TAV Airports
A member of Groupe ADP

Annual Report 2019

AIMING HIGHER

WITH THE EXPERIENCE OF 20 YEARS

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TAV Airports

A member of Groupe ADP

2019 marks the 20th year in the story of TAV Airports. We also view it as the first year of what we like to call TAV 2.0, the next chapter in TAV's story. We began our journey 20 years ago, operating Istanbul Ataturk Airport. With our business partners we turned Istanbul Ataturk Airport into the 5th largest Airport in Europe and Istanbul Ataturk was voted the best airport in Southern Europe by passengers during our tenure. Having managed this great part of the history of Turkish aviation is an honor we will hold for the rest of our lives.

As we close one chapter and open another, TAV 2.0 is now a company that operates 14 airports in seven countries and that served 89 million passengers in 2019. The global footprint of our service companies now spans 100 airports in 30 countries. Services now comprise 59% of our revenue and 27% of our EBITDA. During this 20 years, in addition to the airports that we operate, we also created a portfolio of service companies that can compete anywhere in the world.

WE CONTINUE TO DELIVER GROWTH

In 20 years, we managed to create another Ataturk Airport plus more. We also amassed a very significant know-how and accumulated intellectual capital that allows us to provide the highest quality of airport services anywhere in the world.

TAV 2.0 is now an integral part of Groupe ADP’s global growth strategy. The platform of airports that are operated by us and our main shareholder is the largest in the world and the service footprint of TAV Airports now extends to four continents.


14
NUMBER OF TAV
OPERATED AIRPORTS
Havaş

89 MILLION

NUMBER OF PASSENGERS SERVED AT OUR 14 AIRPORTS*

* Excluding Ataturk Airport

STRONG ORGANIC GROWTH

We are always actively marketing our airports to our business partners and continuously innovating to increase service quality because organic growth of our existing portfolio is our first pillar of growth.

With the re-emergence of Turkey as a great value proposition in tourism with excellent offerings at a very reasonable price, tourist numbers are continuing to break new records. With strong growth in arrivals from European markets and Russia, the number of tourists visiting Turkey increased 14% in 2019 and reached 45 million.

NUMBER OF FLIGHTS SERVED AT OUR 14 AIRPORTS*

** Excluding Ataturk Airport*

A CASE STUDY IN SERVICE QUALITY AND GROWTH

The operating model and growth strategy of TAV Airports has been the subject of a case study at Harvard. The case study is on TAV's transformation to becoming a global brand and emphasizes how it differentiated from its counterparts through its integrated business model.

2019 NET PROFIT

GROWTH OF THE SERVICE COMPANIES OUTSIDE THE TAV ECOSYSTEM

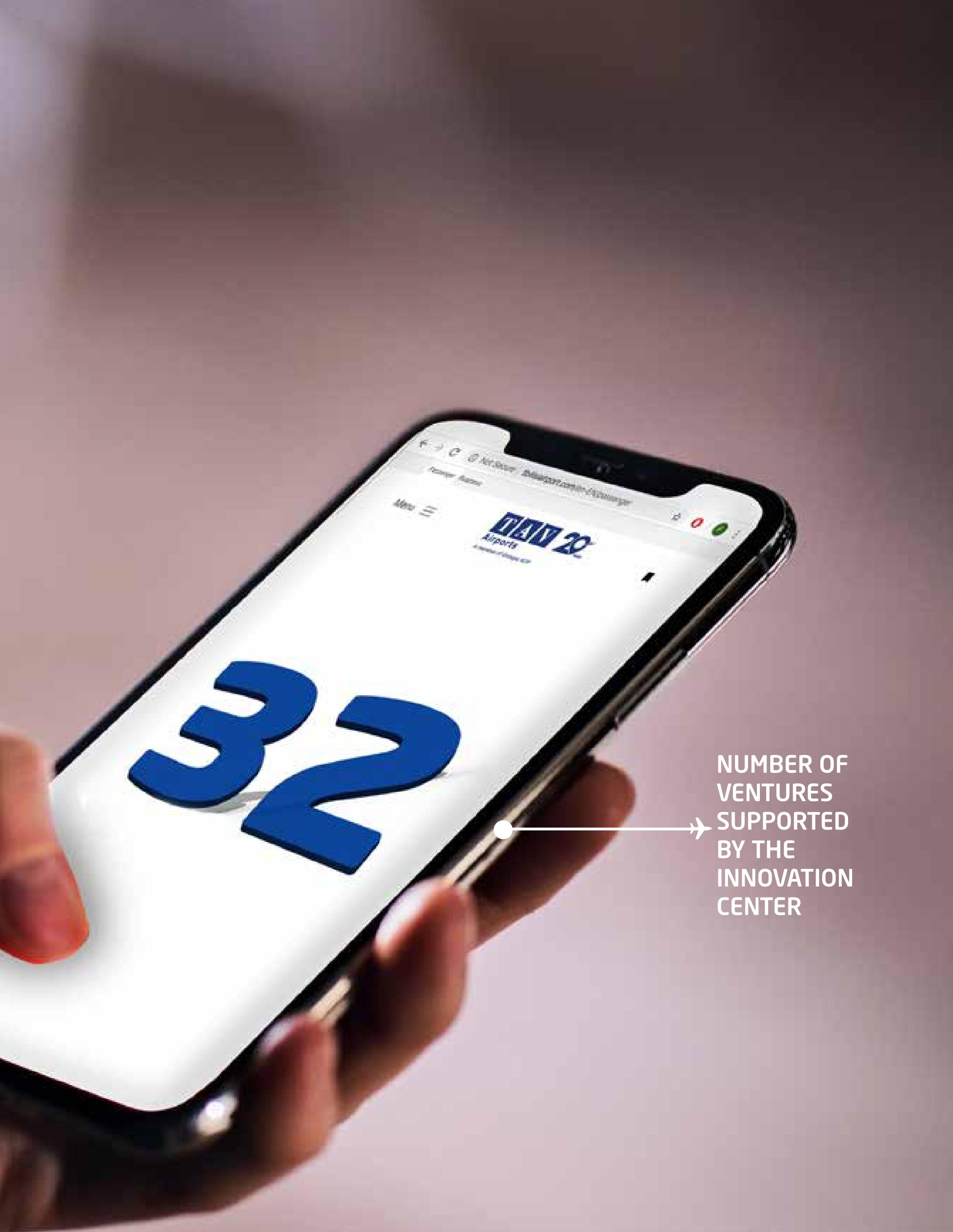
2019 was a significant year for inorganic growth of our service companies outside of TAV ecosystem which is the third pillar of our growth strategy. TAV Operation Services, our lounge services company bought 70% of GIS, a Spanish lounge operator with activities in eight countries and opened new lounges throughout the year in New York JFK, Florida Palm Beach, Alabama Birmingham and Bremen. TAV OS is now a truly global lounge operator with services at 42 airports that span 21 countries including Brazil, Switzerland, Kenya and United States.

BTA won the concession to operate food and beverage areas at Queen Alia Airport in Jordan.

TAV Technologies is now a globally competitive IT company that serves a wide geography ranging from Western Europe to the Gulf Region, mainly in airport IT services but also in other related fields such as hospital IT.

INVESTING IN THE FUTURE OF TECHNOLOGY

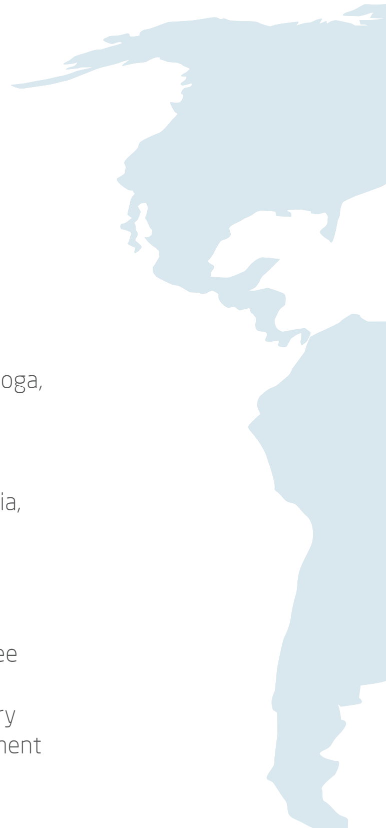
In 2019, in its new HQ, TAV Airports established an Innovation Center. Managed by its IT subsidiary TAV Technologies, the Innovation Hub simulates the journey of a passenger at an airport and showcases the Group's products and services at each point. In close collaboration with Groupe ADP Innovation Hub in Paris, the Innovation Center will also serve as an incubation center for startups working in mobility and airport solutions. Organized in Paris Charles de Gaulle and Izmir Adnan Menderes, the Airport Startup Day event provided support to 32 initiatives from France and Turkey.


32
NUMBER OF VENTURES SUPPORTED BY THE INNOVATION CENTER


31

01

TAV AIRPORTS AT A GLANCE



TAV Airports at a Glance

TURKEY'S GLOBAL BRAND IN AIRPORT OPERATIONS

Turkey's global brand in airport operations, TAV Airports operates Ankara Esenboga, Izmir Adnan Menderes, Gazipasa Alanya and Milas Bodrum airports with 100% ownership and operates Antalya Airport with 50% partnership.

The Company operates Medinah Airport in Saudi Arabia, Zagreb Airport in Croatia, and two airports in each of Macedonia, Tunisia and Georgia as well as the commercial areas at the Riga Airport serving the Latvian capital.

A leading company in airport operations in Turkey and around the globe, TAV Airports is active in other areas of airport operations as well – including duty free retailing, food & beverage services, ground handling, information technology, security and passenger lounge operations services – together with its subsidiary and affiliate companies. These efforts serve to support the industry's development in the international arena.

In 2019, TAV Airports served approximately 600 thousand flights and 89 million passengers*. The Company's shares are listed on Borsa Istanbul under the ticker code "TAVHL."

**Excluding the data regarding Ataturk Airport.*

25.6

Total Assets (TL Billion)

23% Increase

The total assets of TAV Airports are above TL 25 billion.

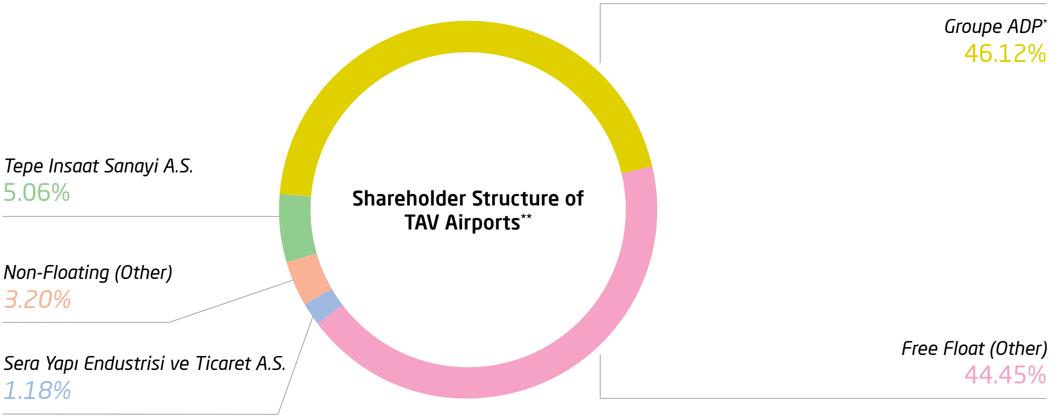
A Year Full of Achievements

TAV Airports ended 2019 with strong financial performance.

14 Airports

TAV Airports has undertaken the operation of 14 airports on 3 continents.

Airport Operations Map of TAV Airports as of December 31, 2019



**Through TANK OWA alpha GmbH, fully owned subsidiary of Groupe ADP*
***As of December 31, 2019*

Subsidiaries of TAV Airports

HIGH QUALITY SERVICE IN ALL AREAS OF AIRPORT OPERATIONS

Airport Companies

Ankara Esenboga **100%**

Gazipasa Alanya **100%**

Izmir Adnan Menderes **100%**

Milas Bodrum **100%**

Antalya **50%**

Medinah **50%**

Skopje & Ohrid **100%**

Tbilisi & Batumi **80% & 76%**

Latvia **100%**

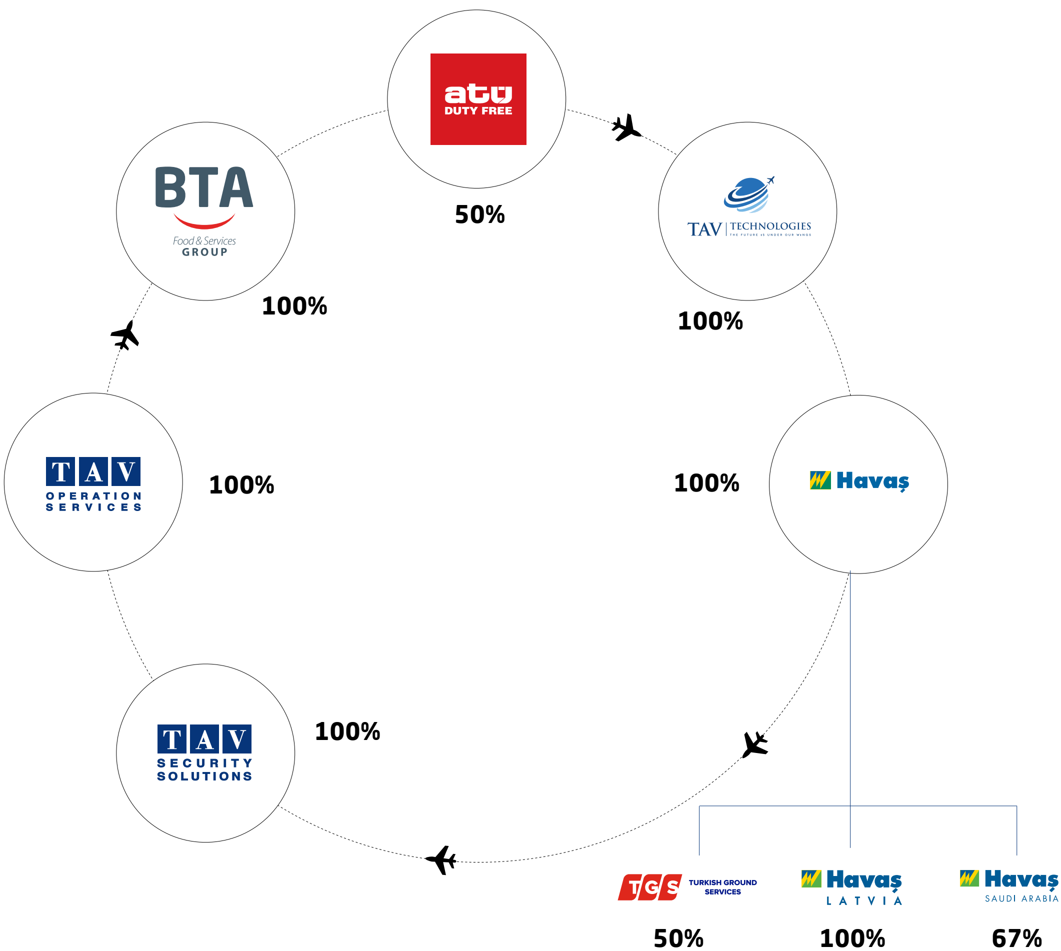
Monastir & Enfidha **100%**

Zagreb **15%**

Subsidiaries of TAV Airports

FULL VERTICAL INTEGRATION WITH SERVICE COMPANIES

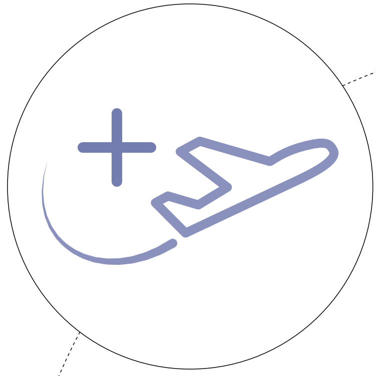
Service Companies




CINNABON
carvel

Organic Growth

We operate 14 airports in seven countries on three continents. The number of passengers we served in 2019 grew 7% to 89 million*. Our primary target in the upcoming period will be to maximize our revenue and profitability at all the airports where we operate. Our airports, which are located in developing countries and destinations with high tourism potential, present growth opportunities.

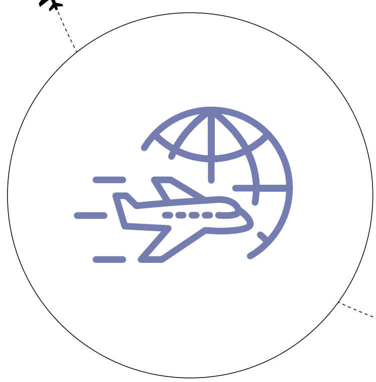


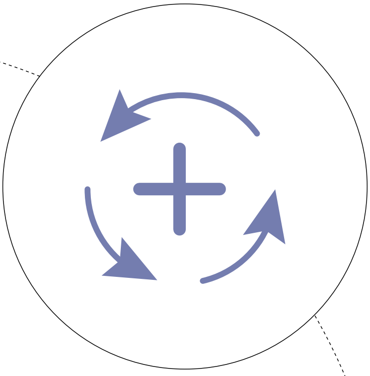
TAV's Growth Strategy

STRATEGY BUILT ON THREE MAIN PILLARS

Inorganic Growth

With our strong partners and integrated business model, we will continue to focus on new and profitable business opportunities in our core geography in the forthcoming period.





Growth of Service Companies Outside of TAV Ecosystem

Our service companies are delivering services in 30 countries, in a total of 100 airports in areas such as duty free, food & beverage, ground handling, passenger lounge operation services and information technologies.

The growth strategy of TAV Airports expands on three different categories; organic growth, inorganic growth and growth of service companies.

*Excluding Ataturk Airport.

Board of Directors' Message

TAV AIRPORTS WILL CONTINUE TO DELIVER LONG-TERM SHAREHOLDER VALUE IN ITS CORE GEOGRAPHY.

The Fed continued to increase its target rate throughout 2018 but chose to keep rates on hold during the first half of 2019. Thus, 2019 was mostly characterized by higher interest rates and tighter monetary conditions overall in the US compared to 2018. The bilateral imposition of trade tariffs between the US and China also was another major theme that affected the global macroeconomic environment throughout 2019. The manufacturing indexes across the world weakened and growth slowed down as a consequence of these two major themes in the first half of 2019.

Policy makers responded quickly to the slowdown and starting with August 2019, the Fed made three insurance cuts to its target rate and loosened the financial conditions to some degree. Coupled with expectations of a long-term trade agreement between US and China, the last quarter of the year has given way to increases in manufacturing indexes rising stock markets and increased optimism for the rest of 2019 and 2020.

Although the effects of the Corona virus outbreak on the Chinese economy is expected to have some repercussions for the global economy in the first quarter of 2020, it is useful to remember at times like these that the commercial aviation industry has been resilient in the face of many external shocks such as SARS, avian flu, volcanic ash eruption, etc. and traffic has grown 2.4 times since 2000 despite many such adverse events.

The US economy finished 2019 with 2.3% GDP growth which is below the 2.9% registered in 2018. Chinese growth also slowed down slightly and came in at 6.1% versus 6.6% in 2018. Euro Area growth came down from 1.9% in 2018 to 1.1% in 2019. Thus, we saw growth rates generally tapering to some degree in 2019 compared to 2018 and global growth in general went from 3.6% in 2018 to 3.0% in 2019.

Turkish economy entered 2019 against this global macroeconomic backdrop which was further exacerbated by the significant volatility that the Turkish Lira had to go through in 2018. Against all odds, Turkish economy once again demonstrated its resilience and successfully ended the year with a soft landing to finish the year with 0.25% growth according to IMF estimates. Both IMF and World Bank expectations converge around 3% for Turkish growth in 2020.

There are several long term macro trends that have shaped and are continuing to shape the future of aviation industry. One of these trends is the growth of the middle class in emerging economies which leads to urbanization and higher propensity to fly. In the last decade, 40 percent of new passenger traffic in the world has come from emerging economies. It is estimated that the global middle class will grow 50% over the next 20 years to 5.9 billion people from 3.9 billion today.

Reduced market regulations which have led to a more liberal market structure have increased efficiency through competition in the airline sector and have led to the development of low cost carriers which have significantly reduced ticket prices and led to higher passenger demand for air travel overall. "Superconnectors" such as Turkish Airlines have also made the market more efficient and enabled decreased prices for passengers looking to travel to destinations which are only accessible through connecting flights.

Digitalization is another secular trend that is also making airports more efficient and continuing to make air travel more accessible through decreased prices.

With a general drop in overall air fares driven by these factors and an increase in the share of services in emerging economies, we are also observing higher tourism volumes consistent with increased consumer spending. International tourist arrivals worldwide

Ali Haydar Kurtdarcan
Deputy Chair

Edward Arkwright
Chair

Dr. M. Sani Sener
Board Member and President & CEO

Fernando Echegaray
Deputy Chair

continued its trend of growing faster than the world economy in 2019 too and grew at 4% to reach 1.5 billion, according to UNWTO.

As a result of these long term secular trends, global passenger traffic is expected to grow by an average annual rate of between 4.3 to 4.6 percent over the next 20 years.

According to Boeing estimates, in the next 20 years passenger traffic in Europe is expected to grow at 3.6% while growth in the Middle East is expected at 5.1% also aided by an increase in the number of mega-hubs. 3.3% growth is expected in CIS countries for the next 20 years among which Kazakhstan, a country where TAV Airports has business development activities, has enjoyed an ASK CAGR of 7.7% in the last 10 years. The region with the highest dynamism in TAV Airports' core geography is Africa with 5.9% expected growth for 20 years where a growing middle class population is expected to support significant economic development.

This high demand for air transport requires aviation infrastructure to be continuously improved and enlarged. Experienced airport operators are sought out by aviation authorities to increase the supply of infrastructure by adding new runways, terminals and gates, by using the existing facilities more efficiently, by adding digitalization applications to operations, by optimizing air traffic control and when necessary, by adding new airports. Due to increased demand, between 2012 and 2018 a net total of 176 airports were added globally.

TAV Airports enjoys a very sweet spot in this global conjuncture of demand for more and better airports with an excellent track record of having successfully managed dramatic growth of traffic at many airports from the mega-hub size Istanbul Ataturk, to more boutique airports in a very diverse geography. We are highly confident that TAV Airports will continue to deliver long-term shareholder value in its core geography through its experience, know-how, strong balance sheet and excellent track record.

We would like to thank our shareholders and our employees for building this great brand and establishing the opportunity set that will confidently carry it into the future.

Sources: Boeing, Current Market Outlook, 2019 ; Airbus, Global Market Forecast, 2019; IMF, World Economic Outlook, October 2019; World Bank, Global Economic Prospects, January 2020; UNWTO, International Tourism Highlights, 2019

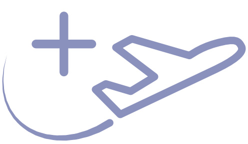
CEO's Message

STRONG OPERATIONAL PERFORMANCE IN 2019

Dr. M. Sani Sener
Board Member and
President & CEO

30 Countries

The global footprint of TAV Airports reached 100 airports in 30 countries together with its service companies.



89
Million Passengers*

TAV Airports served 89 million passengers in 2019.

* *Excluding Ataturk Airport.*

As we celebrate our 20th year in airport operations, we are proud to have built a globally competitive brand. Today we operate 14 airports in seven countries. With our service companies that comprise 59% of our revenue and 27% of our EBITDA, our global footprint now spans 100 airports in 30 countries.

2019 was a significant year for the inorganic growth of our service companies outside of the TAV ecosystem which is the third pillar of our growth strategy. TAV Operation Services, our lounge services company bought 70% of GIS, a Spanish lounge operator with activities in eight countries and became a truly global lounge operator with services at 42 airports that span 21 countries including Brazil, Switzerland, Kenya and United States.

BTA & TAV Technologies are now globally competitive companies that serve wide geography ranging from Western Europe to the Gulf Region.

As part of the second pillar of our growth strategy which is the addition of new and profitable concessions, our negotiations with the owner of Kazakhstan Almaty International Airport regarding the potential acquisition of the asset are ongoing. We are also very closely following the tenders to privatize Tivat and Podgorica Airports in Montenegro and the tender for the renewal of Antalya Airport concession. We will continue to search our core geography for new concessions that can create shareholder value.

As tourist numbers in Turkey are continuing to break new records, 2019 has been a very good year for organic growth of our existing portfolio which is our first pillar of growth. With strong growth in arrivals from European markets and Russia, the number of tourists visiting Turkey increased by 14% in 2019 and reached 45 million.

