 4,198 (30 September 2015: income of EUR 26,608) 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 September 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	-	8	-	15
Trade receivables	24,568	4,266	13,038	16,972	58,844
Due from related parties	9,106	8,455	5,884	671	24,116
Other receivables and current assets	4,542	619	18,395	3,559	27,115
Restricted bank balances	33,490	-	12,386	53	45,929
Cash and cash equivalents	65,668	958	19,211	8,693	94,530
	<u>137,381</u>	<u>14,298</u>	<u>68,922</u>	<u>29,948</u>	<u>250,549</u>

Foreign currency

denominated financial liabilities

Loans and borrowings	(13,588)	(8,574)	(211)	(64)	(22,437)
Bank overdraft	-	(129)	(1,140)	-	(1,269)
Trade payables	(3,810)	(412)	(6,318)	(18,136)	(28,676)
Due to related parties	(89)	(572)	(289)	-	(950)
Other payables	(3,326)	(543)	(10,614)	(15,122)	(29,605)
	<u>(20,813)</u>	<u>(10,230)</u>	<u>(18,572)</u>	<u>(33,322)</u>	<u>(82,937)</u>
Net exposure	<u>116,568</u>	<u>4,068</u>	<u>50,350</u>	<u>(3,374)</u>	<u>167,612</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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 2016	30 September 2015	30 September 2016	31 December 2015
USD	0.8961	0.8965	0.8914	0.9150
TRL	0.3057	0.3375	0.2975	0.3147
GEL	0.3858	0.4025	0.3827	0.3821
MKD	0.0162	0.0162	0.0163	0.0162
TND	0.4262	0.4610	0.4046	0.4507
SEK	0.1068	0.1067	0.1038	0.1095
SAR	0.2389	0.2389	0.2377	0.2440
HRK	0.1327	0.1313	0.1331	0.1303
OMR	2.2950	2.3302	2.3310	2.3733
KES	0.0086	0.0085	0.0088	0.0091

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 September 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 September 2016				
USD	-	-	(11,657)	11,657
TRL	-	-	(5,035)	5,035
Other	-	-	338	(338)
Total	-	-	(16,354)	16,354
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 nine-month period ended 30 September 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 September 2016		31 December 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Other non-current assets		-	-	407	407
Trade receivables - non current		94,396	100,245	99,596	108,291
Trade receivables - current		151,030	152,975	98,406	98,747
Due from related parties	17	24,115	24,115	36,661	36,661
Other receivables and current assets (*)		25	25	3,468	3,468
Restricted bank balances	10	164,674	164,674	417,597	417,597
Cash and cash equivalents	9	248,960	248,960	211,666	211,666
Derivative financial instruments	14	-	-	17,891	17,891
Financial liabilities					
Bank overdraft	9	(2,867)	(2,867)	-	-
Loans and borrowings	12	(1,276,848)	(1,277,062)	(1,468,093)	(1,468,969)
Trade payables (**)		(50,709)	(50,709)	(48,310)	(48,310)
Due to related parties	17	(951)	(951)	(5,469)	(5,469)
Derivative financial instruments	14	(64,668)	(64,668)	(60,703)	(60,703)
Other payables (**)		(805,110)	(720,318)	(800,118)	(710,504)
		(1,517,953)	(1,425,581)	(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 nine-month period ended 30 September 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 September 2016</u>	<u>31 December 2015</u>
Letters of guarantee given to third parties	257,256	264,869
Letters of guarantee given to DHMİ	221,828	227,511
Letters of guarantee given to Saudi Arabian Government	23,770	25,620
Letters of guarantee given to Tunisian Government	23,286	23,355
Letters of guarantee given to Macedonian Government	250	250
	<u>526,390</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 23,770) (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 145,084) (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 15,243 (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 nine-month period ended 30 September 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.

Key management personnel compensation:

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

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Short-term benefits (salaries, bonuses etc.)	14,122	2,752	13,370	1,854
	14,122	2,752	13,370	1,854

As at 30 September 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 September 2016	31 December 2015
Due from related parties	17,217	26,173
Current loan to related parties	5,252	6,167
	22,469	32,340
	30 September 2016	31 December 2015
Non-current due from related parties	-	2,849
Non-current loan to related parties	1,646	1,472
	1,646	4,321

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September 2016	31 December 2015
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. ("TAV İnşaat") (1) (*)	5,575	12,022
ATU (2) (**)	5,454	7,548
BTA Medinah (2)	1,932	1,766
BTA Denizyolları (2)	1,235	573
Tibah Operation (2)	984	1,058
TGS (2)	284	220
BTU Lokum (2)	219	457
Other related parties	1,534	2,529
	17,217	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 September 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 September 2016	31 December 2015
TAV İnşaat (1)	3,262	5,672
Tibah Development (2)	994	430
ATU (2)	507	-
Saudi Havaş (2)	489	-
Other related parties	-	65
	5,252	6,167

Non-current loan to related parties	30 September 2016	31 December 2015
Saudi Havaş (2)	1,646	1,472
	1,646	1,472