With this strength in tourist arrivals, we had an excellent year in our major coastal airports. International passenger traffic grew 19% in Antalya, 25% in Bodrum and 22% in Izmir. We enjoyed another year of passenger recovery in Tunisia with 22% growth and traffic in North Macedonia was very robust with 14% growth. While Georgian traffic was also very strong until the second half of the year, because of the Russian flight ban, Georgia finished the year with a slight passenger decrease. Owing mostly to supply cuts by the airlines, domestic traffic in Turkey continued to be soft throughout 2019. Although, due to these reasons we finished the year with a total of 89 million passengers served, which is 1% below our 2019 guidance, total international passenger growth, which is the main performance indicator that affects our financial results was up 18%. Hence, overall, we had excellent results in passenger traffic which translated into strong financial results.

Our revenue excluding Istanbul Ataturk Airport grew 8% and reached EUR 764 million. Our consolidated EBITDA excluding Istanbul Ataturk Airport came in at EUR 329 million with 5% growth. The EBITDA growth was 1% below the guidance we disclosed at the beginning of the year mainly because of the Russian flight ban in Georgia. Our total net income in 2019 was EUR 373 million and the net income of our continuing operations was EUR 73 million which is 5% higher than in 2018. Our capital expenditures came in line with our expectations at EUR 69.5 million.

One of the most significant developments of 2019 was the finalization of the discussions for the restructuring of the concession terms in Tunisia. With these agreements, we were able to re-establish the long term economic sustainability of our Tunisian airports through material decreases in our past and future rent payments and liabilities. As the next part of these discussions, we are also very close to finalizing our agreements with the current group of lenders of TAV Tunisia to restructure the existing financing terms and shareholding structure of the company.

We expect to have another good year of tourism in 2020 both in Turkey and in our international operations, thus reaching 4% to 6% growth in international passengers excluding Istanbul Ataturk. With this growth in passenger numbers, we expect EBITDA, as defined by Groupe ADP to increase between 9% to 11%. We expect capital expenditures to materialize between EUR 70 million to EUR 75 million in 2019.

In 2019, we distributed TL 758 million in dividends which corresponded to 50% of IFRS net income. Because there are three sizeable projects that we are preparing for, our Board of Directors has resolved to submit to the approval of our General Assembly, a dividend of TL 392 million, which corresponds to a payout of 81% of net profit from our continuing operations.

The platform of airports that are operated by us and our main shareholder, Groupe ADP is the largest in the world. TAV Airports owes this success to its employees, shareholders and business partners. I would like to extend my most sincere gratitude to everybody who played a part in creating one of Turkey's truly global brands and I hope to see many more 20 years of great success.

Concessions at a Glance

AIRPORT	TYPE/ OPERATING PERIOD	TAV'S SHARE	AREA OF ACTIVITY	FEE/PASSENGER INTERNATIONAL	FEE/ PASSENGER DOMESTIC	SECURITY FEE/ PASSENGER INTERNATIONAL	GUARANTEED PASSENGER	CONCESSION/ LEASE AMOUNT
Ankara Esenboga	Build-Operate-Transfer (BOT) (May 2023)	100%	Terminal	EUR 15 EUR 2.5 (Transfer)	EUR 3	EUR 1.5	0.6 M. Domestic, 0.75 International (2007)+5% increase per annum	-
Izmir A. Menderes	BOT + Concession Lease (December 2032)	100%	Terminal	EUR 15 EUR 2.5 (Transfer)	EUR 3	EUR 0.75	-	EUR 29 million starting as from 2013[6]
Gazipasa Alanya	Concession Lease (May 2034)	100%	Airport	EUR 12[5]	TL 10[5]	EUR 1	-	USD 50,000 + VAT[4]
Milas Bodrum[8]	Concession Lease (December 2035)	100%	Terminal	EUR 15	EUR 3	EUR 0.75	-	EUR 28.7 million + VAT[9]
Antalya	Concession Lease (December 2024)	50%[10]	Terminal	EUR 15 EUR 2.5 (Transfer)	EUR 3	EUR 0.75	-	EUR 100.[5] + VAT
Tbilisi	BOT (February 2027)	80%	Airport	USD 24	USD 6	-	-	-
Batumi	BOT (August 2027)	76%	Airport	USD 12	USD 7	-	-	-
Monastir & Enfidha	BOT + Concession (May 2047)	100%	Airport	EUR 13	EUR 1	EUR 0.8	-	11% - 26%[12] of revenues from 2010 to 2047[12])
Skopje & Ohrid	BOT + Concession (March 2030)	100%	Airport	EUR 11.5 Skopje, EUR 10.2 Ohrid	-	EUR 6.5 Skopje, EUR 6.5 Ohrid	-	4% of Gross Annual Revenue[1]
Medinah	BOT + Concession 2037	50%	Airport	SAR 91[2]	-	-	-	54.5%[3]
Zagreb	BOT + Concession (April 2042)	15%	Airport	EUR 17[7] EUR 4 (transfer)	EUR 7.5	EUR 6.5	-	EUR 2.0 - EUR 11.5 million fixed 0.5% (2016) - 61% (2042) variable

1) Concession fee will be 15% of the annual gross turnover until the number of passengers using both airports reaches 1 million. When the number of passengers exceeds 1 million, this ratio will change vary between 2% and 4% depending on the number of passengers.
2) SAR 91 from both departing and arriving passengers. Per-passenger charge will increase according to the cumulative Consumer Price Index every 3 years.
3) The concession lease fee was reduced to 27.3% during the two years following the completion of the construction.
4) TAV Gazipasa will make a fixed yearly rent payment of USD 50.000 + VAT until the end of the operating period. In addition, TAV Gazipasa will pay 65% of its net profit to DHMI at the end of each operating year as profit share.
5) Per-passenger tariffs were revised as of January 1, 2019.
6) Based on cash.
7) International, domestic and transfer passenger service fee of EUR 10, EUR 4, and EUR 4, respectively, prior to April 2014.
8) TAV assumed the operation of Milas Bodrum International Terminal on October 22, 2015.
9) A lump sum amount of EUR 143 million equivalent to 20% of the tender price for TAV Milas Bodrum Airport was paid in August 2014.
10) TAV Airports has 49% equity stake and 50% dividend and voting rights.
11) The airports in Turkey began charging a "Security Fee" for international passengers in 2019.
12) Concession fees are restructured in November 2019. For detailed information:
https://www.kap.org.tr/en/Bildirim/796894

Increase in Flight Numbers

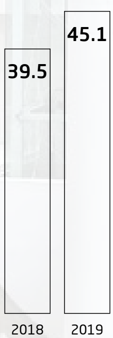
In 2019, TAV Airports' flights served increased by 5% and reached 596 thousand, excluding Ataturk Airport.

596
Thousand Flights

TAV Airports served 596 thousand flights in 2019, excluding Ataturk Airport.

16+
Thousand Employees

Number of Tourists Visiting Turkey (Million)



14%
Increase

Number of tourists visiting Turkey in 2019 rose to **45.1 million with a 14% increase compared to 2018.**


Old Bazaar
Istanbul

02

MAJOR DEVELOPMENTS IN 2019

With the latest passenger lounges launched in the USA, the global footprint of TAV Airports reached 100 airports in 30 countries.

Aviation Industry, Tourism and TAV

LONG TERM GROWTH TREND

Total Number of Passengers in Turkey (Million)

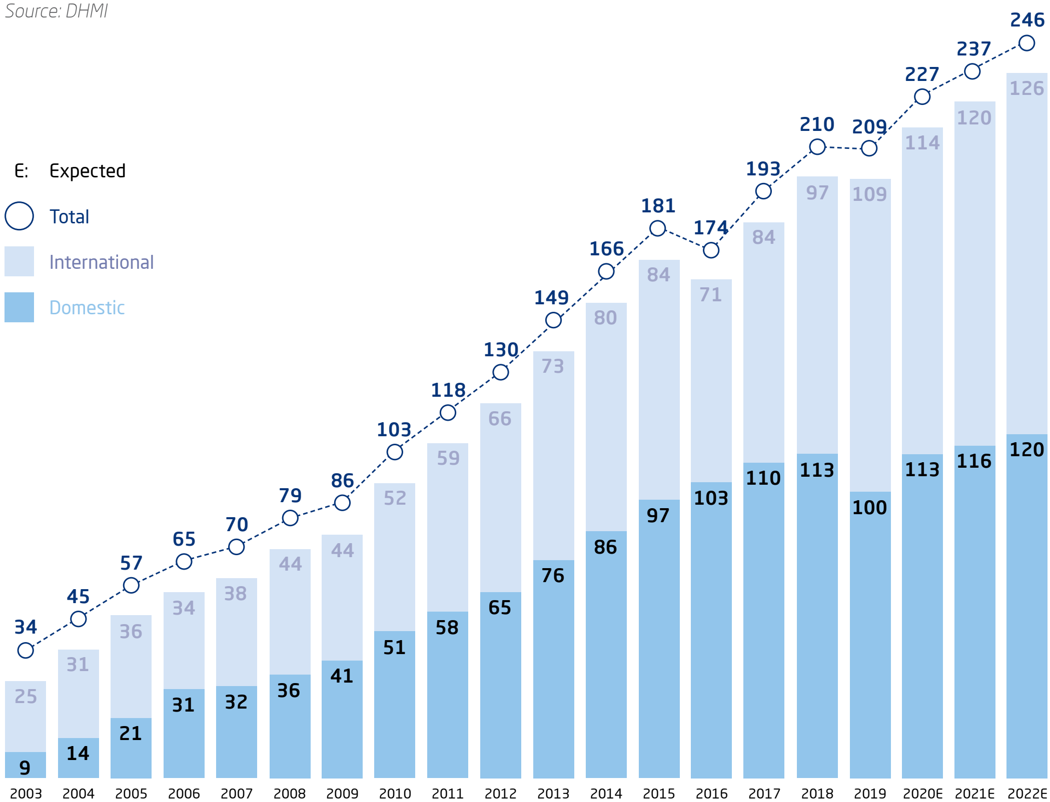
11% Increase

Strong Growth

International passenger numbers increased by 11% in Turkey in 2019.

209
Million Passengers

Source: DHMI



Turkey Total Commercial Flights (Thousand)

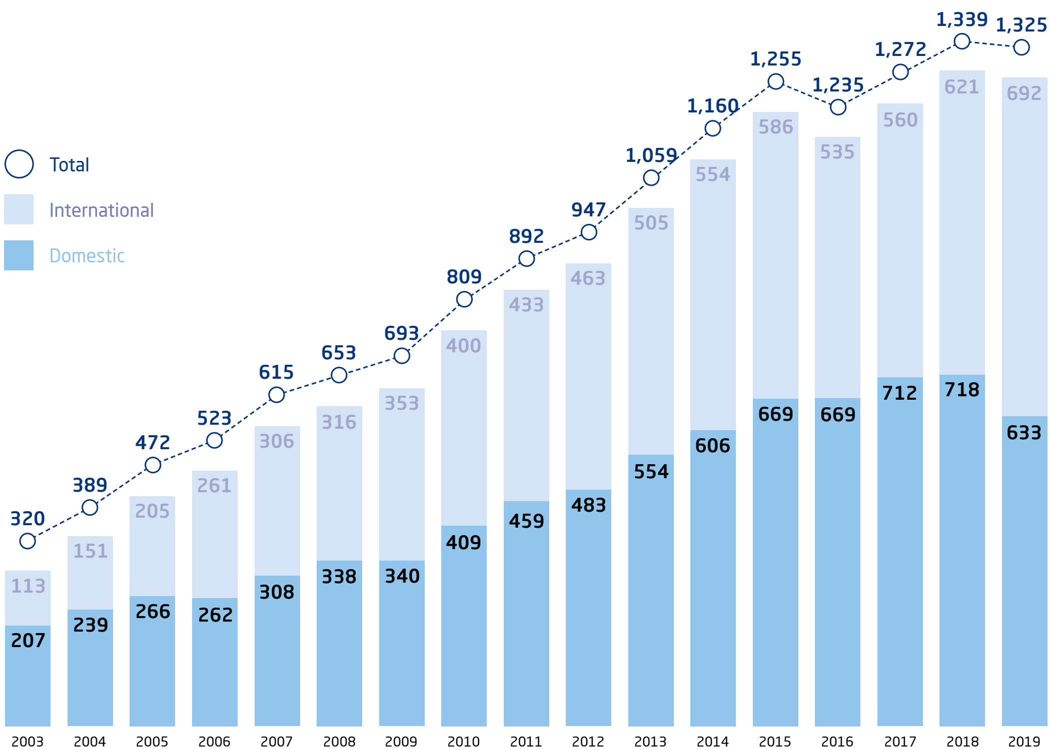
11% Increase

Increase in International Commercial Flights

International commercial flights in Turkey increased by 11% in 2019.

1,325 Thousand Commercial Flights

Source: DHMI



Aviation Industry, Tourism and TAV

STEADY ORGANIC AND INORGANIC GROWTH CONTINUES.

Total Number of Passengers served by TAV Airports (Million)*

7% Increase

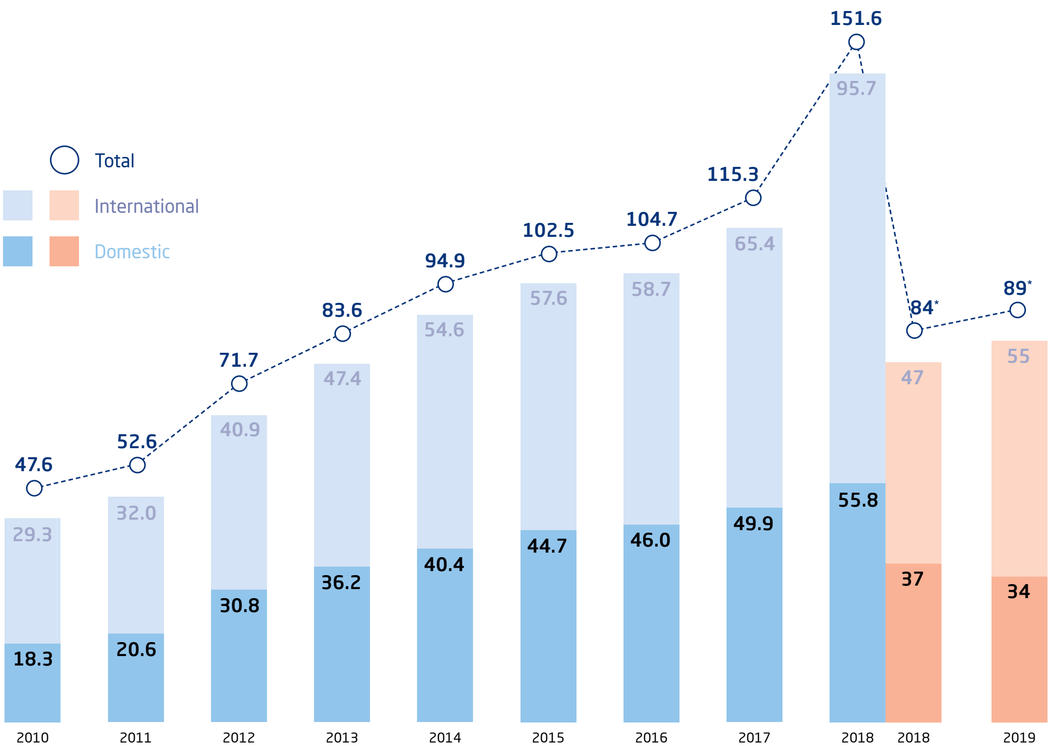
Total passengers of TAV Airports increased by 7% to 89 million in 2019.

International Passenger Traffic Continues to Grow.

International passengers served by TAV Airports increased by 18% in 2019.

89 Million Passengers

*Excluding Ataturk Airport.



*Excluding Ataturk Airport.

Total Number of Flights Served by TAV Airports (Thousand)*

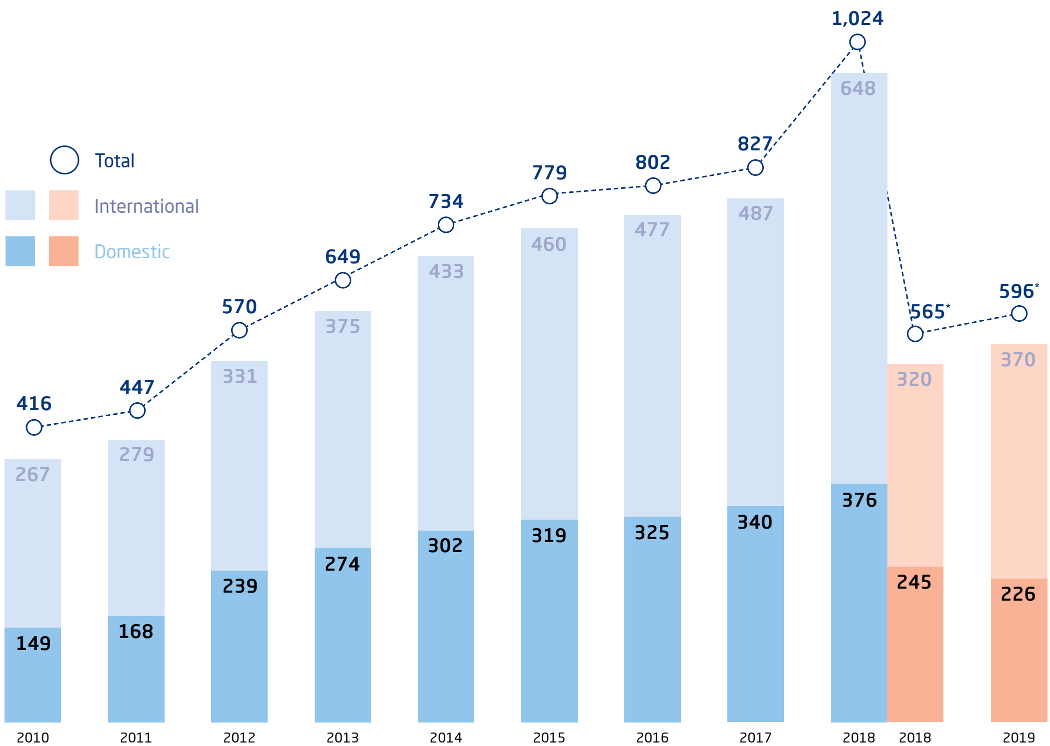
5% Increase

Total flights served by TAV Airports increased by 5% to 596 thousand in 2019.

International flights served increased 15%.

596 Thousand Commercial Flights

*Excluding Ataturk Airport.



*Excluding Ataturk Airport.

Aviation Industry, Tourism and TAV

Traffic Outlook

1.
World air traffic is projected to double in the next 20 years.

- Boeing projects 4.6% compound annual growth rate (CAGR) for world air traffic between 2019 and 2038.
- Airbus forecasts 4.3% CAGR for world air traffic between 2019 and 2038.
- IATA expects 7.8 billion passengers to travel in 2036, a near doubling of the 4 billion figure in 2017.

Source: Airbus Global Market Forecast 2019, Boeing Current Market Outlook 2019, IATA

2.
Turkish air traffic is projected to double in the next 15 years

- IATA expects Turkish air traffic to grow at a 4.7% CAGR in the next 20 years.

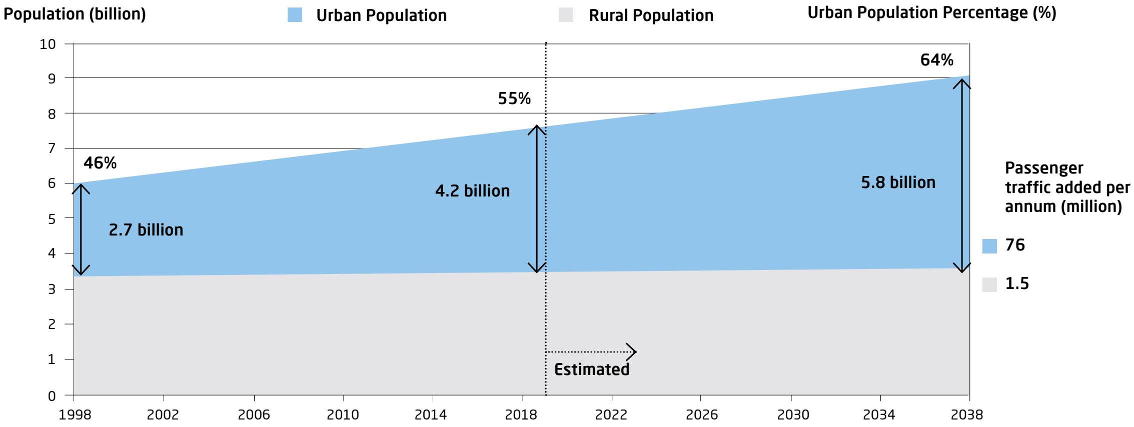
Source: IATA

3.
New aircraft orders of major Turkish airline companies are growing.

- Turkish Airlines plans to expand its fleet from 354 aircraft in 2019 to 487 in 2023; while Pegasus expects to grow its fleet from 83 aircraft in 2019 to 108 in 2024.

Source: Turkish Airlines Investor Presentation (November 2019), Pegasus Investor Presentation (November 2019)

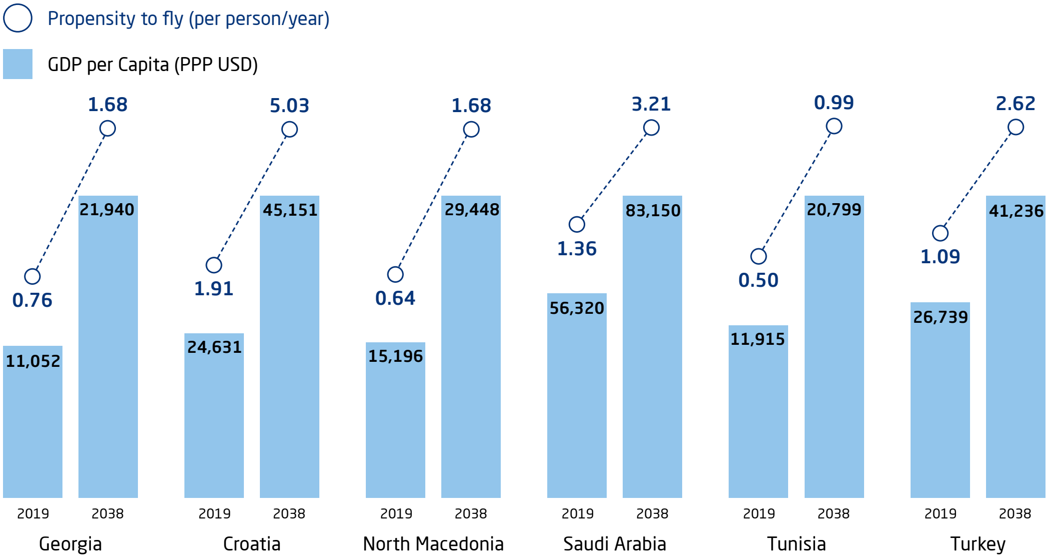
In 2018, the ratio of global population living in the urban areas to total population worldwide was 55%; and the ratio is expected to increase to 64% in 2038.



Source: UN Population, Airbus GMF 19

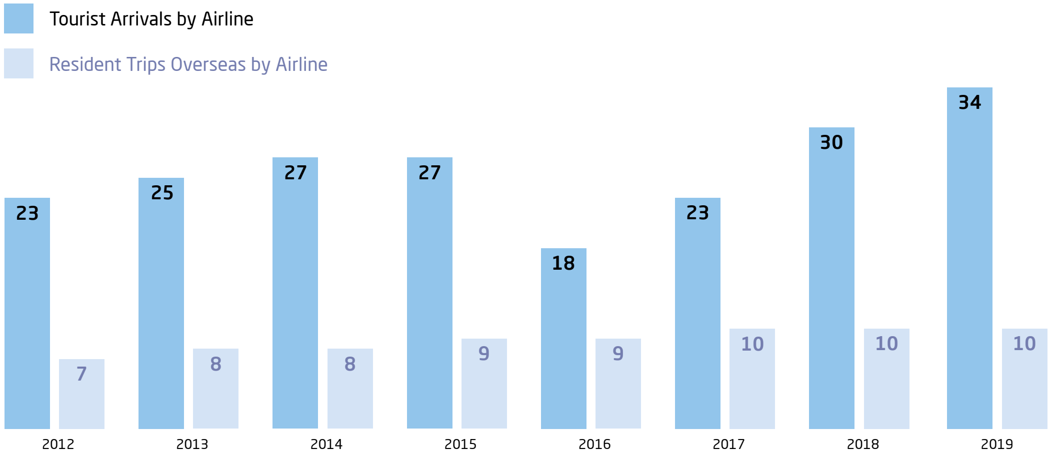
Aviation Industry, Tourism and TAV

All countries where TAV Airports operates in are expected to have a significant increase in both GDP per Capita and propensity to fly in the following 20 years.