Due to related parties	30 September 2016	31 December 2015
Due to related parties	518	5,055
Current loan from related parties	433	414
	951	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 nine-month period ended 30 September 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 September 2016	31 December 2015
Due to related parties		
IBS Brokerlik ve Sigorta Hizmetleri A.Ş. (“IBS Sigorta”) (1) (*)	265	4,796
ATU	175	175
Akfen Elektrik Enerjisi Toptan Satış A.Ş.	49	49
Other related parties	29	35
	518	5,055

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

	30 September 2016	31 December 2015
Current loan from related parties		
Tepe İnşaat (1)	414	414
Other related parties	19	-
	433	414

	30 September 2016	31 December 2015
Short term deferred income from related parties		
ATU (2) (*)	4,543	4,755
Other related parties	15	7
	4,558	4,762

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

	30 September 2016	31 December 2015
Long term deferred income from related parties		
ATU (2) (*)	30,683	33,627
	30,683	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 nine-month period ended 30 September 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 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
ATU (1) (*)	189,964	70,285	201,341	74,883
BTA Denizyolları (1)	3,652	1,796	1,996	1,371
Other related parties	9,672	3,513	8,847	2,430
	203,288	75,594	212,184	78,684

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

Services rendered by related parties	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
IBS Sigorta (2) (*)	6,575	2,210	4,740	1,519
Akfen Elektrik Enerjisi Toptan Satış A.Ş. (2) (**)	3,647	1,784	3,211	1,551
TAV İnşaat (2)	2,015	-	211	(7)
Other related parties	1,018	390	2,182	350
	13,255	4,384	10,344	3,413

(*) 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 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Saudi Havaş (1)	143	52	95	36
Saudi BTA (1)	69	27	56	26
ATU (1)	-	-	(408)	-
Tibah Development (1)	-	-	195	53
Other related parties	41	26	-	-
	253	105	(62)	115

The average interest rate used within the Group is 3.43% 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 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
TAV İnşaat (*) (2)	27,178	8,120	-	-
	27,178	8,120	-	-

(*) Construction work rendered for the period ended 30 September 2016 is related to the construction works at Tbilisi International Airport and İstanbul Atatürk International Airport extension project (30 September 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 nine-month period ended 30 September 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 September 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
NCI Percentage	33,00%	20,00%	33,33%		
Non-current assets	431,680	68,370	25,978		
Current assets	27,582	24,125	38,291		
Non-current liabilities	5,537	-	15,100		
Current liabilities	553,604	12,416	41,046		
Net assets	(99,879)	80,079	8,123		
Carrying amount of NCI	(32,960)	16,016	2,707	669	(13,568)
Change in non-controlling interest	14,985	-	-	-	14,985
	(17,975)	16,016	2,707	669	1,417
	1 January – 30 September 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	19,319	40,896	112,863		
(Loss) / profit	(47,375)	22,824	6,718		
Total comprehensive income	(42,540)	24,137	5,560		
(Loss) / profit allocated to NCI	(15,634)	4,565	2,239	2,342	(6,487)
	1 July – 30 September 2016				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	10,435	18,654	40,568		
(Loss) / profit	(6,463)	12,407	3,953		
Total comprehensive income	(4,851)	11,902	3,552		
(Loss) / profit allocated to NCI	(2,133)	2,482	1,317	1,910	3,577

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September 2015				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	21,369	34,376	108,393		
(Loss) / profit	(39,378)	18,478	8,719		
Total comprehensive income	(33,968)	8,301	7,378		
(Loss) / profit allocated to NCI	(12,995)	3,696	2,906	1,105	(5,288)
	1 July – 30 September 2015				
	TAV Tunisia	TAV Tbilisi	BTA	Other immaterial subsidiaries	Total
Revenue	5,324	15,177	39,960		
(Loss) / profit	(12,041)	9,874	4,287		
Total comprehensive income	(14,191)	5,359	3,134		
(Loss) / profit allocated to NCI	(3,974)	1,975	1,429	1,125	555

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 September 2016	31 December 2015
Joint ventures	90,008	98,189
Associates	8,286	7,462
	98,294	105,651

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Joint ventures	17,210	9,231	18,823	9,694
Associates	825	279	1,407	832
	18,035	9,510	20,230	10,526

Joint Ventures

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

	30 September 2016	31 December 2015
TGS	56,793	58,088
ATU	28,844	32,775
Tibah Development	3,080	3,671
BTA Denizyolları	1,036	1,428
Tibah Operation	697	928
Other	(442)	1,299
	90,008	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 September are as follows:

	1 January- 30 September 2016	1 July - 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
ATU	11,238	6,354	14,098	6,185
TGS	8,020	3,507	7,831	5,127
Tibah Operation	657	229	(4,310)	(2,041)
BTA Denizyolları	447	201	805	690
Tibah Development	(1,658)	(720)	654	224
Other	(1,494)	(340)	(255)	(491)
	17,210	9,231	18,823	9,694

Associates

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

	30 September 2016	31 December 2015
ZAIC-A	6,705	6,583
Other	1,581	879
	8,286	7,462

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Interim Condensed Consolidated Financial Statements As at and for the nine-month period ended 30 September 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 September is as follows:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
ZAIC-A	128	41	1,407	832
Other	697	238	-	-
	825	279	1,407	832

20. SUBSEQUENT EVENTS

None.