Source: Airbus

Number of tourist arrivals in Turkey and resident trips overseas by air (million):



Source: Republic of Turkey Ministry of Culture and Tourism

Aviation Industry, Tourism and TAV

Turkey

HISTORICAL RECORD IN TOURIST NUMBERS

Ankara Esenboga Airport

Izmir Adnan Menderes Airport

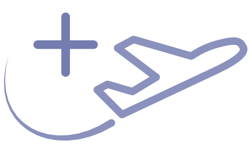
Gazipasa-Alanya Airport

Milas-Bodrum Airport

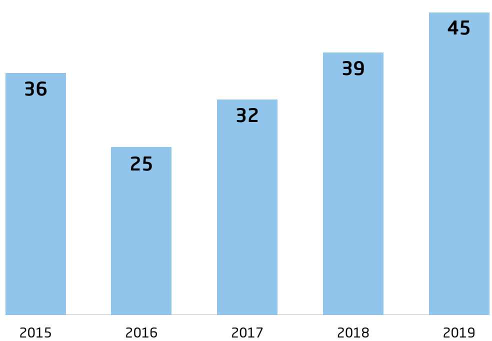
Antalya Airport

Turkish tourism industry reached all time high tourist numbers in 2019. Izmir Adnan Menderes, Milas-Bodrum, Alanya Gazipasa and Antalya Airports recorded major growth in international passenger traffic.

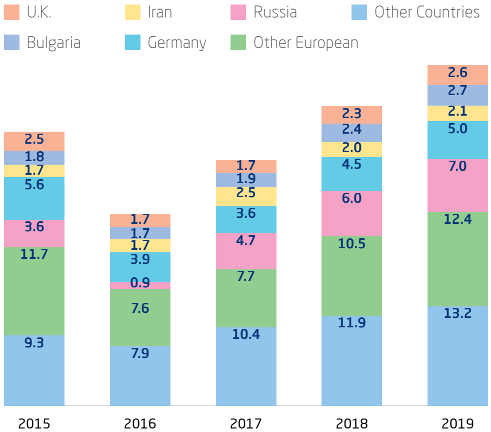
Number of tourist arrivals in Turkey in the last 5 years (million):



Number of tourists visiting Turkey in 2019 rose to **45 million with a 14% increase over 2018.**



Tourist arrivals by nationality (million):



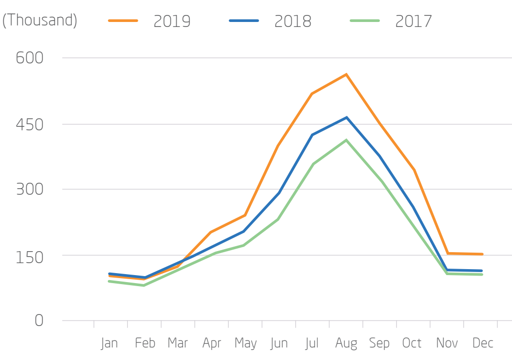
After the recovery in 2017, the number of Russian tourist arrivals reached 7 million in 2019. In a similar fashion, the number of European tourist arrivals has continued to grow steadily also in 2019.

Aviation Industry, Tourism and TAV

Turkey

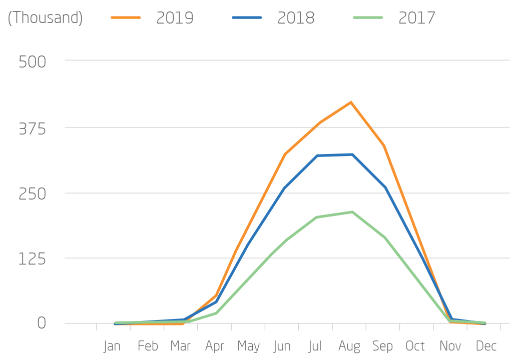
Izmir Adnan Menderes Airport international passenger traffic:

The Mediterranean jewel Izmir is the third largest city in Turkey. Izmir is a significant trade and tourism center with its thousands of years of history, its heritage of many civilizations, its fertile soils, its favorable climate conditions and its sea with all tones of blue.



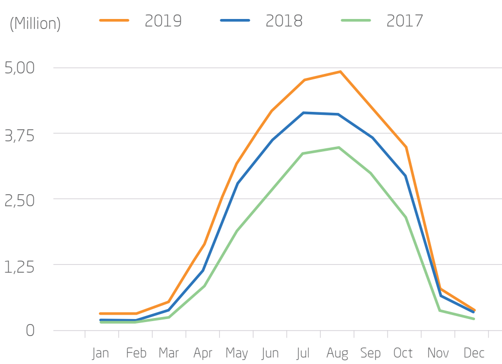
Milas Bodrum Airport international passenger traffic:

Bodrum is famous for its castle rising up in the peninsula as well as its white houses lined up on the coasts of two ports, its domes and its streets descending down to the sea. Described as "the land of eternal blueness" by Homer and praised by Cevat Sakir, another Bodrum resident, with the words "one should be living in peace here rather than resting in peace elsewhere," Bodrum is one of the most important tourism centers in Turkey.



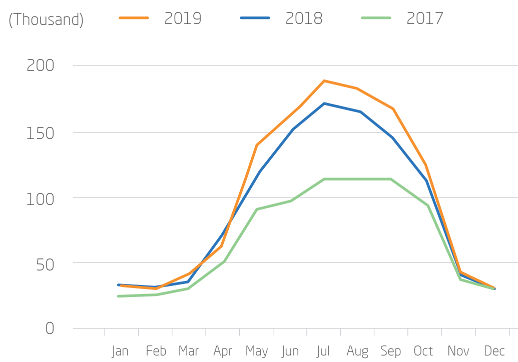
Antalya Airport international passenger traffic:

Antalya is referred to as the "Turkish Riviera" for its archeological and natural beauties. The city is blessed with the most beautiful and clear coastline creating a magical harmony of the sea, sun, history and nature. There are many antique cities, antique ports, monumental tombs, beaches, green forests and rivers along the coasts of Antalya. Attracting tourists all year long thanks to its unrivaled weather, Antalya hosted a record-breaking number of tourists in 2019.



Gazipasa Alanya Airport international passenger traffic:

Visited by one out of every ten tourists who come to Turkey, Alanya is a major center of attraction thanks to the Kleopatra Beach, Damlatas Cave, Manavgat Waterfall, the ancient city of Syedra, its historic port and luxury hotels.



Aviation Industry, Tourism and TAV

Macro Data for the Countries We Operate in*

COUNTRY	INDICATORS	UNIT	SCALE	2017	2018	2019	2020	2021	2022	2023	2024
Croatia	Gross Domestic Product, Current Prices	% Change		2.9	2.6	3.0	2.7	2.5	2.3	2.1	2.0
	Gross Domestic Product, Current Prices	USD	Billion	55.2	60.8	60.7	63.2	66.5	68.7	72.2	75.8
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	13.4	14.9	14.9	15.6	16.6	17.3	18.3	19.4
	Inflation, average	% Ch.		1.1	1.5	1.0	1.2	1.3	1.3	1.4	1.5
	Population	Persons	Million	4.1	4.1	4.1	4.0	4.0	4.0	3.9	3.9
Georgia	Gross Domestic Product, Current Prices	% Change		4.8	4.7	4.6	4.8	5.0	5.2	5.2	5.2
	Gross Domestic Product, Current Prices	USD	Billion	15.1	16.2	15.9	17.0	18.7	20.4	22.1	23.8
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	4.0	4.3	4.3	4.6	5.0	5.5	5.9	6.3
	Inflation, average	% Ch.		6.0	2.6	4.3	3.8	3.0	3.0	3.0	3.0
	Population	Persons	Million	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.8
Latvia	Gross Domestic Product, Current Prices	% Change		4.6	4.8	2.8	2.8	2.9	3.0	3.0	3.0
	Gross Domestic Product, Current Prices	USD	Billion	30.5	34.9	35.0	36.8	39.1	41.5	43.8	46.4
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	15.7	18.0	18.2	19.1	20.4	21.6	22.9	24.3
	Inflation, average	% Ch.		2.9	2.6	3.0	2.6	2.3	2.2	2.2	2.2
	Population	Persons	Million	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
North Macedonia	Gross Domestic Product, Current Prices	% Change		0.2	2.7	3.2	3.4	3.2	3.3	3.4	3.5
	Gross Domestic Product, Current Prices	USD	Billion	11.3	12.7	12.7	13.3	14.2	15.1	16.0	17.0
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	5.4	6.1	6.1	6.4	6.8	7.2	7.7	8.2
	Inflation, average	% Ch.		1.4	1.5	1.3	1.7	2.0	2.2	2.2	2.2
	Population	Persons	Million	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Saudi Arabia	Gross Domestic Product, Current Prices	% Change		-0.7	2.4	0.2	2.2	2.2	2.4	2.5	2.5
	Gross Domestic Product, Ruling Prices	USD	Billion	688.6	786.5	779.3	783.3	800.3	829.1	863.3	902.6
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	21.1	23.5	22.9	22.5	22.6	22.9	23.4	24.0
	Inflation, average	% Ch.		-0.9	2.5	-1.1	2.2	2.1	2.1	2.1	2.1
	Population	Persons	Million	32.6	33.4	34.1	34.8	35.5	36.2	36.9	37.6
Tunisia	Gross Domestic Product, Current Prices	% Change		1.8	2.5	1.5	2.4	2.9	3.8	3.9	4.4
	Gross Domestic Product, Current Prices	USD	Billion	39.8	39.9	38.7	39.6	38.0	38.5	41.2	44.8
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	3.5	3.4	3.3	3.3	3.2	3.2	3.4	3.6
	Inflation, average	% Ch.		5.3	7.3	6.6	5.4	5.2	4.6	4.2	4.0
	Population	Persons	Million	11.5	11.7	11.8	11.9	12.0	12.1	12.2	12.3
Turkey	Gross Domestic Product, Current Prices	% Change		7.5	2.8	0.2	3.0	3.0	3.0	3.5	3.5
	Gross Domestic Product, Current Prices	USD	Billion	852.6	771.3	743.7	813.8	904.6	978.8	1,036.1	1,099.5
	Gross Domestic Product Per Capita, Current Prices	USD	Thousand	10.6	9.4	9.0	9.7	10.6	11.4	11.9	12.5
	Inflation, average	% Ch.		11.1	16.3	15.7	12.6	12.4	11.4	11.0	11.0
	Population	Persons	Million	80.8	82.0	83.0	84.0	85.0	86.1	87.1	88.0

**IMF, World Economic Outlook Database, October 2019*

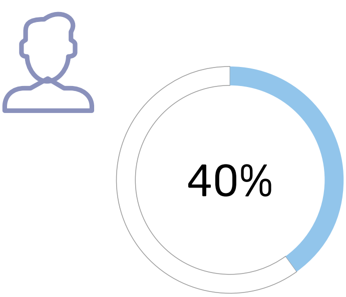
According to State Airports Authority (DHMI) statistics, total passenger numbers at Turkey's airports decreased 1% during 2019 compared to the previous year to 209 million.

The airports operated by TAV Airports in Turkey (Ankara Esenboga, Izmir Adnan Menderes, Milas Bodrum, Gazipasa Alanya and Antalya) accounted for 40% of total passenger traffic at Turkish airports in 2019. As Ataturk Airport was shut down to commercial flights on April 6, 2019, the ratio was 62% in 2018.

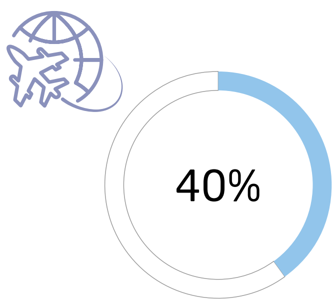
According to State Airports Authority (DHMI) data, total commercial flight traffic at Turkey's airports decreased 1% and totaled 1.32 million in 2019.

The airports operated by TAV Airports in Turkey (Ankara Esenboga, Izmir Adnan Menderes, Milas Bodrum, and Gazipasa Alanya) accounted for 40% of total commercial flights at Turkish airports in 2019. As Ataturk Airport was shut down to commercial flights on April 6, 2019, the ratio was 62% in 2018.

Passenger Number/Market Share



Commercial Flight Number/Market Share



Financial Summary

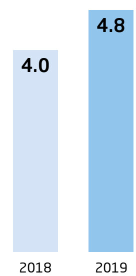
FINANCIAL PERFORMANCE REFLECTING STRONG OPERATIONAL PERFORMANCE IN 2019

TAV Airports increased its net profit in 2019 by 59% to TL 2.4 billion in 2019 compared to previous year.

SUMMARY BALANCE SHEET (TL THOUSAND)	2018	2019	CHANGE
Current Assets	5,462,462	7,169,681	31%
Intangible Non-Current Assets	10,329,094	11,526,381	12%
Total Assets	20,804,281	25,556,850	23%
Current Liabilities	5,005,601	5,994,319	20%
Non-Current Liabilities	9,579,130	10,853,155	13%
Total Liabilities	14,584,731	16,847,474	16%
Shareholders' Equity	6,219,550	8,709,376	40%

SUMMARY INCOME STATEMENT (TL THOUSAND)	2018	2019	CHANGE
Revenue	3,975,497	4,756,204	20%
Gross Profit	1,957,847	2,246,191	15%
Operating Profit	912,370	1,307,662	43%
Finance Expenses	-631,967	-847,328	34%
Profit Before Tax	614,166	758,594	24%
Net Profit	462,933	513,081	11%
Profit from Discontinued Operations	1,054,391	1,902,335	80%
Profit for the Period	1,517,324	2,415,416	59%
Net Profit After Minority	1,454,747	2,368,497	63%

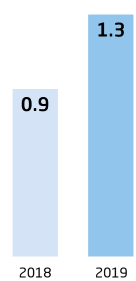
Consolidated Revenue (TL Billion)*



TAV Airports's consolidated revenue in 2019 **increased 20%** year-on-year to TL 4.8 billion.

20%
Increase

Operating Profit (TL Billion)*



TAV Airports' operating profit in 2019 **increased 43%** year-on-year to TL 1.3 billion.

43%
Increase

** Revenue and Operating Profit are restated to exclude Ataturk Airport.*

OTHER FINANCIAL FIGURES (THOUSAND TL)	JAN.-DEC. 2019	JAN.-DEC. 2018	CHANGE
Investment Expenses	-446,397	-526,210	-15%

SUMMARY CONSOLIDATED CASH FLOW STATEMENT	JAN.-DEC. 2019	JAN.-DEC. 2018	CHANGE
Cash and Cash Equivalents at the beginning of the Period	3,328,403	1,554,308	114%
Cash Flow in Operating Activities	881,596	2,346,753	-62%
Cash Flow in Ilnvesting Activities	296,851	-2,702,213	n.m.
Cash Flow in Financing Activities	-986,224	1,540,934	n.m.
Effect of Foreign Currency Conversion Adjustments	352,877	588,621	-40%
Cash & Cash Equivalents on December 31	3,873,503	3,328,403	16%

FINANCIAL RATIOS	31.12.2019	31.12.2018
Current Ratio	1.20	1.09
Liquidity Ratio	1.19	1.08
Current Assets/Total Assets	0.28	0.26
Short-term Liabilities/Total Liabilities	0.36	0.34
Total Liabilities/Total Assets	0.66	0.70

Strong Financial Performance

TAV Airports delivered a strong financial performance in 2019. Total assets of the Company increased to TL 25.6 billion, revenue reached TL 4.8 billion and equity grew by 40%.

Investments in 2019

GLOBAL FOOTPRINT GROWING WITH CONSTANT INVESTMENTS

Continuing its investment activities steadily and increasing the total number of passengers it served by 7% as of year-end, TAV Airports boosted its net profit by 59% while reaching TL 446 million of investment.

INVESTMENTS (TL MILLION)	2018	2019
Acquisition of Tangible Assets	514	416
Acquisition of Intangible Assets	12	30
TOTAL	**526**	**446**

Awards and Accomplishments

- Tbilisi Airport has been included among the top 10 airports in Eastern Europe at Skytrax Awards for six consecutive years.
- Skytrax has crowned Frankfurt "primeclass" Lounge as the seventh best lounge in the world.
- In March 2019, Riga Business Lounge has been selected "The Best European Lounge of 2018" by Priority Pass.
- BTA, ATU and TAV Operation Services have been awarded by the country's civil aviation authority in the award ceremony of "Oman Airports Awards."
- TAV Technologies has been awarded for RMS, its resources management system applied in TGS, in the category of "IT Cost Efficiency" in the summit organized by International Data Corporation (IDC).
- Skopje Airport has been awarded in the category of airports hosting up to two million passengers per year in scope of ASQ (Airport Service Quality) program.
- Ankara Esenboga and Izmir Adnan Menderes Airports, operated by TAV Airports, fulfilled the requirements of Level 3+ certification as part of the Airport Carbon Accreditation program and ranked among the world's most environmentally friendly airports.
- Four TAV Airports companies were listed on the Fortune 500 Turkey ranking of the largest enterprises in Turkey. ATU ranked 71^{st} on the list while TAV Istanbul, BTA, and HAVAS came in at 101^{st}, 298^{th}, and 343^{rd} place, respectively.
- TAV Airports has been awarded as one of the "Problem Solving Brands of the Year" at International Ankara Brand Meetup, organized for the fourth time this year by Ankara Chamber of Commerce (ATO).
- Ranking in the top three for the last nine years at the awards ceremony held by Corporate Governance Association of Turkey (TKYD), TAV Airports boasted the third highest corporate governance rating score among companies in Turkey in 2019.
- TAV Technologies awarded at CIO Awards for Total Airport Management Suite (TAMS) project completely developed by Turkish software developers and engineers.

Highlights of 2019

TAV OPERATION SERVICES OPENED A LOUNGE IN TERMINAL 1 AT JFK AIRPORT IN NEW YORK, USA.

January

- Global mobile application LoungeMe started service, providing entry rights to nearly 600 airport passenger lounges across the world.
- TAV Operation Services acquired 70% of Spain-based firm, GIS, operating in eight different countries.
- The share of BTA in Istanbul Fast Ferries Co. (IDO) raised to 100% from 50%.

March

- 2018 Ordinary General Meeting of Shareholders of TAV Airports was held on March 18, 2019.
- TL 758 million of total gross cash dividend was distributed to shareholders.

April

- All commercial flights operated by TAV Istanbul Terminal Isletmeciligi A.S. ("TAV Istanbul") at Ataturk Airport, was transferred to Istanbul Airport on April 6, 2019.
- HAVAS, BTA and ATU commenced operations at Istanbul Airport.
- BTA started operations at Orly Airport in Paris, France.
- TAV Operation Services opened a passenger lounge in Bremen.
- Joint consortium of TAV Airports and Groupe ADP submitted a bid to the tender for operation and development rights of Bulgaria Sofia Airport.

May

- TAV Operation Services won the tender for operation of Alabama Birmingham Lounge.
- TAV Airports and group companies moved to new headquarters on May 15.

July

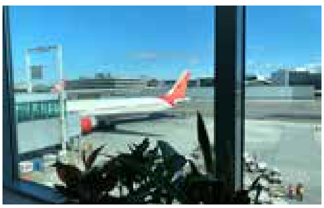
- Joint consortium of TAV Airports and Groupe ADP was not declared the preferred bidder for the tender for operation and development rights of Bulgaria Sofia Airport.
- The share of TAV Airports in Medinah Airport rose from 33% to 50%.

August

- "Periodical Revision Report on Corporate Governance Rating" was completed by SAHA Corporate Governance and Credit Rating Services. Corporate Governance Rating of TAV Airports was revised to 96.67 as of August 16, 2019, up from its prior rating of 96.25 as of August 17, 2018. This upward revision resulted from the Company's strong focus on making continuous improvement to its corporate governance practices.

Highlights of 2019

INVESTMENT IN PASSENGER LOUNGES



September

- Air India Primeclass Lounge was put into operation by TAV Operation Services at New York Terminal 4.
- In compliance with article 4.2.8 of the appendix to Capital Markets Board Corporate Governance Communique, the existing "Management Liability Insurance" policy covering the members of the Board of Directors and Senior Executives of TAV Airports was renewed for a period of one year at a cost exceeding 25% of the Company's capital.

October

- TAV Operation Services opened a lounge in Terminal 1 at JFK Airport in New York, USA.
- An agreement signed between TAV Tunisia and Republic of Tunisia regarding the restructuring of the concession agreements for operation of Monastir and Enfidha airports.
- The consortium formed by TAV Airports and VPE Capital has started negotiations with the owner of Kazakhstan Almaty International Airport regarding the potential acquisition of the asset.

November

- BTA was awarded the tender for food and beverage operations of Queen Alia Airport in Amman.
- Within the scope of Turquality support program, BTA opened three Cakes & Bakes stores in total: two in Tunisia and one in Muscat.

December

- TAV Operation Services launched a private passenger lounge at USA Palm Beach Airport.
- Due to the closure of Ataturk Airport before the end of the lease period, TAV Airports received a formal notification from DHMI stating that it will be compensated with EUR 389 million.

SUBSEQUENT EVENTS

- TAV Airports's Board of Directors resolved to present to the General Assembly for approval a dividend amounting to TL 392 million in cash, corresponding to gross cash dividend per share of TL 1.0804060 (108.04060%).
- Philippe Pascal resigned from the Membership of the Board of Directors, Nomination Committee and Risk Assessment Committee. The Board of Directors resolved to appoint Xavier Hurstel for the vacant position of Philippe Pascal, the resigning Member of the Board of Directors, Nomination Committee and Risk Assessment Committee.

Investor Relations and BIST Performance

OUR FOUR MAIN PRINCIPLES IN INVESTOR RELATIONS

TAV Investor Relations (TAV IR)'s main duty is to make sure that capital markets instruments issued by TAV Airports are fairly valued. In order to attain this goal, TAV IR uses an arsenal of investor relations tools to provide thorough and accurate information about the course of TAV Airports shares to various market participants.

TAV IR also makes sure that the Company is in full compliance vis-a-vis its obligations arising from capital markets legislation. TAV IR also coordinates all relevant stakeholders to ensure that the Company adheres to the highest corporate governance standards.

There are four main principles TAV IR abides by in its day to day activities: accuracy, fairness, speed and proactiveness.

Accuracy

TAV IR pays special attention to making sure that all information shared with capital markets participants is well researched, accurate and thorough. TAV IR believes that the flow of accurate and thorough information is paramount to establishing trust between the Company and capital markets participants.

Fairness

TAV IR is keen on making sure that all constituents of capital markets receive the same information regardless of function (buyside, sellside) or relative size.

Speed

TAV IR is highly aware that information also has a time dimension in capital markets, and that quick information is superior to slow information. With this awareness, TAV IR strives to respond to all requests for information promptly.

Proactiveness

TAV IR keeps a vigilant eye on the Company and its economic and legal ecosystem and identifies investor, legislative and corporate governance related issues before they are raised by capital markets participants and stakeholders. TAV IR then promptly and thoroughly addresses these issues.

In 2019, TAV Airports Investor Relations participated in a total of 5 roadshows and conferences and conducted meetings with approximately 200 investors and analysts in regard to the Company's operations and financials.

Stock Performance

The Company's shares, listed on Borsa Istanbul with the ticker TAVHL, traded between a low of TL 20.56 and a high of 30.50 TL in 2019. The Company's shares gained 33% in nominal terms (18% in USD) and over 6% relative to the benchmark Borsa Istanbul index in 2019.

Corporate Governance Rating

The "Periodic Revision Corporate Governance Rating Report" issued by SAHA Corporate Governance and Credit Rating Services, a corporate governance rating agency that is also licensed to conduct corporate governance rating activities in Turkey, has been completed. TAV Airports' Corporate Governance Rating was revised to 96.67 in August 16, 2019, up from its prior rating of 96.25 as of August 17, 2018. This upward revision resulted from the Company's strong focus on making continuous improvement to its corporate governance practices. Distribution of corporate governance rating with respect to the sub-categories are as follows.

SUB-CATEGORIES	WEIGHT	SCORE
Shareholders	0.25	95.79
Public Disclosures and Transparency	0.25	98.65
Stakeholders	0.15	98.82
Board of Directors	0.35	94.98
TOTAL	**1.00**	**96.67**

TAV INVESTOR RELATIONS CONTACT	
Phone:	+90 212 463 30 00/2123-2124
Fax:	+90 212 465 31 00
IR Website:	http://ir.tav.aero
Twitter:	@irTAV
Facebook:	/irTAV
Address:	Vadistanbul Bulvar, Ayazaga Mahallesi Cendere Caddesi No: 109L 2C Blok 34485 Sariyer/Istanbul
TAV Investor Relations Mobile Application	Available on the App Store / Get it on Google play

03 CORPORATE GOVERNANCE AND SUSTAINABILITY

TAV Airports, which figures among the signatories of the United Nations Global Compact (UNGC) and the Women's Empowerment Principles (WEPs), strives to mitigate its environmental impacts and create social benefits while generating maximum value for its stakeholders in every country where it operates.

Sustainability

1. Introduction

As globalization continues to broaden and deepen in the present day, the economic, environmental and social challenges as well as market opportunities become increasingly varied and diverse, at the same time, while enterprises that cannot overcome these challenges and take advantage of the opportunities available lose their ability to compete effectively. Economic and social changes impact global equilibrium and reverberate across various regions; problems such as climate change and depletion of natural resources necessitate cooperation between otherwise diverse stakeholders. Under these circumstances, companies need to constantly evolve their business models toward more participatory, transparent, and accountable conduct that respects people and nature in order to be an ongoing concern in today's highly competitive operating environment.

TAV Airports, which figures among the signatories of the United Nations Global Compact (UNGC) and the Women's Empowerment Principles (WEPs), strives to mitigate its environmental impacts and create social benefits while generating maximum value for its stakeholders in every country where it operates.

The principles required to achieve sustainable growth are at the core of all Company operations. A bottom-up and interdisciplinary organizational structure has been put in place to disseminate existing know-how within the Company and to conduct measurement, reporting and development efforts in a coordinated manner. The sustainability teams at the airport terminal operating companies report to the General Manager and Deputy General Manager of the respective enterprise and are responsible for carrying out measurement, assessment and reporting tasks related to key performance indicators set forth in the TAV Airports Sustainability Strategy and Action Plan and developing projects and recommendations to improve sustainability performance. The sustainability teams are comprised of representatives from energy management, waste management, water management, human resources, corporate communications, financial affairs and other related departments within the enterprises under the guidance of the General Manager and Deputy General Manager of each company. The TAV Airports Sustainability Committee is tasked with putting together and developing the Company's Sustainability Strategy and Action Plan; coordinating and steering the sustainability teams formed within the terminal operating companies and service companies as part of this effort; measuring, improving and reporting on the Company's sustainability performance. The Committee consists of representatives delegated by the managers of the related departments within the Company and the service companies. The chairs of the Sustainability Teams of operating companies also serve as members of the Committee. TAV Airports is committed to disclosing its sustainability performance openly, transparently and comprehensively to all Company stakeholders.

As part of this effort, TAV has reported not only on its economic performance, but also on the Company's environmental and social impact in compliance with internationally accepted standards since 2010. TAV Airports takes special heed of stakeholder participation and embraces a participatory management approach at every phase of its operations. TAV employs the internationally recognized Global Reporting Initiative (GRI) standards in order to present its reporting initiatives in a comparative and understandable manner.

2. Economic Impacts

TAV Airports strives to create maximum value for all stakeholders while also contributing to cultural and social development in every region it operates in. Airport operators generate direct economic value through the employment and income opportunities they create while producing ancillary benefits such as the development of various industries such as tourism. Believing in the importance of socially responsible investment, TAV Airports continues to be a component of the Borsa Istanbul Sustainability Index during the November 2019 – October 2020 period after initially becoming part of this key index in 2014.

3. Environmental Impacts

In order to strike an optimal balance between the soaring demand for air transport and efficient use of natural resources, TAV Airports strives to adopt and implement environmental best practices in every area it conducts operations. To this end, above and beyond complying with local and national legal and regulatory requirements, the Company engages in energy and environmental management at global standards to minimize its environmental impact.

Prioritizing climate change as one of the most significant environmental risks it faces, TAV's airport operating companies actively participate in the Airport Carbon Accreditation program administered by ACI Europe, the European arm of the Airports Council International. With this effort, TAV aims to measure, manage, reduce and neutralize carbon emissions at the airports it operates. As of 2019, Izmir Adnan Menderes and Ankara Esenboga airports renewed their Level 3+ Neutrality status, while Enfidha Airport renewed its Level 2 Reduction status. In addition to issuing sustainability reports, TAV also discloses its performance in directly addressing climate change transparently and regularly to investors and the public at large via the Carbon Disclosure Project (CDP).

Soaring passenger traffic is also increasing the importance of waste management with each passing day.

Making efforts to protect biodiversity in the terminal areas and to minimize the loss of natural habitats, TAV Airports takes measures to reduce waste production and to reclaim as much of it as possible during reuse, recycling and disposal processes. TAV Airports has been reporting to the CDP Water Program since 2014. Engaging in effective water management at the Company's terminals to ensure efficient use of water resources, TAV Airports regularly measures and reports its water consumption per passenger. Wastewater is treated and reused at every opportunity; when that is not possible, it is disposed of properly.

4. Social Impacts

TAV supports a wide variety of projects and initiatives in education, sports, and culture as part of its corporate social responsibility approach. Customer satisfaction and employee satisfaction form the basis of the Company's social impact in the regions where it operates.

In 2019, in its new HQ, TAV Airports established an Innovation Center. Managed by its IT subsidiary TAV Technologies, the Innovation Hub simulates the journey of a passenger at an airport and showcases the Group's products and services at each point. In close collaboration with Groupe ADP Innovation Hub in Paris, the Innovation Center will also serve as an incubation center for startups working in mobility and airport solutions. Organized in Paris Charles de Gaulle and Izmir Adnan Menderes, the Airport Startup Day event provided support to 32 initiatives from France and Turkey.

TAV has adopted a world class human resources policy to ensure the satisfaction and engagement of all its personnel. Striving to be preferred employer in its markets, TAV's human resources policy is built on occupational safety, comprehensive opportunities for the professional and personal development of staff members, and equal opportunity for all. Committing to the goal of increasing the share of women on the Board of Directors to above 25%, the Company attained this goal in 2018.

Setting customer satisfaction as a strategic corporate goal, TAV strives to provide guests with a quick, comfortable and safe travel experience. As safety is paramount in the aviation business, TAV fully complies with all international and domestic requirements in full cooperation with the relevant authorities. Two airports in TAV's portfolio ranked among the best in Europe. ACI World announced the ASQ survey results and Skopje Airport is awarded in the category of "2 million or less passengers" and Zagreb Airport is awarded in the category of 2 to 5 million passengers annually. ASQ awards are given following a survey of more than 640 thousand passengers in 91 countries. In recognition of its social responsibilities and to make all the Company's terminals fully accessible to special-needs passengers, TAV has implemented the "Obstacle-Free Airport Project," which was initiated by the Directorate General of Civil Aviation of Turkey (SHGM).

Risk Management, Internal Audit and Compliance

Risks and Assessment by the Management Body

a) Information on Risk Management Policy

Corporate Risk Management Policy:
The objective of TAV Airports and the group companies Enterprise Risk Management (ERM) Policy is to set forth the methods and principles for the execution of the responsibilities and functions that can be summarized as follows:

- Identifying risk factors that may have an impact on the processes carried out to attain TAV Airports' corporate objectives,
- Assuring senior management and shareholders that the risks assumed are compatible with the Company's risk-taking appetite,
- Assessing the risks that have a potential to create uncertainty and pose threats, formulating effective control and action plans commensurate with the levels of these risks,
- Taking advantage of opportunities that arise, and working in cooperation with risk owners and enterprise risk management (ERM) officers to ensure the continuity of this cycle,
- Ensuring that management decisions are made with full awareness of related risks by carrying out prompt reporting to facilitate the functioning of decision mechanisms,
- Supporting the management of risks that are identified in different units and that have different impacts, but that can have an effect on each other in the most appropriate manner for the greater benefit of the Company rather than that of the individual unit, thus contributing to increased effectiveness and lower losses at the corporate level.

b) Information on the Activities and Reports of the Risk Assessment Committee

TAV Airports' Risk Assessment Committee was established and commenced activity in accordance with the Turkish Commercial Code* (TCC), and the communiques and framework of the Corporate Governance Principles* of the Capital Markets Board. The Committee was chartered to undertake activities related to the early detection and management of all types of financial, operational, strategic and regulatory risks that threaten the existence, development and continuity of TAV Airports and Group companies as well as to implement action plans for risks that need to be mitigated. In addition, the Committee oversees the functioning of the Enterprise Risk Management System and gathers information from Company executives, legal counsel and related units and performs assessments on a variety of matters including major lawsuits filed against the Company, provisions set aside against potential risks, exchange rate risk and determination of the Company's strategy against potential threats. The Committee meets regularly every two months and additionally as needed to ensure the effectiveness of its activities. Related management staff may be invited to the meetings of the Committee based on the meeting agenda. All activities and resolutions of the Risk Assessment Committee are documented as written meeting minutes and shared with senior management in the form of official reports.

** CMB's Series: IV, No: 57 Communique which changed Series: IV, No: 56 "Communique Regarding Determination and Implementation of Corporate Management Principles" Principle No. 4.5.12. and clause 378 of TCC effective as of July 2012 Principle No. 4.5.12. and clause 2012 of TCC effective as of July 2012.*

c) Information about Risk Management Policies Applied

1. Financial Risk Management

The Company may be exposed to the following risks depending on its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk that a customer or a counter party to a financial instrument fails to honor its contractual obligations. Essentially, the Group's customer receivables and financial losses that may arise from its bank balances constitute its credit risk. The Group's primary financial assets are cash and cash equivalents, and trade and other receivables. The credit risk on cash and cash equivalents is limited since the counter parties are banks with high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its future cash payments or other financial obligations. The Group's liquidity risk is managed by securing adequate financing facilities from various financial institutions to fund existing and future borrowing requirements under normal circumstances or crisis conditions so as not to inflict damage on the Group or harm its reputation.

Market risk

Market risk consists of all changes in exchange rates, interest rates and prices of securities market instruments that can directly impact the Company's revenues and the market value of its financial assets. TAV's market risk management aims to keep its risk exposure within acceptable parameters while optimizing potential returns.

2. Management of Strategic & Operational Risks

The Company continuously undertakes improvement and development related activities at all airports operated by TAV Airports in order to ensure efficient and safe operations amid the demands of growing passenger traffic. Medium and large-scale problems that the Group may be exposed to within the expanding and evolving aviation industry are assessed by the Risk Committee and Senior Management on an ongoing basis and long-term strategies are formulated promptly to counter potential risks. Primary operational risks that the Company might be exposed to include unexpected business interruptions, deterioration in service quality standards and the inability of aging terminal buildings to meet the Company's needs. In accordance with its high-quality service strategy, TAV Airports ensures that its service quality standard is maintained at the same high level by way of regular maintenance, repair, investment, renovation and extension related projects at the terminals. The Company constantly monitors, updates and practices emergency operations, plans against contingencies, preventing potential business interruptions and minimizing their impact on passengers. Infrastructure of the terminal buildings has been designed in accordance with specific standards against force majeure events; the Company is appropriately insured against losses from natural disasters and business interruptions. While it is impossible to fully eliminate risks, the Company takes these measures in order to minimize their consequences and impacts.

Risk Management, Internal Audit and Compliance

3. Management of Environmental Risks

TAV Airports adopts an environmentally responsible approach and embraces the principle of environmental protection to achieve sustainable long-term development. Adopting a large number of measures and carrying out numerous initiatives to manage environmental risks, TAV Airports strives to implement solutions above and beyond what is required by applicable laws, rules and regulations. TAV Group initiated efforts to obtain the "Level 1 Carbon Accreditation Certification" that is awarded by Airports Council International (ACI), the leading international organization of the global aviation industry. As part of this project, the Company is formulating sustainable development policies and undertaking environmental initiatives in order to reduce and contain the impacts of air, water, soil and noise pollution on natural life and habitats.

4. Management of Security, Safety and Health Risks

Ensuring the physical security of airports and general aviation safety is a fundamental part of the operations of TAV Airports. To this end, the Group conducts security services through a private security subsidiary company that boasts ample experience and superior service quality. This security component can only be ensured through close collaboration with key stakeholders such as airlines, governmental authorities and the police. In accordance with this approach, TAV Group implemented Safety Management System practices while setting as a key criterion of sustainability the minimization of occupational health and safety-related incidents. Given the growing passenger traffic and the threats inherent in the nature of civil aviation, airport security issues will inevitably remain an ongoing concern. Nevertheless, it is possible to provide a high level of security service thanks to advanced safety and security measures, as well as effective equipment and system installations. Similarly, step-by step emergency response plans and preparations are ready to be implemented in conjunction with relevant stakeholders in the event of an epidemic risk at the airport facilities.

5. Management of Information Technology Risks

Effectiveness and security of information technology systems are a key component of uninterrupted high-quality service provision at the airports. To this end, TAV Group regularly reviews the course of its IT infrastructure and projects in keeping with the corporate strategy and objectives. Risks related to IT security, which have proliferated rapidly in recent years, are monitored closely and countered with proactive measures Hence, a project has been initiated to manage the risks that may arise in terms of cyber security in collaboration with ADP Group. Even a minor interruption in IT systems can have major adverse consequences for the business continuity of airport operations. To mitigate this risk, TAV Group undertakes every possible preventive maintenance, improvement, protection and back-up initiative, thereby minimizing IT-based problems that pose a threat to business continuity.

6. Management of Legal, Regulatory and Compliance Risks

The aviation industry is the most heavily regulated sector in Turkey and across the globe. Even involuntary non-compliance with regulatory guidelines or breach of laws or contractual obligations may result in reputational damage, business interruption or financial losses for a company. While legal risk may appear to be a standalone risk type, it is in most cases linked with operational, financial, reputational, or tax risks. TAV Airports' proactive and forward-looking approach toward monitoring the legal and regulatory changes in the industry helps the Company to avoid such risks. The Company thoroughly assesses precedent-bearing resolutions, anticipated changes by regulatory authorities, and the impacts of operational changes on statutory liability; identifies the potentially risk-bearing areas; and takes action in a timely manner.

Information on the Internal Control System and Internal Audit

TAV Airports Internal Audit Department performs the audit of the operational, financial, information systems and technical operation processes of TAV Airports and all of its subsidiaries. The Department carries out its auditing activities in accordance with an annual audit plan, which is drawn up in line with the determinations that may interrupt the sustainability of the company based on the results of the risk assessment and Risk Management processes performed annually and approved by the Audit Committee. The Internal Audit Department shares its reports that summarize the audit results and ongoing findings with the Audit Committee and CEO.

The Internal Audit Department also contributes to the sustainability of the Company by identifying and reporting the deficiencies in risk management and corporate governance processes, and the practices that cause inefficiencies and result in waste of resources. The Unit collaborated with all audited units and provided support in implementing the recommended actions.

As part of its auditing activities, the Internal Audit Department also liaises with the independent auditor and examines the reports drafted by the independent audit team.

TAV Airports Internal Audit Department operates in compliance with international internal audit standards.

Consolidation Process

All Group companies in consolidation fall under the Internal Audit Department's auditing scope. As a result, the Department assesses the internal control system with respect to the operations that impact the financial statements and provides reasonable assurance to the management on the accuracy and reliability of the figures appearing in the financial statements.

Similarly, the Department assesses the effectiveness and efficiency of the management of the risks inherent in the preparation process of standalone and consolidated financial statements as well as the information systems used in the process.

Compliance

Our Group has made it a principle to respect humans, local cultures and rules; therefore, our aim is to ensure that employees in all our Group companies serving internationally adopt the same principle and mindset. As a result, the decision was made to establish a "Compliance" department in order for ADP and TAV to ensure compliance with ethical principles and laws. In line with the works initiated in 2018, principles were established with International Code of Conduct and Compliance and Ethics Policy and these were announced to the employees. Face to face trainings and electronic trainings were organized with the purpose of transforming the Company principles which aim to protect the rights of all internal and external stakeholders into a common corporate culture. All processes of the company and main affiliates were reviewed to create risk maps and existing control environment was strengthened.

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

TAV Airports ("the Company") makes every effort to comply with the Capital Markets Board's ("CMB") Corporate Governance Principles and all regulations. The Company has embraced the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by CMB. We continuously develop structures and principles that suit our Company in order to provide the best services for the benefit of all relevant groups such as; our Company's shareholders, stakeholders (employees, passengers, suppliers etc.) and board of directors.

The "Corporate Governance Principles" as stipulated by the Capital Markets Board are also embraced by the Company and these universal principles are fully implemented by TAV Airports.

The "Periodic Revision Corporate Governance Rating Report" issued by SAHA Corporate Governance and Credit Rating Services, a corporate governance rating agency that is also licensed to conduct corporate governance rating activities in Turkey, has been completed. TAV Airports' Corporate Governance Rating was revised to 96.67 in August 16, 2019, up from its prior rating of 96.25 as of August 17, 2018. This upward revision resulted from the Company's strong focus on making continuous improvement to its corporate governance practices. Distribution of corporate governance rating with respect to the sub-categories are as follows.

SUB-CATEGORIES	WEIGHT	SCORE
Shareholders	0.25	95.79
Public Disclosures and Transparency	0.25	98.65
Stakeholders	0.15	98.82
Board of Directors	0.35	94.98
TOTAL	**1.00**	**96.67**

The Corporate Governance Rating Report can be accessed at the TAV Investor Relations website at www.tavyatirimciiliskileri.com.

Reasons for the Corporate Governance Principles not Implemented

TAV Airports' Corporate Governance Committee continues to carry out initiatives to improve the Company's corporate governance practices. The Company has not yet achieved full compliance with the principles due to various reasons. These include the difficulties encountered in the implementation of some of the principles; ongoing debate on compliance with certain principles, both in Turkey and in the international arena; and the imperfect fit of some of the principles with the Company's existing structure. Compliance was achieved with all compulsory principles as per the CMB Corporate Governance Communiqué while non-compulsory principles that are not implemented completely are listed below. There is no conflict of interest in our Company due to not complying with these non-obligatory principles.

Although there is no provision in the Articles of Association, General Assembly meetings are held in Istanbul at the Company Headquarters, as stipulated in the General Assembly Internal Directive, open to the public including stakeholders and media. Pursuant to the new Turkish Commercial Code, the Ordinary General Assembly Meeting of Shareholders that has been held since 2013 was accommodative of electronic voting.

In the Articles of Association, minority rights are not granted to those who are in possession of less than one twentieth of the capital, and in parallel to the general practices in the country, rights were granted to the minority within the general legislative framework.

While not stipulated in the Articles of Association, the Chair of the Board of Directors has never been the same person as its Chief Executive Officer since the day the Company was established. No one in the Company is endowed with unilateral, unlimited decision-making authority. Several members of the Board of Directors were assigned to multiple committees. This is due to compliance with various legal and regulatory obligations, such as the Company's shareholding structure and the requirement for committee chairs to be selected from among independent Board members pursuant to the Capital Markets Board's Corporate Governance communiqué, as well as the requirement to create four committees.

As per Article No. 4.6.5 of the "Corporate Governance Principles," salaries paid, and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. However, the disclosure is not made on an individual basis; it only provides a distinction between the Board of Directors and senior executives. Having been put into writing, the remuneration policy was presented to the shareholders as part of a separate agenda item, and stakeholders were requested to deliver opinions about the policy in the meeting.

Chair of the Corporate Governance Committee

Ebru Yonca Capa

Corporate Governance Committee Members

Fernando Echegaray
Franck Mereyde
Filiz Demiroz
Besim Meric

Compliance Report Format and Corporate Governance Information Filings can be found under our Company's Corporate Governance section of Public Disclosure Platform.

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
Corporate Governance Compliance Report						
1.1. Facilitating the Exercise of Shareholder Rights						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. Right to Obtain and Review Information						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					

Corporate Governance Principles Compliance Report

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
1.3. General Assembly						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	X					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. Voting Rights						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
1.5. Minority Rights						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The Company's Articles of Association contain a provision which stipulates that minority rights can be exercised by shareholders holding at least 5% of the share capital.
1.6. Dividend Right						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. Transfer of Shares						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. Corporate Website						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					

Corporate Governance Principles Compliance Report

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. Annual Report						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. Corporation's Policy on Stakeholders						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. Human Resources Policy						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4-Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					

Corporate Governance Principles Compliance Report

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.					X	Since the employees of the TAV Group companies are not unionized the matter of resorting to the opinion of the trade unions in decisions about the employees and collective bargaining agreements stipulated in the human resources policy is not applicable.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.4. Relations with Customers and Suppliers						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. Ethical Rules and Social Responsibility						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. Role of the Board of Directors						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

Corporate Governance Principles Compliance Report

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.2. Activities of the Board Of Directors						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.3. Structure of the Board of Directors						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. Board Meeting Procedures						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					

Corporate Governance Principles Compliance Report

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	X					
4.5. Board Committees						
4.5.5-Board members serve in only one of the Board's committees.			X			Board Members serve on multiple committees due to the Company's ownership structure and due to the existence of four different committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	The Board Committees did not receive consultancy services.
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					

	COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.6. Financial Rights						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			X			Salaries paid and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public via the annual report. The disclosure is not made on an individual basis; it encompasses the Board of Directors and senior executives.

Corporate Governance Principles Compliance Report

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/ etc.) organized by the company during the year	TAV Airports participated in 5 conferences and roadshows and met with 190 investors at TAV headquarters, conferences and roadshows
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/740209
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Turkish and English
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	-
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	-
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	-
The name of the section on the corporate website that demonstrates the donation policy of the company	ir.tav.aero/Corporate Governance/Our Company's Policies
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/en/Bildirim/748268
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	27.1
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was held open to the public, including stakeholders and the media.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	There are no privileged shares of TAV Airports Holding.
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	46.1%

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	In the Articles of Association, minority rights are not granted to those who are in possession of less than five percent of the paid-in capital, and in parallel to the general practices in the country, rights were granted to the minority within the general legislative framework.
If yes, specify the relevant provision of the articles of association	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	ir.tav.aero/Corporate Governance/Our Company's Policies
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

General Meeting Date		18.03.2019
General Shareholders' Meeting	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
	Shareholder participation rate to the General Shareholders' Meeting	85%
	Percentage of shares directly present at the GSM	0,00010%
	Percentage of shares represented by proxy	99,9990%
	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	ir.tav.aero/Corporate Governance/ General Assembly Memorandum
	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	ir.tav.aero/Corporate Governance/ General Assembly Memorandum
	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	Article 2
	The number of declarations by insiders received by the board of directors	45
	The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/748268

Corporate Governance Principles Compliance Report

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	ir.tav.aero
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	ir.tav.aero/About TAV/Shareholder Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors / Statement of Independence
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Operating Principles of the Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Board of Directors
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Annual Report/Other disclosures section
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report/Other disclosures section
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	-
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Annual Report/Other disclosures section
h) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Sustainability

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	ir.tav.aero/Corporate Governance/Our Company's Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	0
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit, Risk and Compliance Vice President
The contact detail of the company alert mechanism.	ethic.compliance.international@adp.fr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	ir.tav.aero/Corporate Governance/Our Company's Policy
Corporate bodies where employees are actually represented	Occupational Health and Safety Committee
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Succession plan is determined in our Shareholders' Agreement.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	www.tavhavalimanlari.com.tr /Human Resources
Whether the company provides an employee stock ownership program	The Company does not have an employee stock ownership program.
The number of definitive convictions the company is subject to in relation to health and safety measures	0

Corporate Governance Principles Compliance Report

3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	www.tavhavalimanlari.com.tr /Human Resources
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	www.tavhavalimanlari.com.tr /Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	ir.tav.aero/Corporate Governance/Our Company's Policy/ Anti Bribery and Fraud Policy
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	Latest board evaluation was conducted in February 2020.
Whether the board evaluation was externally facilitated	Board evaluation was not made externally.
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Edward Arkwright, President; Fernando Echegaray, Vice President; Ali Haydar Kurtdarcan, Vice President; Mustafa Sani Sener, Board Member and CEO
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Risk Management, Internal Audit and Compliance

Name of the Chairman	Edward Arkwright
Name of the CEO	Mustafa Sani Sener
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	https://www.kap.org.tr/en/Bildirim/787346
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	ir.tav.aero/Corporate Governance/Our Company's Policy
The number and ratio of woman directors within the Board of Directors	There are three woman directors and the ratio is 27%.

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director or not	Whether Independent Director or not	The First Election Date to Board	Link to PDP Notification that Includes the Independency Declaration	Whether the Independent Director is Considered by the Nomination Committee	Whether She/He is a Director who Ceased to Satisfy the Independence or Not	Whether the Director has at Least 5 Years of Experience on Audit, Accounting and/or Finance or not
Edward Arkwright	-	Not Independent	26.08.2013				At Least 5 Years of Experience
Fernando Echegaray	-	Not Independent	07.07.2017				
Ali Haydar Kurtdarcan	-	Not Independent	27.01.2000				
Mustafa Sani Sener	CEO	Not Independent	07.11.1997				
Philippe Pascal	-	Not Independent	07.07.2017				At Least 5 Years of Experience
Franck Mereyde	Deputy CEO	Not Independent	07.07.2017				
Jerome Calvet	-	Not Independent	11.05.2012			Mr. Calvet was an Independent Board Member between 2012 and 2017.	At Least 5 Years of Experience
Aylin Selen	-	Independent	26.03.2018		Considered		
Ebru Yonca Capa	-	Independent	26.03.2018		Considered		
Filiz Demiroz	-	Independent	26.03.2018		Considered		At Least 5 Years of Experience
Jean-Michel Vernhes	-	Independent	26.03.2018		Considered		

Corporate Governance Principles Compliance Report

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	95%
Whether the board uses an electronic portal to support its work or not	Webcast/video
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	At least 7 days before the Meeting
The name of the section on the corporate website that demonstrates information about the board charter	ir.tav.aero/Corporate Governance/Articles of Association/ Board of Directors Meeting
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The upper limit which is stipulated in section of Article 4.3.6 of the CMB Corporate Governance Principles is adopted.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	Operating Principles of the Committees
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/742014

Composition of Board Committees-I			
Names of the Board Committees	**Names of the Committee Members**	**Chair or not**	**Whether Board Member or not**
Audit Committee			
	Filiz Demiroz	Yes	Board Member
	Aylin Selen	No	Board Member
Corporate Governance Committee			
	Ebru Yonca Capa	Yes	Board Member
	Fernando Echegaray	No	Board Member
	Filiz Demiroz	No	Board Member
	Franck Mereyde	No	Board Member
	Besim Meric	No	Not Board Member
Nomination Committee			
	Aylin Selen	Yes	Board Member
	Ebru Yonca Capa	No	Board Member
	Edward Arkwright	No	Board Member
	Philippe Pascal	No	Board Member
Risk Assessment Committee			
	Jean-Michel Vernhes	Yes	Board Member
	Ali Haydar Kurtdarcan	No	Board Member
	Aylin Selen	No	Board Member
	Jerome Calvet	No	Board Member
	Philippe Pascal	No	Board Member

Corporate Governance Principles Compliance Report

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report, Operating Principles of the Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report, Operating Principles of the Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report, Operating Principles of the Committees
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report, Operating Principles of the Committees
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/ website)	The Company has not established a Remuneration (Compensation) Committee. The duties of Remuneration Committee are executed by the Corporate Governance Committee.

4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report, Developments in 2019
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	ir.tav.aero/Corporate Governance/Our Company's Policy/ Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report, Financial Benefits Provided to the Members of the Board of Directors and Senior Management

Composition of Board Committees-II				
Names of the Board Committees	The Percentage of Non-Executive Board Members	The Percentage of Independent Members in the Committee	The Number of Meetings Held in Person	The Number of Reports on Its Activities Submitted to the Board
Audit Committee	100%	100%	4	4
Corporate Governance Committee	80%	40%	5	5
Nomination Committee	100%	50%	3	3
Risk Assessment Committee	100%	40%	6	6

Operating Principles of the Committees

Committees Formed under the Board of Directors

In accordance with the provisions of the Capital Markets Board's Communiqué on the Determination and Implementation of Corporate Governance Principles, the Company's Board of Directors reviewed the structure and activities of the existing committees and resolved to constitute them as follows:

AUDIT COMMITTEE

Chair of the Audit Committee

Filiz Demiroz

Audit Committee Member

Aylin Selen

CORPORATE GOVERNANCE COMMITTEE

Chair of the Corporate Governance Committee

Ebru Yonca Capa

Corporate Governance Committee Members

Fernando Echegaray
Filiz Demiroz
Franck Mereyde
Besim Meric

NOMINATION COMMITTEE

Chair of the Nomination Committee

Aylin Selen

Nomination Committee Members

Ebru Yonca Capa
Edward Arkwright
Philippe Pascal

RISK ASSESSMENT COMMITTEE

Chair of the Risk Assessment Committee

Jean-Michel Vernhes

Risk Assessment Committee Members

Ali Haydar Kurtdarcan
Aylin Selen
Jerome Calvet
Philippe Pascal

Board of Directors' Assessment for the Committees

The committees shall meet prior to each meeting of the Board of Directors whose agenda incorporates a decision concerning matters that are of relevance to them. The committees shall meet at least one day prior to the meeting of the Board of Directors, barring an urgency or material impediment. The chair of each committee, or, in case the chair is unavailable, one of the committee members who is designated for that purpose, shall report on the committee's work to the meeting of the Board of Directors that is held following the committee's meeting; the reporting shall comprise a summary of the committee's proceedings and transactions.

The Audit Committee, which is responsible for taking any and all necessary measures to ensure that all internal and independent audits are carried out adequately and transparently. The Audit Committee convened at least four times during the year, at least once every three months, and reported its resolutions to the Board of Directors while recording the resolutions in the minutes book.

Audit Committee

The Committee assists the Board of Directors in assessing the accuracy and integrity of the Company's standalone and consolidated accounts. In addition, the Committee advises the Board of Directors with respect to the reliability and quality of the information obtained. Executing its duties under the mandate of the Board of Directors, the Audit Committee does not have the authority to make decisions on its own.

i. Accounts:

- Evaluated the validity and consistency of the accounting methods used to prepare the accounts, with a special emphasis on the scope and methods of consolidation;
- Ensured that the extraordinary operations or business activities that have a material impact on the Group are implemented in accordance with the accounts;
- Reviewed the standalone and consolidated accounts along with the notes to the accounts and management reports while creating the semi-annual and annual accounts prior to their submission to the Board of Directors;
- Assessed the financial standing of subsidiaries and affiliates once a year.

ii. Control, Internal Audit, Independent Audit Company:

- Verified the implementation of all mandatory internal procedures to collect and inspect information in order to ensure integrity;
- Reviewed the Audit Department's work plan and its results and recommendations as well as the actions and outcomes that resulted from these efforts;
- Supervised the effectiveness of internal control systems;
- Made recommendations to the Board of Directors related to the selection of the Independent Audit Company that will be systematically invited to participate in the tender as well as on its compensation. To this end, the Board of Directors has overseen the offer and selection process of the Independent Audit company (pursuant to the applicable provisions of the related legislation) and ensured that the best offer for the Independent Auditor role was submitted for the approval of the General Assembly in circumstances where such approval is required by the relevant regulation;
- Verified the quality and independence of the work performed by the Independent Audit Company, including the annual review of the tasks performed, along with the certification of the balance sheet;
- Reviewed the work plan of the Independent Audit Company as well as the findings and recommendations;
- Set forth the methods and criteria to be used in examining and resolving the complaints communicated to the Company relating to the Company's accounting and internal control system and its independent audit; and in evaluating the information submitted by the Company's employees pertaining to the Company's accounting and independent audit adhering to the principle of confidentiality;
- The Audit Committee reported in writing its assessments on the integrity, accuracy and compliance with the accounting principles of the Company's publicly disclosed annual and quarterly financial statements to the Board of Directors along with its own recommendations after soliciting the opinions of the Company's relevant executives and the independent auditors.

Operating Principles of the Committees

iii. Financial Policy:

- Analyzed the budgets of the Company and the Group;
- Reviewed the financial, accounting and overall tax policy of the Company and the Group as well as its implementation; particularly with respect to the Committee's debt management policy (targets, risk scope, financial instruments) for the Company and the Group;
- Reviewed and analyzed all information gathered within the Company including forecasts.

The Audit Committee may also undertake; i) other issues which will be assigned by the Board of Directors; ii) issues which are subject to mandatory provisions of the relevant legislation and which the Board of Directors will require the Committee to undertake.

Corporate Governance Committee

The Corporate Governance Committee convened five times during 2019.

- Identified whether corporate governance principles are implemented;
- Identified the root causes for any non-compliance and the conflicts of interest arising from such non-compliance;
- Made recommendations to the Board of Directors to improve corporate governance practices;
- Oversaw the activities of the Investor Relations Department;
- Made recommendations pursuant to the related laws, rules and regulations in Turkey, as well as corporate governance principles regarding general compensation of the Company's senior management and the scope of, and changes to, incentive packages, or alternative forms of remuneration where applicable;
- Set forth and oversaw the approach, principles and practices pertaining to the performance evaluation and career planning of the members of the Board of Directors and the Company's executives;
- Recommended rules for the determination of the fixed and variable elements as well as the level of the compensation of the Company's senior management, oversaw the implementation of these rules, and ensured that the rules are consistent with the Company's annual performance assessment;
- Developed a proposal, to be submitted for the approval of the shareholders at the General Assembly meeting, for the rules governing the overall level of compensation to be awarded to the members of the Board of Directors by also taking into consideration the Board members' individual attendance records at Board of Directors Meetings, their committee participation, and the duties and responsibilities they assumed. The Corporate Governance Committee also recommended to the Board of Directors a policy for the reimbursement of the expenses incurred by the members of the Board of Directors while carrying out their duties;
- Approved the information related to the compensation of the members of the Board of Directors that was disclosed to the shareholders and to the public at large;
- Oversaw compliance with Company regulations and policies that were designed to prevent the misuse of the Company's trade secrets and conflicts of interest among the Board of Directors, executives and other employees.

Nomination Committee

Nomination Committee convened three times during 2019.

- Identified suitable candidates for open positions on the Board of Directors and the management team;
- Undertook efforts to create a transparent system to identify suitable candidates for open positions on the Board of Directors and the management team;
- Assessed and trained the suitable candidates for open positions on the Board of Directors and the management team;
- Developed policies and strategies to identify suitable candidates for open positions on the Board of Directors and the management team;
- Effected the written declaration of candidates for Independent Board Membership stating that, as of the date of their nomination to the Committee, they meet the independence criteria stipulated in the relevant regulation and in the Company's Articles of Association;
- Performed regular evaluations on the composition and effectiveness of the Board of Directors and reported recommendations for potential changes to the Board of Directors membership;
- Assessed whether the nominees for Independent Board Member positions, including the management and shareholders, met the independence criteria at the election process of independent members of the Board of Directors and submitted conclusions to the Board of Directors for approval;
- Oversaw the public disclosure of the final list of nominees for Independent Board Member positions at the same time as the announcement for the General Assembly meeting.

Risk Assessment Committee

The Risk Assessment Committee convenes to enable reporting to the Board of Directors every two months, while considering the Company's risk conditions.

- Ensured that initiatives were carried out for advance identification and management of all risks that could endanger the existence, development and continuity of TAV Airports and Group companies and for the implementation of necessary measures to mitigate the risks identified;
- Oversaw the functioning of Enterprise Risk Management (ERM) and made recommendations for its improvement;
- Supported the Board of Directors in identifying the opportunities that can enhance the profitability and the effectiveness of the operations of the Company, overseeing the undertaking of necessary actions to take advantage of these opportunities and sharing these with the Board of Directors in a timely manner, evaluating major investment and sale/divestiture decisions, and setting the proper strategy for the Company by prudently assessing potential risks and opportunities;
- Carried out other tasks that the Committee is responsible for pursuant to applicable laws, rules and regulations and reviewed risk management systems at least once a year.

Ordinary General Assembly Meetings

TAV AIRPORTS HOLDING GENERAL ASSEMBLY AGENDA

The 2019 Ordinary General Shareholders' Meeting of our Company will be held to discuss and settle the following agenda on March 23, 2020, Monday at 10:00 a.m.:

1. Opening and forming of the Presidential Board and to authorize the Presidential Board to sign the meeting minutes and its annexes,
2. Review, discussion and approval of the Annual Report of the Board of Directors of the year 2019,
3. Review, discussion and approval of the summary statement of the Independent Audit Report of the fiscal year 2019,
4. Review, discussion and approval of the year-end Financial Statements for the fiscal year 2019,
5. Releasing severally the Members of the Board from their activities for the year 2019,
6. Accepting, accepting by amendment or declining the proposition of distribution of the dividend of 2019 and the date of dividend distribution,
7. Determining the rights of the members of the Board of Directors regarding the wages and attendance fee, and rights such as bonus, premium,
8. Submitting the updated Remuneration Policy written as per the Capital Markets Board regulations for the approval of the General Assembly,
9. Approval of the General Assembly the change of the Board membership executed in accordance with the Article 363 of the Turkish Commercial Code,
10. Approval of the nomination of the Independent Audit Company conducted by the Board of Directors pursuant to the Turkish Commercial Code and the regulations of the Capital Markets Board,
11. Submitting the updated Donation and Aid Policy for the approval of the General Assembly, Informing the General Assembly on the donations and aids which were provided by the Company in 2019 and determining the upper limit of donation to be made in the year 2020,
12. Giving information to the General Assembly regarding the transactions of the "Related Parties" as per third section of Corporate Governance Communique (II-17.1) of the Capital Markets Board,
13. Giving information to the General Assembly regarding pledges, collaterals, and mortgages to the shareholders as per fourth section of Corporate Governance Communique (II-17.1) of the Capital Markets Board,
14. Granting authorization to the Chairman and the Members of the Board on the fulfillment of the written transactions pursuant to Article 395 and 396 of the Turkish Commercial Code,
15. Wishes and requests,
16. Closing.

Minutes of the 2018 General Assembly Meeting of TAV Havalimanlari Holding Anonim Sirketi

The Ordinary General Assembly Meeting of TAV Havalimanlari Holding Anonim Sirketi regarding the year 2018 was held on March 18, 2019 at 11.00 at the TAV Academy Meeting Room (A) in the Company Headquarters, which is located at the address of Ataturk Havalimani Dis Hatlar Terminali – A Kapisi VIP Yani Yesilkoy Istanbul. The meeting was held under the supervision of the Ministry representatives Ms. Nevin OKTAY and Mr. Guner KAKI who were appointed with the letter dated March 15, 42628183 (No. 42628183) of the Governorship of Istanbul Provincial Directorate of Commerce.

The invitation for the meeting was published within the stipulated time limit – in the appropriate format that covered the agenda and that complied with the law and the articles of association – on page 750 of the Turkish Trade Registry Gazette dated February 22, 2019 (Edition No. 9773), and on daily Dunya newspaper, the Company website and the Electronic General Assembly System.

The List of Attendees was examined, and it was seen that 307,633,044 out of 363,281,250 shares equivalent to the company's total capital of TL 363,281,250 were represented at the meeting (with 300 shares acting as principal and 307,632,744 as agent), and that the minimum meeting quorum stipulated in the law and the articles of association was present. It was seen that the Executive Member of the Board of Directors of the Company Mr. Mustafa Sani Sener, the Member of the Board of Directors Mr. Franck Mereyde, and Ms. Seda Akkus Tecer on behalf of the Independent Audit Company were present at the meeting, and the agenda was opened after the meeting was launched physically and electronically (simultaneously) by the Executive Member of the Board of Directors Mr. Mustafa Sani Sener.

1. As per the first agenda item, the issue of electing Mr. Mehmet Erdogan as the Chair of the Meeting Council, Mr. Besim Meric as the Vote Collector and Mr. Nihat Kamil Akkaya as the Scribe and, the issue of authorizing the Meeting Council to sign the General Assembly Minutes and, the issue about making the voting both physically and electronically (on the electronic environment), were voted and approved by majority - by 307,604,447 affirmative votes vs 28.597 negative votes.

2. As per the second agenda item, the proposal for the Company's Board of Directors Annual Report regarding 2018 to be deemed as read was submitted to the vote of the assembly, discussed and approved by majority, with 307,080,333 affirmative votes vs 552,711 negative votes. The Board of Directors' 2018 Annual Report was approved by majority, with 307,080,333 affirmative votes vs 552,711 negative votes.

3. As per the third agenda item, the proposal for the Audit Report given by the Independent Audit Company regarding the year 2018 to be deemed as read was submitted to the vote of the assembly, discussed and approved -by majority - by 307,080,333 affirmative votes vs 552,711 negative votes. The summary of the Independent Audit Report was read and discussed, and the Independent Audit Report for 2018 was approved – by majority - by 307,080,333 affirmative votes vs 552,711 negative votes.

4. As per the fourth agenda item, the proposal for the Financial Statements of the Company regarding the accounting period of 2018 to be deemed as read was submitted to the vote of the assembly, discussed and approved by 307,080,333 affirmative votes vs 552,711 negative votes. The Financial Statements of the Company regarding the accounting period of 2018 were approved - by majority - with 307,080,333 affirmative votes vs 552,711 negative votes.

Ordinary General Assembly Meetings

5. As per the fifth agenda item, the acquittance of the Members of the Board of Directors (who held office in 2018) regarding their activities in 2018 was submitted to the vote of the assembly and decision was taken - by majority - with 307,055,884 affirmative votes versus 577,160 negative votes.

Members of the Board of Directors did not cast votes for their acquaintances.

6. As per the sixth agenda item,

    1. As a result of Company's operations carried out by our Company between January 1, 2018 and December 31, 2018; the profit calculated in the independently audited consolidated financial statements that were prepared in accordance with the provisions of the Capital Markets Board "Communiqué on the Principles Regarding Financial Reporting in Capital Markets" No. 14.1, Series: II is TL 1,454,747,000, while the profit calculated within the framework of the provisions of the Turkish Code of Commerce and Tax Procedure Law is TL 916,472,324;

    2. As per the Capital Markets Board Communiqué on Dividends (II-19.1), TL 1,454,747,000 of the profit after tax calculated in the Consolidated financial statements is subject to profit distribution;

    3. Within the framework of the 519th Article of the Turkish Code of Commerce it is obligatory to allocate primary legal reserve funds up to 20% of the paid in capital. Accordingly; primary legal reserve funds were not allocated due to reaching to 20% of paid in capital for 2016,

    4. In the consolidated financial statements; TL 1,455,413,106 was calculated as the first dividend distributable profit;

    5. TL 757,586,844, in accordance with the Capital Markets Board's Communiqué Series: II No: 19.1, shall be distributed as the first cash dividend;

    a) The amount of TL 757,586,844, which is to be distributed as total cash, shall be distributed totally from the period's net profit,

    b) In that respect, it was decided to pay our shareholders a total gross amount of TL 757,586,844 in cash with TL 2.0854003 (208.54003%) gross value per share of TL 1 nominal value,

    6. As per the Capital Markets Legislation and Turkish Code of Commerce, it was decided to allocate the remaining amount (after the deducting the profit that will be distributed) as extraordinary reserves.

    7. As per the aforementioned items, it was decided to start profit distribution as of March 20, 2019

7. As per the seventh agenda item, issues about remuneration, honorarium, premiums, and bonuses of the Members of the Board of Directors were discussed. It was unanimously decided to pay net USD 60.000 per annum to each Independent Member of the Board of Directors with foreign nationalities and TL 300,000 per annum to each Independent Member of the Board of Directors with Turkish nationality in line with the Corporate Governance Principles of the Capital Market Board for honorarium. Moreover, members of the Board of Directors who are not paid fees or honorariums from TAV Airports or TAV Holding's shareholders or holding companies of the shareholders or partnership/subsidiaries of the shareholders were unanimously decided to be paid fees and honorariums.

8. Pursuant to the eighth agenda item, the proposal for the Remuneration Policy to be deemed as read was submitted to the vote of the assembly, discussed and approved by a majority, with 305,991,881 affirmative votes versus 1,641,163 negative votes. In accordance with the Capital Markets Board regulations, the Company's updated "Remuneration Policy" was submitted to the vote and approved by majority with 305,991,881 affirmative votes versus 1,641,163 negative votes.

9. As per the ninth item on the agenda, the issue was discussed about the new Member of the Board of Directors, appointed for the vacant position of the resigning Member of the Board of Directors. As per Article No. 363 of the Turkish of Code of Commerce, a decision was taken by majority with 298,200,539 affirmative votes against 9,432,505 negative votes, for approving to appoint Jerome Paul Jacques Marie Calvet – nationality: French, tax ID: 1960740928 – elected with our Company's Board of Directors' Decision No. 2018/26 taken on April 4, 2018 for the vacant position of the resigning Member of the Board of Directors; Antonin Gaetan Pacome Benoit Florent Beurrier.

10. As per the tenth agenda item, it was decided to appoint Guney Bagimsiz Denetim and Serbest Muhasebeci Mali Musavirlik Anonim Sirketi registered at Istanbul Trade Registry Office with Registry No. 479920 for one year as an Independent Audit Company to audit the financial reports of the 2019 accounting period in accordance with the Turkish Code of Commerce and Capital Markets Board regulations and to carry out other tasks within the scope of the relevant regulations in these laws. The decision was approved by majority votes of the 299,880,494 affirmative votes against 7,752,550 negative votes.

11. As per the eleventh agenda item; TL 666,106 of aid and donation was made by our Company in 2018 while the General Assembly was informed about this issue. The upper limit for total donations to be made in 2019 was approved to be set at TL 3 million by majority - by 307,588,779 affirmative votes vs 44,265 negative votes.

12. As per the twelfth item on the agenda, General Assembly was informed regarding the transactions of the "Related Parties" as per the third section of Corporate Governance Communique (II-17.1) of the Capital Markets Board.

13. As per the thirteenth agenda item, General Assembly was informed regarding pledges, collaterals, and mortgages to the shareholders as per the fourth section of Corporate Governance Communique (II-17.1) of the Capital Markets Board.

14. As per the fourteenth agenda item, it was decided by majority of the attendees with 285,970,362 affirmative votes versus 21,662,682 negative votes to authorize the Chair and the Members of the Board of Directors to exercise the transactions specified in the 395th and 396th Articles of the Turkish Code of Commerce.

15. As per the fifteenth agenda item, wishes & requests were listened to at this part of the meeting. Wishes and requests were listened to.

16. Lastly, the meeting was finalized and the minutes to the meeting (composed of four copies) and the List of Attendees, were issued and signed by the Meeting Council and Ministry Representatives.

Chair of the Meeting	Scribe of the Minutes	Vote Collector
Mehmet ERDOGAN	Nihat Kamil AKKAYA	Besim MERIC

Ministry Representative	Ministry Representative
Guner KAKI	Nevin OKTAY

Board of Directors

Structure of Board of Directors Meetings

The Board of Directors is obliged to convene at least 6 times a year. A total of 6 (six) Board of Directors' meetings were held in 2019. The average attendance rate of members of the Board of Directors to the meetings is 95%. The Chair of the Board of Directors sets the agenda of the Board meetings in consultation with other Board members and the Chief Executive Officer. Members make every effort to attend every meeting and voice their opinions at the meetings. The Company also facilitates Board of Directors meetings to be held in an electronic environment.

Edward Arkwright
Chair

Fernando Echegaray
Deputy Chair

Ali Haydar Kurtdarcan
Deputy Chair

Mustafa Sani Sener
Board Member and President & CEO

Franck Mereyde
Board Member & Deputy CEO

Philippe Pascal
Board Member

Jerome Calvet
Board Member

Aylin Selen
Board Member (Independent)

Ebru Yonca Capa
Board Member (Independent)

Filiz Demiroz
Board Member (Independent)

Jean-Michel Vernhes
Board Member (Independent)

Edward Arkwright
Chair

Edward Arkwright was born on April 26, 1974, is a graduate of the IEP in Paris and studied at the ESSEC Business School. Arkwright also holds a Master's of Advanced Studies in Modern History. In 1997, he became a civil servant appointed to the Senate, in the legislation department (1997-1999) and in the Finance Committee (1999-2002). From 2002 to 2007, Mr. Arkwright held several positions as Advisor to the Minister of Budget and the Minister of Finance in charge of the implementation of budgetary reform, State Reform and Public Finance. In 2007, he served as principal private Secretary to the General Director of the Caisse des Dépôts Group and Member of the Executive Committee. In 2010, Mr. Arkwright became Strategy Director for the Caisse des Dépôts Group. From 2007 to 2012, he was Member of the Board of companies of the Caisse des Dépôts Group, in real estate (as Icade, a listed company), tourism and services for local government (chairman of SCET, a company dedicated to advisory for local government). When he joined Aéroports de Paris in December 2012, his first appointment was as Special Advisor to the Chairman & CEO of Aéroports de Paris, and Member of Executive Committee. On September 1, 2013, Edward Arkwright was appointed Chief Financial Officer, in charge of Finance, Strategy, Legal Department, Accountability and Purchasing. Since May 2016, Edward Arkwright has served as Deputy CEO. He is also Chairman of Hub One, the IT company of ADP Group; Chair of the Board of Directors of TAV Airports; Chair of the Board of Directors of ADP International; and Member of the Supervisory Board of Royal Schiphol Group. Mr. Arkwright also serves as a Member of the Board of Trustees of ESSEC Business School as well as the President of the Board of Directors of Cercle de l'Harmonie Orchestra.

Ali Haydar Kurtdarcan
Deputy Chair

Kurtdarcan graduated from Middle East Technical University (ODTU), Department of Civil Engineering in 1973. After performing freelance engineering activities until 1987, he has served in different managerial positions for Bilkent Holding companies. He was the Chairman of IDO Board of Directors between 2011 and 2013. Kurtdarcan has been serving as the CEO of Bilkent Holding since 2016.

Fernando Echegaray
Deputy Chair

Fernando Echegaray was born in Spain. He holds an industrial engineering degree from the Universitat Politècnica de Catalunya (Polytechnic University of Catalonia) and a computer engineering degree from the Universitat de les Illes Balears (University of the Balearic Islands). He also obtained a degree in Business Management and Administration from IESE Business School and has held several management positions within the Spanish airport operator AENA. From 2000 to 1999, Echegaray served as the Deputy Director of Palma de Mallorca Airport. In 2000, he became the Director of Operations at Grupo Aeroportuario del Pacifico (GAP) in Mexico. From 2003 to 2004, Echegaray was the CEO at Tenerife South Airport, and from 2004 to 2006, he served as the CEO of Canary Islands Airports. Echegaray was the CEO at Barcelona-El Prat Airport from 2006 to 2012. Between 2012 and 2017, he was the Airport Network Director of Aena in charge of 46 airports in Spain. He was appointed Director of International Operations at ADP as of July 1, 2017. Echegaray has been serving as a Member of the Executive Committee and International Investments Director since May 1, 2018.

Board of Directors

Mustafa Sani Sener
Board Member and President & CEO

Mustafa Sani Sener was appointed member of Board of Directors, President and CEO of TAV Airports in 1997.

Starting its journey by serving 10 million passengers in 2000, TAV Airports maintained its financial and operational growth with the guidance of Mr. Sani Sener and reached 152 million passengers in 2018. Operating 14 airports in seven countries, TAV Airports provides service at 100 airports in 30 countries through its service companies established during the growth.

After graduating from Karadeniz Technical University (KTU) Department of Mechanical Engineering in 1977, Sener earned his Master's degree (M. Phil) in fluid mechanics in 1979 from University of Sussex in the UK. He has been awarded an Honorary Doctorate in engineering from KTU for "his invaluable contributions to the development of Turkish engineering at the international level," as well as an Honorary Doctorate in Business Administration from the New Hampshire University "for his accomplishments in project and risk management throughout his tenure at TAV."

Prior to his career at TAV Airports Holding, Mr. Sener served in various positions, from Project Manager to General Manager, in many national and international projects and he attended the executive education program on the Management of Complex Systems at the Massachusetts Institute of Technology (MIT). Sener is also a member of the Board of Directors of the Airports Council International (ACI World) and was elected the President of Foreign Economic Relations Board's Turkish-French Business Council in 2012. In 2016, Sener was awarded the Legion d'honneur by the President of the Republic of France Francois Hollande, due to his contributions to the relations between Turkey and France. During the same year, Sener was also given the High Honour of Service by the Georgian state. In 2019, he was honored with Medal of Merit by the Government of the Republic of Macedonia. He gave a lecture in Harvard Business School (HBS) MBA Program on the Case Study of TAV Airports' "business model."

In the voting carried out by Thomson Extel among national and international finance corporations, he was chosen first in the category of "The Best CEO" in Turkey in 2010, 2011, 2014, 2015 and 2016, and third in the European Transport Sector in 2014.

Franck Mereyde
Board Member & Deputy CEO

Franck Mereyde was born on April 6, 1972. He is a Civil Engineer and the holder of a postgraduate degree in Geophysics and Space Techniques. Mr. Mereyde commenced his professional career with Environment Canada and then Météo France. In 2002, he joined the Office of the Minister for Infrastructure as Technical Advisor in the Research and Intermodal Transportation Department, then as Advisor for the Budget, Financial Affairs and Civil Aviation departments. In 2005, Mr. Mereyde started work at ADP as Deputy Director of Operations at Paris-Charles de Gaulle Airport and was subsequently promoted to Director of Operations. He also served as the head of ADP's cargo division. In 2007, Mr. Mereyde was appointed Director of Terminals 2A, 2B, 2C and 2D at Paris-Charles de Gaulle Airport and, in January 2010, Director of Terminals 2E, 2F and 2G, as well as of the TGV/RER connection at Paris-Charles de Gaulle Airport with high-speed rail. On March 1, 2011, he was appointed Director of Paris-Orly Airport. Mereyde also served as a Member of the Board of Directors at Aéroports de Paris Management and at Hub Safe.

Philippe Pascal
Board Member

Philippe Pascal was born on November 27, 1971. He is an alumnus of the Ecole Nationale des Impôts and holds a Master's degree in Public Law. Pascal held several positions at the Directorate of Tax Administration between 1998 and 2007 in real estate taxation, agricultural tax and the taxation of individuals. In 2007, he joined the Office of the Minister of State in charge of the budget, public accounts and public service and was appointed Financial Auditor (Inspecteur des Finances) in April 2008. From 2008 to 2013, Mr. Pascal headed several departments in audit, evaluation and consulting within the Inspection Généraledes Finances (Finance Ministry Audit Division). Joining Groupe ADP in February 2013 as Director of Financial Operations and Shareholdings. Mr. Pascal was then appointed Director of Finance and Strategy, and subsequently, in November 2015, as Director of Finance, Control and Strategy. Acting as Strategy, Finance and Administrative Affairs Director (CFO) since May 2016, Mr. Pascal is a Member the Board of Média Aéroports de Paris within Groupe ADP and at Cœur d'Orly Commerces Investissement and Cœur d'Orly Investissement.

Jerome Calvet
Board Member

Mr. Calvet joined Nomura in January 2009, after 5 years with Lehman Brothers as Head of French Investment Banking. Mr. Calvet has over 12 years of experience in Investment Banking as he was previously Head of European M&A after having been Head of French Corporate Finance at Société Générale. He held previously various positions at the French Ministry of Economy and Finance, including Deputy Head of the Minister's office. He graduated from Institut d'Etudes Politiques (Paris) and Ecole Nationale d'Administration (Class of 1983). He has a law degree.

Board of Directors

Aylin Selen
Board Member (Independent)

Aylin Selen graduated from Middle East Technical University (ODTU) Department of Civil Engineering in 1991. After working in a number of companies, she joined Akfen Group in 1994. Selen served as Technical Manager during the construction phase of the Ataturk Airport, Turkey's first build-operate-transfer airport project, in 1997, and then as Technical Services Director during the operation phase. Aylin Selen collaborated with ODTU faculty members to memorialize the accomplishments during the construction phase of the Ataturk Airport Project in a book titled "Beyond Construction." She also took part in presenting the preparations for and execution of this success story and the build-operate-transfer project in various universities and conferences. Joining TAV Insaat (TAV Construction) as Founding General Manager in 2003, Aylin Selen retired at the end of 2010 after overseeing TAV Insaat's growth in Turkey, North Africa and Middle East with airport and high-rise projects.

Ebru Yonca Capa
Board Member (Independent)

Ebru Yonca Capa is a Fulbright scholar with an International Baccalaureate degree from United World College and a BBA degree in International Business and Economics from University of Bridgeport, USA. She has participated in various leadership programs at IMD, Kellogg's Graduate School and Harvard Business School. She has participated in various leadership programs at IMD, Kellogg's Graduate School and Harvard Business School. She started her career at Procter & Gamble as Product Manager and later undertook the role of marketing & communications manager at Digital Equipment Corporation in 1993. In 1997, she joined Microsoft Turkey as marketing & communications manager. In 2004, she was appointed as MSN Turkey's country manager and from 2005 to 2008, served as Middle East & Africa Regional Director of MSN & Online Services. Between 2008 and 2011, she served as General Manager of consumer and online services at Microsoft Turkey. She joined Monster.com in 2011 as Regional VP of Developing Markets. Since 2014, she has been providing consulting and professional development services to local and international companies on digital transformation, marketing and leadership at her own consulting company. Ebru is a CTI Co-Active Coach, a member of European Mentoring and Coaching Council (EMCC) and has been conducting executive coaching to global leaders.

Filiz Demiroz
Board Member (Independent)

After graduating from Bogazici University, Department of Business Administration in 1995, Filiz Demiroz started her professional career at KPMG Turkey Audit Department. At KPMG, she has served as an Audit Manager between 2000 and 2004, and as Audit Partner from 2004 to 2011. In addition to audit projects, she has also carried out a number of special assignments including mergers and acquisitions, valuations, and initial public offerings. She has also established and chaired the Learning & Development Department and Department of Professional Practice at KPMG Turkey. In 2011, she has taken a career break and started a Master's Program in History at Bilgi University. She has also worked as a volunteer at YenidenBiz, a civil society organization which aims to increase the participation of women in Turkey's workforce, and was assigned as the Member of the Audit Board of the association. In 2016, Demiroz joined ACCA, the global professional accounting-finance body, and currently serves as the Head of ACCA Turkey

Jean-Michel Vernhes
Board Member (Independent)

Jean-Michel Vernhes holds an IEEAC degree and received a Civil Aviation Engineering degree in 1982. Jean-Michel Vernhes was appointed Aviation Concession Director at Toulouse-Blagnac Airport in January 1999. Prior to this, he had a long career at General Directorate of Civil Aviation. He served as Assistant Navigation Director and Paris Human Resources Officer from 1993 until 1998. He was appointed General Services Director of Toulouse Chamber of Commerce and Industry in June 2002. At the same time, he served as Chairman of the Board of Directors of the Toulouse Blagnac Airport Company, which was established on March 23, 2007. In September 2009, Jean-Michel Vernhes left his position in Toulouse Chamber of Commerce and Industry to serve exclusively as Toulouse-Blagnac Airport's Chairman of the Board of Directors. In addition to his role as the Chairman of the Board of Directors of Toulouse Blagnac Airport Company, Jean-Michel Vernhes also served as the President of French Airports Association (ALFA-ACI) from October 2008 until October 2011. He was the President of the French Airports Association (Union des Aeroports Francais) between May 2011 and May 2017. After serving as a Member of ACI Europe's Board of Directors from June 2017 until August 2018, Vernhes retired in September 2018. Vernhes is Head of the Supervisory Board of Strasbourg Airport and member of the Supervisory Board of Fort de France Airport at French Antilles.

Senior Management

Mustafa Sani Sener
Board Member and President & CEO

Franck Mereyde
Board Member & Deputy CEO

Serkan Kaptan
Deputy CEO

Burcu Geris
Chief Financial Officer (CFO)

Kemal Unlu
Chief Operating Officer (COO)

Murat Ornekol
Chief Purchasing Officer (CPO)

Hakan Oker
Chief Human Resources Officer (CHRO)

Mustafa Sani Sener
Board Member and President & CEO

Mustafa Sani Sener was appointed member of Board of Directors, President and CEO of TAV Airports in 1997.

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After graduating from Karadeniz Technical University (KTU) Department of Mechanical Engineering in 1977, Sener earned his Master's degree (M. Phil) in fluid mechanics in 1979 from University of Sussex in the UK. He has been awarded an Honorary Doctorate in engineering from KTU for "his invaluable contributions to the development of Turkish engineering at the international level," as well as an Honorary Doctorate in Business Administration from the New Hampshire University "for his accomplishments in project and risk management throughout his tenure at TAV."

Prior to his career at TAV Airports Holding, Mr. Sener served in various positions, from Project Manager to General Manager, in many national and international projects and he attended the executive education program on the Management of Complex Systems at the Massachusetts Institute of Technology (MIT). Sener is also a member of the Board of Directors of the Airports Council International (ACI World) and was elected the President of Foreign Economic Relations Board's Turkish-French Business Council in 2012. In 2016, Sener was awarded the Legion d'honneur by the President of the Republic of France Francois Hollande, due to his contributions to the relations between Turkey and France. During the same year, Sener was also given the High Honour of Service by the Georgian state. In 2019, he was honored with Medal of Merit by the Government of the Republic of Macedonia. He gave a lecture in Harvard Business School (HBS) MBA Program on the Case Study of TAV Airports' "business model."

In the voting carried out by Thomson Extel among national and international finance corporations, he was chosen first in the category of "The Best CEO" in Turkey in 2010, 2011, 2014, 2015 and 2016, and third in the European Transport Sector in 2014.

Franck Mereyde

Board Member & Deputy CEO

Franck Mereyde was born on April 6, 1972. He is a Civil Engineer and the holder of a postgraduate degree in Geophysics and Space Techniques. Mr. Mereyde commenced his professional career with Environment Canada and then Météo France. In 2002, he joined the Office of the Minister for Infrastructure as Technical Advisor in the Research and Intermodal Transportation Department, then as Advisor for the Budget, Financial Affairs and Civil Aviation departments. In 2005, Mr. Mereyde started work at ADP as Deputy Director of Operations at Paris-Charles de Gaulle Airport and was subsequently promoted to Director of Operations. He also served as the head of ADP's cargo division. In 2007, Mr. Mereyde was appointed Director of Terminals 2A, 2B, 2C and 2D at Paris-Charles de Gaulle Airport and, in January 2010, Director of Terminals 2E, 2F and 2G, as well as of the TGV/RER connection at Paris-Charles de Gaulle Airport with high-speed rail. On March 1, 2011, he was appointed Director of Paris-Orly Airport. Mereyde also served as a member of the Board of Directors at Aéroports de Paris Management and at Hub Safe.

Serkan Kaptan

Deputy CEO

Serkan Kaptan graduated from Istanbul University, Department of Business Administration in 1995 and received his MBA from Marmara University in 2002. He joined TAV Airports Holding in 1998 with the build-operate-transfer project of the Istanbul Ataturk Airport. Until 2001, he served as airport operations consultant at Airport Consulting Vienna, a company owned by VIE, which is a partner of TAV Airports Holding. He was appointed as TAV Airports Holding's Business Development Director in 2003. Kaptan has 20 years of experience in airport and airline operations and public-private sector partnership infrastructure projects. In addition to his duties as TAV Airports Holding's Deputy CEO, he also serves on the Board of Directors at HAVAS and TGS. Kaptan is the Deputy Chairman of the Foreign Economic Relations Board of Turkey (DEIK)'s Latvia and Lithuania Business Councils as well as a member of the Board of Directors of International Investors Association of Turkey (YASED). Serkan Kaptan is also a Member of ADP International's Executive Board in charge of Central Asia, Middle East, Africa, Eastern Europe and CIS.

Senior Management

Burcu Geris
Chief Financial Officer (CFO)

After graduating from the Department of Business Administration at Bosphorus University in 1999, Burcu Geris completed her MBA degree at London Business School and Columbia Business School. She began her professional career at Garanti Bank where she worked in Treasury and Project Finance departments from 1999 until 2005. Joining TAV Airports in 2005, Geris led the Project & Structured Finance Department of the Company between 2005 and 2012. Burcu Geris was appointed CFO in 2012 and Vice President in 2014. She was named a "Young Global Leader" by the World Economic Forum in 2015 as well as a "Rising Talent" by the Women's Forum in 2013. In Thomson Reuters Extel's European Investor Relations Survey, she was voted the Best CFO in Turkey in 2015 and in 2018, as well as Turkey's Second Best CFO in 2014 and 2016. She was named one of Turkey's 50 Most Influential CFOs by the Fortune magazine for three straight years in 2016, 2017 and 2018. In addition to serving as a Member of the Boards of Directors of TAV Group companies, Geris is also a Member of Women Corporate Directors (WCD), Professional Women's Network (PWN), Global Board ReadyWomen (GBRW), Global Relations Forum Young Professionals Program, and BUMED, CBS and LBS Alumni Associations. She is married with two children.

Kemal Unlu
Chief Operating Officer (COO)

Kemal Unlu began his career as an Electrical Technician in 1978 at Ankara Esenboga Airport. He graduated from Gazi University, Department of Electrical Engineering in 1983. He served as Electricity Manager of the Turkish State Airports Authority (DHMI)'s Antalya Airport in 1988; Deputy to the Principal in Charge of DHMI's Ataturk Airport in 1994; and Principal in Charge of Ataturk Airport at DHMI between August 1999 and March 2004. Unlu joined TAV Airports in 2004 after retiring as the Principal in charge of Ataturk Airport at DHMI and took part in the Iran Project. After completing his duty in Iran in four months, Unlu returned to Istanbul and was appointed as General Manager of TAV Istanbul in 2006. Assigned as the Vice President – General Manager of TAV Istanbul between February 2014 and July 2019, Unlu has been appointed as the Vice President - COO of TAV Airports Holding since July 2019.

Murat Ornekol

Chief Purchasing Officer (CPO)

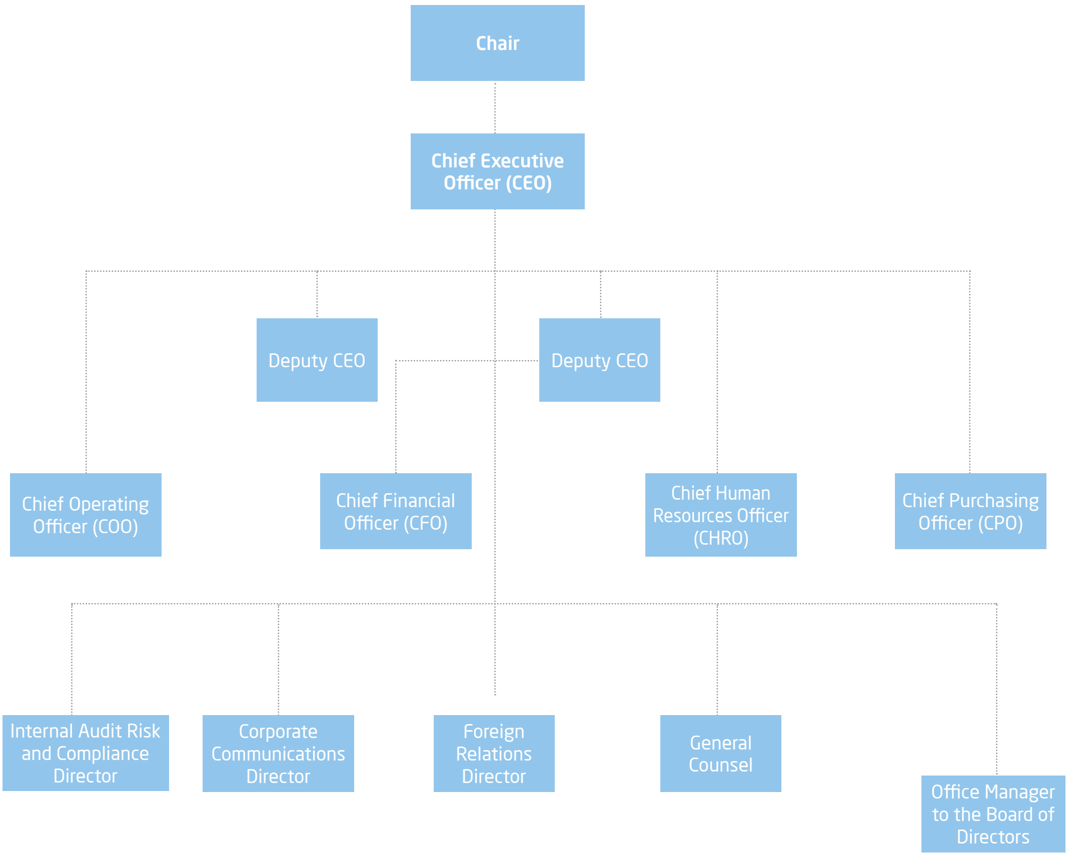
Murat Ornekol graduated from Middle East Technical University, Department of Industrial Engineering in 1980 and served as General Manager of TAV Esenboga between 2006 and 2008. Prior to joining TAV Airports he worked as Planning Engineer, IT Manager and Commerce Manager at Kutlutas Holding. Ornekol also served as General Manager at Bordata, an information technology services company; Beretta Holding's general Manager; and Logistics & Business Development Coordinator, Head of the Healthcare Group, Telecom Project Director and the Holding's Deputy CEO at Bayindir Group companies. Ornekol was appointed to Operations Department of TAV Airports in 2008. Serving as TAV Airports Holding's Vice President – COO between November 2013 and July 2019, Ornekol has been appointed as the Vice President - CPO of TAV Airports Holding since July 2019.

Hakan Oker

Chief Human Resources Officer (CHRO)

Graduated from Hacettepe University Department of Sociology in 1986, Oker started his professional career in 1988 as a Personnel Specialist at Beksa, Bekaert- Sabanci Celik Kord A.S. After assuming various responsibilities at Beksa between 1988 and 1998, he continued his career as Human Resources Director at Kordsa Turkey, Quality and Information Systems Joint Services Director and then Projects Director within the Tire, Tire Reinforcement Materials and Automotive Group of Sabanci Holding. In January 2007, he was appointed as Global Director of Human Resources at Kordsa Global. In January 2009, he was promoted to Vice President of Human Resources and Information Systems in the same company. Oker has been serving as the Vice President – Human Resources at TAV Airports Holding since January 2016. Besides being a member of Board at TAV Group companies, Oker also works for various NGOs. Oker is also a Founding Member of "Teknolojide Kadın Dernegi" (Association of Women in Technology).

Organization Chart



As of December 31, 2019

Financial Benefits Provided to the Members of the Board of Directors and Senior Management

Limits of Authority of Members of the Board of Directors

The Chair and the members of the Board of Directors have the powers and duties stipulated in the related articles of the Turkish Commercial Code and articles 17 and 18 of the Company's Articles of Association.

Financial Benefits Provided to the Members of the Board of Directors and Senior Management and Other Various Expenses

(TL MILLION)	2018	2019
Short-term Benefits (Salaries and Bonuses)	88	188
Travel and Accommodation Expenses	37	36
Representation Expenses	9	11

As of 2018 and 2019, the Group does not have any payable balances to the directors and senior management.

Information Regarding Expenses for Donation and Aid and for Social Responsibility Projects

In 2019, our Company made TL 591 thousand in aid and donation as regards to its Social Responsibility approach. Within the scope of our Donation Policy accepted by the General Assembly, information about aid and donations that were made during the period is provided at the General Assembly with a separate agenda item.

Related Party Transactions

As cited in the footnote on the "Related Parties" in the footnote of the consolidated Financial Statements and Independent Audit Report for the accounting period ending on December 31, 2019, the total amount of transactions between our Company and ATU, 50% shares of which are owned by our Company, are below 10% of 2019 consolidated revenues. Note that TAV adopted the IFRS 11 "Joint Venture" standard starting from January 1, 2012, after which it changed the grounds for calculating the ratio of total amount of transactions performed to revenues.

Amendments to the Articles of Association

In 2019, no amendments were made in the Articles of Association.

Other Remarks:

1) Information regarding research and development works of the Company and the results of these:

TAV Technologies has gained the right to be an R&D Center as of May 2019 in scope of the Law #5746 Regarding Support to Research, Development and Design Activities. 7 projects conducted by engineers working for TAV Technologies were taken in scope of R&D and the works are continuing rapidly. Some of these projects are expected to be completed at the end of this year while some others are anticipated to be completed until the second half of 2020.

Works which gained speed after receiving the R&D Center title include encouraging master or PhD educations of employees, organizing collaborations with start-up firms, events such as Hackathon etc., increasing collaborations with universities, increasing the number of projects supported nationally and internationally, supporting works regarding intellectual and industrial property rights, implementing collaborations and joint projects with other R&D centers.

A presentation of annual activities will be made at the Ministry of Industry and Technology in May 2020 and activities regarding TAV Technologies R&D Center will mature with various proceeding projects and works.

2) Information on lawsuits filed against the Company and their possible outcomes that may affect the financial status and activities of the Company:

There are no major lawsuits filed against our Company that may affect our financial status and activities.

3) Information on administrative and legal sanctions imposed to the company and members of the management body as a result of violation of legislative provisions:

There are no administrative or legal sanctions imposed to the company and members of the management body as a result of violation of legislative provisions.

4) In the event of holding an extraordinary general assembly held within the year, information regarding the extraordinary general meeting, including date of the meeting, decisions taken in the meeting and actions taken regarding this:

No extraordinary general assembly was held throughout the year.

5) **In the event of a subsidiary of the company group; legal actions taken with the holding company, a subsidiary of the holding company, for the benefit of that company or a subsidiary with the guidance of the holding company and all other measures taken or avoided for the benefit of the holding company or a subsidiary during the past year:**
These have been indicated in the "Subsidiary Report" found in our Annual Report.

6) **In the event of a subsidiary of the company group; whether an appropriate counter-action was taken for each legal action and whether the company was at a loss for the measure taken or not taken, if the company was at a loss, whether this loss has been compensated, according to their best knowledge of situations and conditions when an incident where legal actions or measures mentioned in paragraph (ı) were taken or avoided:**
These have been indicated in the "Subsidiary Report" found in our Annual Report.

7) **Assessments of evaluation and management body regarding whether company capital remained unpaid or whether the company is in debt:**
Detailed information regarding Company's financial status can be found in the Financial Statement and its footnotes, reviewed during an Independent Audit, provided in the Annual Report, and the company capital being unpaid or in debt is out of the question.

Dividends

Dividend Policy

In accordance with the Communique numbered II-19.1 of the Capital Markets Board, our Company's "Dividend Policy" to be determined as follows: Our Company determines the resolutions for distribution of profit by considering the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, the provisions of the other relevant legislations and Articles of Association of our Company.

Accordingly, 50% of the "consolidated net profit for the relevant period," calculated by considering the period financial statements that have been prepared under the Capital Market legislation and in conformity with the International Financial Reporting Standards (IFRS), will be distributed in cash or as gratis shares, which will be issued by means of adding such amount to the share capital subject to the resolution to be rendered by the General Assembly of shareholders of our Company.

Sustainability of this dividend policy is one of the basic purposes of our Company, except for such special cases necessitated by investments and any other fund requirements that may be required for the long-term development of the Company, its subsidiaries and affiliates and any extraordinary developments in economic conditions.

Dividend proposal for 2019 earnings:

It is unanimously resolved that this resolution to be submitted to the approval of our shareholders in the Ordinary General Assembly Meeting of our Company to be held for the year 2019;

TAV Airports Board of Directors has resolved to propose a dividend of TL 392,491,240 million, or TL 1.0804060 (108.0460%) gross dividend per share to commence on March 25, 2020, to the approval of the first General Assembly.

Subsidiary Report

The Subsidiary Company Report of the TAV Airports Board of Directors for 2019 Prepared Pursuant to Article 199 of the Turkish Commercial Code

Pursuant to Article 199 of the Turkish Commercial Code, Law No. 6102 that became effective on July 1, 2012, TAV Airports Board of Directors is obligated to issue a report within the first three months of the fiscal year regarding the Company's relationships with its controlling shareholder and the subsidiaries of its controlling shareholder during the previous fiscal year, and to include the conclusion section of this report in the annual report. The transactions TAV Airports executed with its affiliated parties are presented in the relevant note of the financial report. The report issued by the Board of Directors states: "It was concluded that in each and every transaction TAV Airports executed with its controlling shareholders and the subsidiaries of its controlling shareholders in 2019, based on the situation and conditions known to us at the time the transaction was executed, or the measure was taken, or the measure was refrained from being taken, the Company had a commensurate gain in return and there was no measure taken or refrained from being taken that will lead to losses for the Company and, within this framework, there are no transactions or measures that require compensation."

Independent Auditor's Report

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of TAV Havalimanlari Holding A.S.

Opinion

We have audited the annual report of TAV Havalimanlari Holding A.S. ("the Company) and its subsidiaries ("the Group") for the period of 1 January – 31 December 2019

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 7 February 2020 on the full set consolidated financial statements of the Group for the period of 1 January – 31 December 2019

The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Onur Unal

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited

Onur Unal, SMMM
Partner

28 February 2020
Istanbul, Turkey

Auditor's Report on Risk Assessment System and Committee

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

To the Board of Directors of TAV Havalimanlari Holding A.S.,
We have audited the Early Identification of the Risk System and Committee established by TAV Havalimanlari Holding A.S.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These Principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

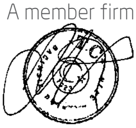
Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 5 members. For the period between January 1 – December 31, 2019, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that except for the matter(s) stated in the paragraph below, the early identification of the risk system and committee of ABC is, in all material respects, in compliance with article 378 of the TCC.

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited



Onur Unal, SMMM
Partner

7 February 2020
Istanbul, Turkey

Statement of Responsibility

Statement of Responsibility of Capital Markets Board's No. II-14-1. Statement of Responsibility Issued Pursuant to Article 9 Communiqué on the Principles of Financial Reporting

REGARDING THE APPROVAL OF THE BOARD OF DIRECTORS OF THE FINANCIAL STATEMENTS AND ANNUAL REPORTS
DATE OF RESOLUTION: 07/02/2020
RESOLUTION NO: 2

In accordance with the regulations of the Capital Markets Board and in light of the Statement of Financial Position with footnotes, Comprehensive Income Statement, Cash Flow Statement, Statement of Changes in Equity, and interim Annual Report ("Financial Statements") for the period between January 1, 2019 and December 31, 2019 prepared by the Company in compliance with the formats established by Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the Capital Markets Board pursuant to the "Communiqué on the Principles of Financial Reporting in Capital Markets" ("Communiqué") No. II-14.1 of the Capital Markets Board and audited within limited scope by the independent audit firm Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S.;

- We hereby declare that,

- Based on the information we possess within the scope of our duties and responsibilities in the Company, the consolidated financial statements do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of issuance,

- Prepared in accordance with the financial reporting standards in effect, the financial statements provide an accurate view of the assets, liabilities, financial position and profit or loss of the Company including its consolidated participations, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company including its consolidated participations as well as the principal risks and uncertainties the Company is exposed to.

Chair of the Audit Committee
Filiz Demiroz

Audit Committee Member
Aylin Selen

Chief Financial Officer (CFO)
Burcu Geris

Statement of Independence

To TAV Havalimanlari Holding A.S. Board of Directors,

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of TAV Havalimanlari Holding A.S. (Company), within the scope of the criteria stipulated in the legislations, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities, or have not been a member of the Board or been a shareholder (more than 5%) particularly in the companies that pro- vide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to as part of the agreements signed,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership on the Board,

d) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare the sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the legal entity elected as member of the Board of Directors.

Respectfully yours,

Aylin Selen **Ebru Yonca Capa** **Filiz Demiroz**

To TAV Havalimanlari Holding A.S. Board of Directors,

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of TAV Havalimanlari Holding A.S. (Company), within the scope of the criteria stipulated in the legislations, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,
b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities, or have not been a member of the Board or been a shareholder (more than 5%) particularly in the companies that pro- vide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to as part of the agreements signed,
c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership on the Board,
d) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,
e) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,
f) I will be able to spare the sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,
g) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,
h) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,
i) I have not been registered and announced on behalf of the legal entity elected as member of the Board of Directors.

Respectfully yours,

Jean-Michel Vernhes

04

OPERATIONAL AND FINANCIAL FIGURES

Euro Based Financials

SUBSIDIARIES AND AFFILIATES	2018 CONSOLIDATION	SHARE %	2019 CONSOLIDATION	SHARE %
TAV Istanbul	Full Consolidation	100	Full Consolidation	100
TAV Esenboga	Full Consolidation	100	Full Consolidation	100
TAV Ege	Full Consolidation	100	Full Consolidation	100
TAV Gazipasa	Full Consolidation	100	Full Consolidation	100
TAV Macedonia	Full Consolidation	100	Full Consolidation	100
TAV Latvia	Full Consolidation	100	Full Consolidation	100
TAV Tunisia	Full Consolidation	67	Full Consolidation	100
TAV Urban Georgia (Tbilisi)	Full Consolidation	80	Full Consolidation	80
TAV Batumi	Full Consolidation	76	Full Consolidation	76
TIBAH Development	Equity Method	33	Equity Method	50
TIBAH Operation	Equity Method	51	Equity Method	51
HAVAS	Full Consolidation	100	Full Consolidation	100
BTA	Full Consolidation	67	Full Consolidation	100
TAV O&M	Full Consolidation	100	Full Consolidation	100
TAV IT	Full Consolidation	100	Full Consolidation	100
TAV Security	Full Consolidation	100	Full Consolidation	100
HAVAS Europe	Full Consolidation	100	Full Consolidation	100
ATU	Equity Method	50	Equity Method	50
TGS	Equity Method	50	Equity Method	50
BTA Denizyollari (IDO)	Equity Method	50	Full Consolidation	100
MZLZ	Equity Method	15	Equity Method	15
MZLZ Operations	Equity Method	15	Equity Method	15
TAV Milas Bodrum	Full Consolidation	100	Full Consolidation	100
TAV Academy	Full Consolidation	100	Full Consolidation	100
Havas Saudi	Equity Method	67	Equity Method	67
Tunisia Duty Free*	Equity Method	30	Equity Method	30
Antalya**	Equity Method	49	Equity Method	49

**TDF is 30% held and proportionately consolidated to ATU. ATU has 65% of the voting rights at TDF.*
***TAV Airports has 49% equity stake and 50% dividend and voting rights.*

2019 Guidance and Realization

	GUIDANCE	REALIZATION	EXPLANATION
Total TAV Airports Pax (excluding Istanbul Ataturk Airport)	90 to 94 million	89 million	1% below guidance due to softer than expected domestic market and to Russian flight ban to Georgia
EBITDA (excluding Istanbul Ataturk Airport)	38 to 42 % lower	43% lower	1% below guidance mostly due to Russian flight ban to Georgia
Capex	between EUR 70 million to EUR 80 million	EUR 69.5 million	better than guidance

Guidance for 2020

Starting with 2020, we will discontinue reporting adjusted EBITDA.

The basis for 2020 EBITDA guidance is EBITDA reported by Groupe ADP which is before equity pick-up and does not include Ankara Guaranteed Pax Revenue.

Total TAV Airports Passengers
growth of 3% to 5%

International Passengers
growth of 4% to 6%

EBITDA as defined by Groupe ADP
growth of 9% to 11%

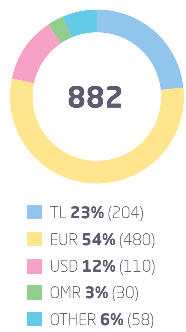
Capex
between Euro 70 million to Euro 75 million

Note: 2020 targets are subject to our FX and passenger assumptions. 2019 passengers do not include Istanbul Ataturk.

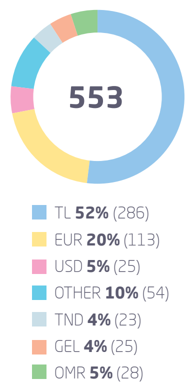
Operational and Financial Performance

FX EXPOSURE OF OPERATIONS (€,mn)

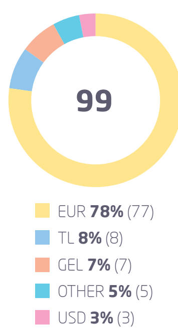
Revenue[1]



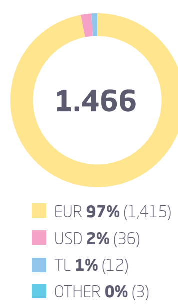
Opex[1] [2]



Amortization



Gross Debt



(1) Combined figures, pre-elimination and consolidated adjustment, IFRIC12 adjusted, includes equity-pick up (EUR 33.4 million).
(2) Includes concession rent expenses (EUR 2.6 million), does not include depreciation (EUR 44.8 million).

TAV in Figures

Consolidated Revenue(1) of EUR 764 million (+8% compared to 2018)

Revenue increased in almost all airports due to higher international passengers and was boosted by inorganic growth in services and better mix in ground handling.

Consolidated EBITDA(1) of EUR 329 million (+5% compared to 2018)

Highest positive contributors to EBITDA have been Tunisia, Bodrum and Izmir while closure of Ataturk and ramp up of new inorganic growth affected service company profitability.

Net Profit of EUR 373 million (+46% compared to 2018)

Net Profit includes EUR 389 million of pre-tax compensation income due to early closure of Ataturk. Net Profit was also impacted by higher D&A and higher deferred tax in 2019 and impairment reversal in 4Q'18.

Net Debt of EUR 813(2) million (+1% compared to 2018)

There is no material change in consolidated net debt +EUR 59 million IFRS 16 impact in 2019

89 million Passengers Served(1) (+7% compared to 2018)

18% international and -8% domestic due to economic weakness in Turkey (both include Antalya's contribution)

Like-for-like international growth of 8% (excluding Antalya Airport)

(1) All commercial traffic of Istanbul Ataturk Airport was transferred to the New Istanbul Airport on April 6, 2019 as per IFRS 5.13, Revenue and EBITDA reported after the closure have been restated to exclude the results of TAV Istanbul. TAV Total pax numbers reported after closure also do not include the results of Istanbul Ataturk Airport.

(2) Net Debt restated to include Shareholder Loan from Groupe ADP of EUR 300 million plus accrued interest

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Financial Statements
As at and for the Year Ended
31 December 2019

TAV Havalimanları Holding A.Ş.
and its Subsidiaries

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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

Independent auditor's report

To the Shareholders of TAV Havalimanları Holding A.Ş.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of TAV Havalimanları Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Transition to IFRS 16 and presentation of right of use asset and lease liability accounting	
As mentioned in Note 3, IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The objective of IFRS 16 is to report information that fairly represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and lease liability representing its obligation to make lease payment. The Group has several lease agreements for buildings and vehicles. The consolidated statement of financial position as of 31 December 2019 includes 58.632 thousand EUR right of use assets that comprises %2 of total non-current assets. The Group has recognized a total lease liability of 69,518 thousand EUR as of December 31, 2019. IFRS 16 accounting includes complex calculations and requires significant assessments on lease contracts. Since changes to assumptions and assessment could lead to material changes in the financial statements, this matter is considered as a key audit matter. The accounting policy and information for IFRS 16 are disclosed in Note 3 and Note 16.	During our audit work, lease contracts that are signed between the Group and the lessors were evaluated and assessed in the scope of IFRS 16. Contracts are classified as fixed payment, minimum guarantee payment and variable payment according to contract conditions. The net present value calculations of future fixed and minimum guaranteed lease payments have been controlled by considering contract conditions, rent increase rates were evaluated and compared with the payment schedule used in the calculation. The discount rates have been used in calculations are evaluated by the terms and foreign currency denomination of the contracts. Depreciation calculations of right of use assets are controlled. The compliance of IFRS 16 disclosures in the consolidated financial statements are evaluated under the framework International Financial Reporting Standards ("IFRS").
Recoverability of airport operation rights in TAV Tunisie SA	
As discussed in Note 26, the operations of TAV Tunisie SA ("TAV Tunisia") have diminished significantly in 2015. The consolidated statement of financial position as of 31 December 2019 includes intangible assets of 460,178 thousand EUR that comprises 17% of total consolidated non-current assets. Since management's assessment of the recoverable amount of Airport Operation Rights in TAV Tunisia requires estimation and judgement, which are disclosed in note 2.d, around assumptions used, this matter is considered as a key audit matter.	During our audit work, we reviewed the works of the auditor of TAV Tunisia and the methods and assumptions used in the valuation studies prepared by the management, together with the experts of another company within the same audit network we are affiliated with. We examined the business plans approved by the management. We tested the reasonableness of the discount rates used and the mathematical accuracy of the models used. We also examined the related disclosures in the consolidated financial statements.

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Other information included in The Group's 2019 Annual Report

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

EY
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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Onur Ünal.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Onur Ünal, SMMM
Partner

7 February 2020
İstanbul, Türkiye

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2019

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

	Notes	31 December 2019	31 December 2018
ASSETS			
Property and equipment	13	205,729	231,336
Intangible assets	14	13,589	10,989
Airport operation right	15	1,581,857	1,566,551
Right of use assets	16	58,632	-
Equity-accounted investees	36	393,423	492,633
Goodwill	14	137,688	135,980
Prepaid concession and rent expenses	17	-	3,113
Derivative financial instruments	32	-	32
Trade receivables	21	49,738	65,553
Non-current due from related parties	35	1,898	1,849
Other non-current assets	20	295,574	7,890
Deferred tax assets	18	26,610	29,167
Total non-current assets		**2,764,738**	**2,545,093**
Inventories	19	8,939	9,176
Prepaid concession and rent expenses	17	-	42,254
Trade receivables	21	116,156	150,265
Due from related parties	35	26,945	29,711
Other receivables and current assets	20	273,170	51,752
Cash and cash equivalents	22	583,809	552,536
Restricted bank balances	23	69,033	70,524
Total current assets		**1,078,052**	**906,218**
TOTAL ASSETS		**3,842,790**	**3,451,311**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2019

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

	Notes	31 December 2019	31 December 2018
EQUITY			
Share capital	24	162,384	162,384
Share premium		220,286	220,286
Legal reserves	24	121,975	119,598
Other reserves		(29,645)	(83,649)
Purchase of shares of entities under common control		40,064	40,064
Cash flow hedge reserve		(59,174)	(52,154)
Translation reserves		(37,375)	(62,366)
Retained earnings		900,757	693,762
Total equity attributable to equity holders of the Company		**1,319,272**	**1,037,925**
Non-controlling interests	36	(9,711)	(6,113)
Total Equity		**1,309,561**	**1,031,812**
LIABILITIES			
Loans and borrowings	26	633,396	642,605
Reserve for employee severance indemnity	27	18,710	21,862
Due to related parties	35	305,893	305,893
Derivative financial instruments	32	36,562	29,391
Deferred income	29	16,952	17,831
Other payables	28	599,693	558,980
Deferred tax liabilities	18	20,706	12,544
Total non-current liabilities		**1,631,912**	**1,589,106**
Bank overdraft	22	1,380	379
Loans and borrowings	26	526,816	483,026
Trade payables	31	55,532	46,169
Due to related parties	35	998	25,398
Current tax liabilities	12	98,639	11,405
Other payables	28	198,005	249,774
Provisions	30	5,542	5,866
Deferred income	29	14,405	8,376
Total current liabilities		**901,317**	**830,393**
Total Liabilities		**2,533,229**	**2,419,499**
TOTAL EQUITY AND LIABILITIES		**3,842,790**	**3,451,311**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Profit or Loss and Comprehensive Income
For the Year Ended 31 December 2019

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

	Notes	2019	2018
Operating revenue	6	749,233	697,345
Cost of catering inventory sold		(34,404)	(38,668)
Cost of services rendered		(80,754)	(69,655)
Personnel expenses	7	(226,950)	(199,821)
Concession expenses	8	(3,501)	(6,942)
Depreciation, amortisation and impairment expenses	10	(99,325)	(74,322)
Other operating income		7,866	309
Other operating expenses	9	(131,085)	(128,975)
Share of profit of equity-accounted investees, net of tax	36	33,446	46,157
Operating profit		**214,526**	**225,428**
Finance income		16,857	12,389
Finance costs		(111,883)	(130,083)
Net finance costs	11	**(95,026)**	**(117,694)**
Profit before tax		**119,500**	**107,734**
Tax expense	12	(38,675)	(26,529)
Profit from continuing operations		**80,825**	**81,205**
Profit from discontinued operations		299,670	184,952
Profit for the period after discontinued operations		**380,495**	**266,157**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit obligation actuarial differences	27	(9,283)	(7,444)
Defined benefit obligation actuarial differences from equity accounted investees		(619)	(1,288)
Tax on defined benefit obligation actuarial differences	12	1,583	1,489
Tax on defined benefit obligation actuarial differences from equity accounted investees	12	99	306
Total items that will not be reclassified to profit or loss		**(8,220)**	**(6,937)**
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	11	7,698	15,200
Effective portion of changes in fair value of cash flow hedges from equity accounted investees	11	(8,345)	(2,973)
Portion of cash flow hedges charged to profit or loss	11	(8,104)	(8,436)
Foreign currency translation differences for foreign operations	11	31,087	(5,744)
Foreign currency translation differences for foreign operations from equity accounted investees		(6,826)	(7,212)
Tax on cash flow hedge reserves	11,12	1,363	(1,441)
Tax on cash flow hedge reserves from equity accounted investees	12	1,800	18
Total items that are or may be reclassified subsequently to profit or loss		**18,673**	**(10,588)**
Other comprehensive income for the year, net of tax		**10,453**	**(17,525)**
Total comprehensive income for the year		**390,948**	**248,632**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Profit or Loss and Comprehensive Income
For the Year Ended 31 December 2019

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

	Notes	2019	2018
Profit attributable to:			
Owners of the Company		373,104	255,178
Non-controlling interest		7,391	10,979
Profit for the year		**380,495**	**266,157**
Total comprehensive income attributable to:			
Owners of the Company		382,855	234,846
Non-controlling interest		8,093	13,786
Total comprehensive income for the year		**390,948**	**248,632**
Weighted average number of shares outstanding		**363,281,250**	**363,281,250**
Basic and diluted earnings per share for continued operations	25	**0.20**	**0.19**
Basic and diluted earnings per share for discontinued operations		**0.82**	**0.51**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Changes in Equity
For the Year ended 31 December 2019

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

	Attributable to owners of the Company										
	Share Capital	Share Premium	Legal Reserves	Other Reserves	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 2018	**162,384**	**220,286**	**109,935**	**(79,298)**	**40,064**	**(52,637)**	**(48,488)**	**541,233**	**893,479**	**(4,193)**	**889,286**
Impact of change in accounting policy (*)	-	-	-	-	-	-	-	(3,220)	(3,220)	-	(3,220)
Balance at 1 January 2018, restated	**162,384**	**220,286**	**109,935**	**(79,298)**	**40,064**	**(52,637)**	**(48,488)**	**538,013**	**890,259**	**(4,193)**	**886,066**
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	255,178	255,178	10,979	266,157
Other comprehensive income											
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	483	-	-	483	1,885	2,368
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	(6,937)	(6,937)	-	(6,937)
Foreign currency translation differences for foreign operations	-	-		-	-	-	(13,878)	-	(13,878)	922	(12,956)
Total other comprehensive income	-	-	-	-	-	483	(13,878)	(6,937)	(20,332)	2,807	(17,525)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**483**	**(13,878)**	**248,241**	**234,846**	**13,786**	**248,632**
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Dividend distributions (Note 24)	-	-	-	-	-	-	-	(82,829)	(82,829)	(17,838)	(100,667)
Change in non-controlling interest (Note 26)	-	-	-	(2,862)	-	-	-	-	(2,862)	2,332	(530)
Purchase of non-controlling interest	-	-	-	(1,489)	-	-	-	-	(1,489)	(200)	(1,689)
Total transactions with owners of the Company	**-**	**-**	**-**	**(4,351)**	**-**	**-**	**-**	**(82,829)**	**(87,180)**	**(15,706)**	**(102,886)**
Transfers	-	-	9,663	-	-	-	-	(9,663)	-	-	-
Balance at 31 December 2018	**162,384**	**220,286**	**119,598**	**(83,649)**	**40,064**	**(52,154)**	**(62,366)**	**693,762**	**1,037,925**	**(6,113)**	**1,031,812**
Balance at 1 January 2019	**162,384**	**220,286**	**119,598**	**(83,649)**	**40,064**	**(52,154)**	**(62,366)**	**693,762**	**1,037,925**	**(6,113)**	**1,031,812**
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	373,104	373,104	7,391	380,495
Other comprehensive income											
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	(7,020)	-	-	(7,020)	1,432	(5,588)
Defined benefit obligation actuarial differences, net of tax	-	-	-	-	-	-	-	(8,220)	(8,220)	-	(8,220)
Foreign currency translation differences for foreign operations	-	-		-	-	-	24,991	-	24,991	(730)	24,261
Total other comprehensive income	-	-	-	-	-	(7,020)	24,991	(8,220)	9,751	702	10,453
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(7,020)**	**24,991**	**364,884**	**382,855**	**8,093**	**390,948**
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Dividend distributions (Note 24)	-	-	-	-	-	-	-	(121,469)	(121,469)	(11,691)	(133,160)
Change in non-controlling interest	-	-	-	54,004	-	-	-	(34,043)	19,961	-	19,961
Total transactions with owners of the Company	**-**	**-**	**-**	**54,004**	**-**	**-**	**-**	**(155,512)**	**(101,508)**	**(11,691)**	**(113,199)**
Transfers	-	-	2,377	-	-	-	-	(2,377)	-	-	-
Balance at 31 December 2019	**162,384**	**220,286**	**121,975**	**(29,645)**	**40,064**	**(59,174)**	**(37,375)**	**900,757**	**1,319,272**	**(9,711)**	**1,309,561**

(*) Impact of retrospective application of IFRS 15. It is related to investment recognized in equity accounted investees. This application change affects equity accounted investees and retained earnings.

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Cash Flows
For the Year ended 31 December 2019

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

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**80,825**	**81,205**
Profit from discontinued operations		**299,670**	**184,952**
Adjustments for:			
Amortisation and impairment of airport operation right	15	63,905	50,066
Depreciation and impairment of property and equipment and right of use assets	13	89,317	54,742
Amortisation of intangible assets	14	2,820	2,830
Concession and rent expenses		48,869	155,462
Other income accruals	37	(389,000)	-
Provision for employee severance indemnity	27	3,492	5,053
Provision for doubtful receivables	33	7,262	3,254
Discount on receivables and payables, net		4,053	140
Provision set for unused vacation	30	225	1,029
Interest income		(15,908)	(17,919)
Interest expense on financial liabilities		70,035	70,338
Tax expense		126,175	85,285
Unwinding of discount on concession receivable and payable		23,834	23,602
Share of profit of equity-accounted investees, net of tax	36	(33,446)	(46,157)
Unrealized foreign exchange differences on statement of financial position items		(46,695)	(30,831)
Cash flows from operating activities		**335,433**	**623,051**
Change in current trade receivables		23,092	(22,814)
Change in non-current trade receivables		24,375	23,335
Change in inventories		200	751
Change in due from related parties		9,798	(5,636)
Change in other receivables and other assets		(104,193)	26,936
Change in trade payables		9,363	(304)
Change in due to related parties		706	49,423
Change in other payables and provisions		(120,736)	(68,767)
Cash provided from operations		**178,038**	**625,975**
Income taxes paid	12	(24,644)	(91,330)
Retirement benefits paid	27	(14,526)	(6,964)
Additions to prepaid concession and rent expenses	17	-	(116,042)
Net cash provided from operating activities		**138,868**	**411,639**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Consolidated Statement of Cash Flows
For the Year ended 31 December 2019

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

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, equipment and intangible assets		4,592	4,269
Acquisition of property and equipment	13	(65,600)	(90,192)
Additions to airport operation right	15	(2,962)	(325)
Acquisition of non-controlling interest net of cash acquired		-	(1,489)
Acquisition of joint venture net of cash acquired		-	(381,140)
Acquisition of intangible assets	14	(1,758)	(1,787)
Change in due from related parties		(7,081)	(1,803)
Change in due to related parties		(25,106)	(24,712)
Dividends from equity-accounted investees		145,922	23,187
Effect of acquisition of subsidiary		(1,246)	-
Net cash provided from / (used in) investing activities		**46,761**	**(473,992)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	26	115,586	249,780
Repayment of borrowings	26	(70,070)	(250,260)
Lease payments	26	(9,794)	-
Dividends paid		(133,160)	(100,667)
Interest received		9,028	18,890
Interest paid	26	(50,745)	(44,954)
Change in due to related parties		(8,665)	300,000
Change in restricted bank balances		(7,537)	98,930
Change in finance lease liabilities		-	(1,423)
Net cash (used in) / provided from financing activities		**(155,357)**	**270,296**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30,272**	**207,943**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22	**552,157**	**344,214**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**582,429**	**552,157**

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

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

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

Notes to the consolidated financial statements

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

(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 Vadi İstanbul Bulvar, Ayazağa Mah. Cendere Cad. Sarıyer, İstanbul, Turkey.

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in joint ventures. The Company's subsidiaries as at 31 December 2019 and 2018 are as follows:

			31 December 2019		31 December 2018	
Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul")	İstanbul Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa")	Ankara Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Ege Terminal Yatırım Yapım ve İşletme A.Ş. ("TAV Ege")	İzmir Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Milas Bodrum Terminal İşletmeciliği A.Ş. ("TAV Milas Bodrum")	Bodrum Airport Terminal Services	Turkey	100.00	100.00	100.00	100.00
TAV Tunisie SA (" TAV Tunisia")	Airport Operator	Tunisia	82.00	82.00	67.00	67.00
TAV Urban Georgia LLC ("TAV Tbilisi")	Airport Operator	Georgia	80.00	80.00	80.00	80.00
TAV Batumi Operations LLC ("TAV Batumi")	Airport Management Service Provider	Georgia	76.00	100.00	76.00	100.00
Batumi Airport LLC	Airport Operator	Georgia	76.00	100.00	-	100.00
TAV Macedonia Dooel Petrovec ("TAV Macedonia")	Airport Operator	Macedonia	100.00	100.00	100.00	100.00
TAV Gazipaşa Alanya Havalimanı İşletmeciliği A.Ş. ("TAV Gazipaşa")	Airport Operator	Turkey	100.00	100.00	100.00	100.00
SIA TAV Latvia ("TAV Latvia")	Commercial Area Operator	Latvia	100.00	100.00	100.00	100.00
Havaş Havaalanları Yer Hizmetleri A.Ş. ("HAVAŞ")	Ground Handling Services	Turkey	100.00	100.00	100.00	100.00
Havaş Latvia SIA ("HAVAŞ Latvia")	Ground Handling	Latvia	100.00	100.00	100.00	100.00
HAVAŞ Germany Gmbh ("HAVAŞ Germany")	Ground Handling	Germany	-	-	100.00	100.00
Havaalanları Yolcu Taşımacılığı A.Ş. ("HYT İzmir")	Bus Operator	Turkey	-	-	100.00	100.00

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

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

1. REPORTING ENTITY (continued)

			31 December 2019		31 December 2018	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
Havaalanları Araç Kiralama veYolcu Taşımacılığı A.Ş. ("HYT Muğla")	Bus Operator	Turkey	-	-	100.00	100.00
Havaalanları Taşımacılık ve Ticaret A.Ş. ("HYT Samsun")	Bus Operator	Turkey	-	-	100.00	100.00
Havas Adriatic D.O.O. ("HAVAŞ Adriatic")	Ground Handling Services	Croatia	100.00	100.00	-	-
BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA")	Food and Beverage Services	Turkey	100.00	100.00	100.00	100.00
BTA Georgia LLC ("BTA Georgia")	Food and Beverage Services	Georgia	100.00	100.00	100.00	100.00
BTA Tunisie SARL ("BTA Tunisia")	Food and Beverage Services	Tunisia	100.00	100.00	100.00	100.00
BTA Macedonia Dooel Petrovec ("BTA Macedonia")	Food and Beverage Services	Macedonia	100.00	100.00	100.00	100.00
BTA France SAS ("BTA France")	Food and Beverage Services	France	100.00	100.00	100.00	100.00
BTA Unlu Mamülleri Pasta Üretim Turizm Gıda Yiyecek İçecek Hizmetleri San. ve Tic. A.Ş. ("Cakes & Bakes")	Food and Beverage Services	Turkey	100.00	100.00	100.00	100.00
BTA Tedarik Dağıtım ve Ticaret A.Ş. ("BTA Tedarik")	Food and Beverage Services	Turkey	100.00	100.00	100.00	100.00
BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Denizyolları")	Food and Beverage Services	Turkey	100.00	100.00	50.00	50.00
SIA Cakes and Bakes Latvia ("BTA Latvia")	Food and Beverage Services	Latvia	100.00	100.00	100.00	100.00
BTA Uluslararası Yiyecek İçecek Hizmetleri Sanayi ve Ticaret A.Ş ("BTA Uluslararası Yiyecek")	Food and Beverage Services	Turkey	100.00	100.00	100.00	100.00
MZLZ-Ugostiteljstvo D.o.o ("BTA MZLZ")	Food and Beverage Services	Croatia	100.00	100.00	100.00	100.00
UTB Lokum Şeker Gıda San. ve Tic. A.Ş. ("BTU Lokum")	Food and Beverage Services	Turkey	-	-	100.00	100.00
UTB Gıda Satış ve Paz. A.Ş. ("BTU Gıda")	Food and Beverage Services	Turkey	-	-	100.00	100.00
TAV İşletme Hizmetleri A.Ş. ("TAV İşletme")	Operations & Maintenance ("O&M"), Lounge Services	Turkey	100.00	100.00	100.00	100.00
TAV Georgia Operation Services LLC ("TAV İşletme Georgia")	Lounge Services	Georgia	99.99	99.99	99.99	99.99
TAV Tunisie Operation Services SARL ("TAV İşletme Tunisia")	Lounge Services	Tunisia	99.99	99.99	99.99	99.99
TAV Tunisie Operation Services Plus SARL ("TAV İşletme Tunisia Plus")	Lounge Services	Tunisia	99.99	99.99	99.99	99.99
TAV Macedonia Operation Services Dooel ("TAV İşletme Macedonia")	Lounge Services	Macedonia	99.99	99.99	99.99	99.99
TAV Germany Operation Services GmbH ("TAV İşletme Germany")	Lounge Services	Germany	100.00	100.00	100.00	100.00

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

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

1. REPORTING ENTITY (continued)

			31 December 2019		31 December 2018	
Name of Subsidiary	**Principal Activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
TAV Latvia Operation Services SIA ("TAV İşletme Latvia")	Lounge Services	Latvia	100.00	100.00	100.00	100.00
TAV Africa Operation Services Ltd. ("TAV İşletme Kenya")	Lounge Services	Kenya	100.00	100.00	100.00	100.00
TAV USA Operation Services Co. ("TAV İşletme America")	Holding	United States	100.00	100.00	100.00	100.00
TAV Washington Operation Services Ltd. ("TAV İşletme Washington")	Lounge Services	United States	100.00	100.00	100.00	100.00
TAV New York Operation Services ("TAV İşletme New York")	Lounge Services	United States	100.00	100.00	-	-
Gestio I Servies Trade Center S.A. ("GIS Spain")	Lounge Services	Spain	70.00	70.00	-	-
GIS Premium France SAS ("GIS France")	Lounge Services	France	70.00	70.00	-	-
GIS Premium Deutschland Gmbh ("GIS Germany")	Lounge Services	Germany	70.00	70.00	-	-
GIS Premium Italy SRL ("GIS Italy")	Lounge Services	Italy	70.00	70.00	-	-
GIS Premium Mexico SadCV ("GIS Mexico")	Lounge Services	Mexico	70.00	70.00	-	-
GIS Premium Argentina SRL ("GIS Argentina")	Lounge Services	Argentina	70.00	70.00	-	-
GIS Premium Brasil Servicos Aeroportuarios LTDA ("GIS Brazil")	Lounge Services	Brazil	70.00	70.00	-	-
GIS Premium Colombia S.A.A. ("GIS Colombia")	Lounge Services	Colombia	70.00	70.00	-	-
TAV Havacılık A.Ş. ("TAV Havacılık")	Airline Taxi Services	Turkey	100.00	100.00	100.00	100.00
TAV Bilişim Hizmetleri A.Ş. ("TAV Bilişim")	Software and System Services	Turkey	100.00	100.00	100.00	100.00
TAV Information and Technologies Saudi Ltd. Company ("TAV IT Saudi")	Software and System Services	Saudi Arabia	100.00	100.00	100.00	100.00
Avito Technologies B.V. ("TAV IT Netherlands")	Software and System Services	Netherlands	100.00	100.00	-	-
TAV Özel Güvenlik Hizmetleri A.Ş. ("TAV Güvenlik")	Security Services	Turkey	100.00	100.00	100.00	100.00
TAV Akademi Eğitim ve Danışmanlık Hizmetleri A.Ş. ("TAV Akademi")	Education Services	Turkey	100.00	100.00	100.00	100.00
TAV Aviation Minds Eğitim ve Danışmanlık Hizmetleri A.Ş. ("TAV Aviation Minds")	Education Services	Turkey	51.00	51.00	51.00	51.00
Aviator Netherlands B.V. ("Aviator Netherlands")	Holding	Netherlands	100.00	100.00	100.00	100.00
TAV Uluslararası Yatırım A.Ş. ("TAV Uluslararası Yatırım")	Airport Operator	Turkey	100.00	100.00	100.00	100.00

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

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

1. REPORTING ENTITY (continued)

The joint ventures of the Company as at 31 December 2019 and 2018 are as follows:

			31 December 2019		31 December 2018	
Name of joint venture	**Principal activity**	**Place of operation**	**Ownership interest %**	**Voting power held %**	**Ownership interest %**	**Voting power held %**
ATU Turizm İşletmeciliği A.Ş. ("ATU")	Duty Free Services	Turkey	50.00	50.00	50.00	50.00
ATU Georgia Operation Services LLC ("ATU Georgia")	Duty Free Services	Georgia	50.00	50.00	50.00	50.00
ATU Tunisie SARL ("ATU Tunisia")	Duty Free Services	Tunisia	50.00	50.00	50.00	50.00
ATU Macedonia Dooel ("ATU Macedonia“)	Duty Free Services	Macedonia	50.00	50.00	50.00	50.00
AS Riga Airport Commercial Development ("ATU Latvia")	Duty Free Services	Latvia	50.00	50.00	50.00	50.00
Tunisia Duty Free S.A. ("ATU Tunisia Duty Free")	Duty Free Services	Tunisia	14.98	39.98	14.98	39.98
Saudi ATU Trading Limited Co. ("ATU Medinah") (*)	Duty Free Services	Saudi Arabia	50.00	50.00	50.00	50.00
ATU Americas LLC ("ATU America")	Duty Free Services	United States	50.00	50.00	50.00	50.00
ATU Mağazacılık İşletmeleri A.Ş. ("ATU Mağazacılık")	Duty Free Services	Turkey	50.00	50.00	50.00	50.00
ATU Uluslararası Mağaza Yiyecek ve İçecek İşletmeciliği A.Ş. ("ATU Uluslararası Mağazacılık")	Duty Free Services	Turkey	51.15	51.17	51.15	51.17
ATU Holdings, Inc. ("ATU Holdings")	Holding	United States	50.00	50.00	50.00	50.00
TAV Gözen Havacılık İşletme ve Ticaret A.Ş. ("TAV Gözen")	Operating Special Hangar	Turkey	32.40	32.40	32.40	32.40
TGS Yer Hizmetleri A.Ş. ("TGS")	Ground Handling	Turkey	50.00	50.00	50.00	50.00
Saudi HAVAŞ Ground Handling Services Limited ("Saudi HAVAŞ") (*)	Ground Handling	Saudi Arabia	66.66	66.66	66.66	66.66
Saudi BTA Airports Food And Beverages Serv.Ltd. ("BTA Medinah") (*)	Food and Beverage Services	Saudi Arabia	66.66	66.66	66.66	66.66
BS Kahve Yiyecek ve İçecek Hizmetleri A.S. ("BS Kahve")	Food and Beverage Services	Turkey	60.00	60.00	60.00	60.00
Tibah Airports Development Company CJSC ("Tibah Development")	Airport Operator	Saudi Arabia	50.00	50.00	33.33	33.33
Tibah Airports Operation Limited ("Tibah Operation")	Airport Operator	Saudi Arabia	51.00	33.33	51.00	33.33
Primeclass Pasifico JSV. ("TAV İşletme Chile")	Lounge Services	Chile	50.00	50.00	50.00	50.00
TAV Operation Services Saudi Arabia LLC. ("TAV İşletme Saudi") (*)	Lounge Services	Saudi Arabia	66.66	66.66	66.66	66.66
Madinah Airport Hotel Company ("Medinah Hotel")	Hotel Management	Saudi Arabia	33.33	33.33	33.33	33.33
Fraport TAV Antalya Terminal İşletmeciliği A.Ş. ("TAV Antalya")	Antalya Airport Terminal Services	Turkey	49.00	50.00	49.00	50.00

(*) The mentioned entities are consolidated using the equity method as the Board decisions of these entities are taken with the joint agreement of all three shareholders.

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1. REPORTING ENTITY (continued)

The associates of the Company as at 31 December 2019 and 2018 are as follows:

			31 December 2019		31 December 2018	
Name of associates	Principal activity	Place of operation	Ownership interest %	Voting power held %	Ownership interest %	Voting power held %
ZAIC-A Limited ("ZAIC-A") (*)	Holding	United Kingdom	15.00	15.00	15.00	15.00
Medunarodna Zračna Luka Zagreb d.d. ("MZLZ") (*)	Airport Operator	Croatia	15.00	15.00	15.00	15.00
Upraviteli Zračne Luke Zagreb d.o.o ("MZLZ Operation") (*)	Airport Operator	Croatia	15.00	15.00	15.00	15.00
AMS Airport Management Services d.o.o ("AMS") (*)	Airport Operator	Croatia	40.00	40.00	40.00	40.00

(*) TAV Holding has significant influence in the management of the mentioned entities, thus these entities are consolidated using the equity method.

Description of Operations

The Group and its joint ventures' core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. TAV Esenboğa entered into Build-Operate-Transfer ("BOT") agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMİ"), TAV Tbilisi with JSC Tbilisi International Airport ("JSC"), TAV Batumi with Georgian Ministry of Economic Development ("GMED"), TAV Tunisia with Tunisian Airport Authority (Office De L'Aviation Civil Et Des Aeroports) ("OACA"), Ministry of Transportation ("MOT"), TAV Macedonia with Macedonian Ministry of Transportation and Communication ("MOTC"). Tibah Development entered into Build-Transfer-Operate ("BTO") agreement with General Authority of Civil Aviation ("GACA"). TAV Ege, TAV Milas Bodrum, TAV Gazipaşa and TAV Antalya entered into concession agreement with DHMİ and Medunarodna Zracna Luka Zagreb D.D. ("MZLZ") with Ministry of Maritime Affairs, Transport and Infrastructure of The Republic of Croatia ("MMTI"). Under these agreements, the Group agrees to build or renovate or manage an airport or terminal within a specified period of time and in exchange receives the right to operate the airport and terminal for a pre-established period of time. At the end of the contracts, the Group will transfer the ownership of the terminal buildings or airports back to the related public authority, DHMİ, JSC, GMED, OACA, MOT, MOTC, GACA and MMTI accordingly. Group also signs separate contracts related with the airport operations.

BOT, BTO and Concession Agreements

The airport terminals operated by the Group and its joint ventures are as follows:

<u>İstanbul Atatürk International Airport</u>

A BOT agreement was executed between TAV and DHMİ regulating the reconstruction, investment and operations of Atatürk International Airport Terminal ("AIAT") in 1998. TAV was required to complete the construction by August 2000 and then had the right to operate the facilities of AIAT for 3 years, 8 months and 20 days. TAV completed the reconstruction of AIAT in January 2000 and started the operation seven months earlier, after completion of a significant portion of the construction. Construction of the remaining parts of the project was finalized in August 2000. DHMİ and the Undersecretariat of Treasury gave their acceptance of the project in August 2000 when the investment period was formally completed.

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1. REPORTING ENTITY (continued)

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

An addendum to the agreement was made in June 2000. Under the terms of the addendum, TAV committed to enlarge AIAT by 30% by year 2004. In return for extending AIAT, the operation period of TAV was extended by 13 months 12 days (approximately 66 months in total) through June 2005. The contract expired in June 2005 and TAV transferred Atatürk Domestic Airport Terminal ("ADAT") and AIAT to DHMİ. On 3 June 2005, TAV İstanbul signed a rent agreement to operate AIAT and ADAT for 15.5 years until year 2021.

An addendum has been signed on 4 November 2008, namely Atatürk Airport Development Project, covering installation of new passenger boarding bridges and construction of new commercial areas. Through this addendum TAV has undertaken approximately EUR 36,000 of investment in exchange of the operation right of newly created commercial areas.

A tender was held on 3 May 2013 for construction of a new airport in İstanbul. It has been announced that the winning bid for the tender as per the tender specifications of İstanbul's New Airport Project to be undertaken by BOT model within the framework of the procedures and principles defined by DHMİ as per the law no. 3996 and cabinet decree no. 2011/1807 was offered by a venture other than the Group. The opening of 3rd airport led to closure of Atatürk Airport at a date earlier than the concession contract end date, which in turn led to change in expected amortization period of prepaid rent and leasehold assets. However, TAV Holding and TAV İstanbul received a formal letter issued by DHMİ dated 22 January 2013, stating that DHMİ will fully reimburse the Group for potential 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 on the European side of İstanbul before the end of the rent period of TAV İstanbul; i.e. 3 January 2021. In addition, it is stated that independent expert companies will be consulted for the computation of the total reimbursement amount. On 26 December 2019, The Group and DHMI agreed on the compensation payment related with the early closure of Atatürk Airport. The Group write off the carrying value of leasehold improvements and prepaid rent amounting to EUR 46,273 and EUR 8,738, respectively, and accrued a compensation income amounting to EUR 389,000 which is disclosed in Note 37.

<u>Ankara Esenboğa International Airport</u>

A BOT agreement was executed between TAV Esenboğa and DHMİ on 18 August 2004 for regulating the reconstruction, investment and operations of the Ankara Esenboğa International Airport (international and domestic terminals) for the period until May 2023. According to the Agreement, TAV Esenboğa was required to complete the construction within 36 months after the agreement date and would then have the right to operate the facilities of the Ankara Esenboğa International Airport Terminal for a period of 15 years and 8 months. TAV Esenboğa is providing terminal, car park and passenger boarding services since the beginning of operations on 16 October 2006.

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

A BOT agreement was executed between TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") and DHMİ on 20 May 2005 for regulating the reconstruction, investment and operations of İzmir Adnan Menderes Airport International Terminal. According to the Agreement, TAV İzmir was required to complete the construction within 24 months after the agreement date and would then have the right to operate the facilities of İzmir Adnan Menderes Airport International Terminal for a period of 6 years, 7 months and 29 days. An addendum to the Agreement was signed on 21 August 2006. Under the terms of the addendum, in return for additional works, the operation period of TAV İzmir was extended by 11 months 17 days through January 2015. TAV İzmir has been providing terminal, car park and passenger boarding services since the beginning of operations on 13 September 2006.

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1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

İzmir Adnan Menderes International Airport (continued)

A concession agreement was executed between TAV Ege and DHMİ with an effective date of 16 December 2011 for taking-over the operation of the domestic terminal of İzmir Adnan Menderes Airport until 31 December 2032 and renting the international terminal on January 2015 and operating it until 31 December 2032. TAV Ege is obliged to construct a new domestic terminal with its ancillary buildings and to pay EUR 610,000 plus VAT (18%) to DHMİ in yearly equal installments, of which EUR 30,500 plus VAT has been prepaid at the beginning of the concession period under the terms of the concession agreement.

According to the concession agreement dated 16 December 2011, TAV Ege started renting and operating İzmir Adnan Menderes Airport International Terminal at 10 January 2015. As at 23 November 2015 TAV İzmir was closed as a legal entity and all assets and liabilities were transferred to TAV Ege.

Milas Bodrum Airport

On 21 March 2014, the Company has been awarded the tender held by DHMİ for the operation rights of the Milas Bodrum Airport whose scope includes operation of existing Domestic and International Terminals with ancillary facilities, until 31 December 2035. While Domestic Terminal is handed over within signing of the Concession Agreement, operation of International Terminal commenced on 22 October 2015 following the expiry of the existing contract. The total concession amount is EUR 717,000 plus VAT.

Tbilisi International Airport

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of Tbilisi International Airport (both international, domestic terminals and parking-apron-taxi ways). The BOT agreement undertakes the design, engineering, financing, construction, testing, commissioning and maintenance of the new terminal for Tbilisi International Airport, for an initially agreed term of 10 years and 6 months from the commencement date of the new terminal operations. Subsequently, this period was extended by another 9.5 years until February 2027, in exchange for an obligation by TAV Tbilisi to invest an additional amount for the construction of the terminal (including construction of additional runways, extension of apron etc.) for Batumi Airport, TAV Tbilisi is providing a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services – excluding air traffic control – in New Tbilisi International Airport since the beginning of operations on 8 February 2007.

Batumi International Airport

On 9 August 2007, TAV Batumi Operations signed an agreement with the Georgian Ministry of Economic Development to transfer the management rights of all shares of the Batumi Airport LLC to TAV Batumi for 20 years. According to such share management agreement, all airport operations (excluding only the air traffic control and aviation security services) of the Batumi International Airport will be carried out by TAV Batumi until August 2027. Georgian Government is responsible for providing air traffic control and security services.

Tunisia Monastir and Enfidha International Airports

A BOT agreement was executed between TAV Tunisia and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways). Through the BOT agreement TAV Tunisia undertakes the operation of the existing Monastir Habib Bourguiba Airport and design, engineering, financing, construction, testing, commissioning and maintenance of the new Enfidha Airport. The operations of Monastir Habib Bourguiba Airport and Enfidha Airport were undertaken in January 2008 and December 2009, respectively. The concession periods of both airports will end in May 2047. The operations of the Monastir and Enfidha Airports cover a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services excluding air traffic control services.

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1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

Alanya-Gazipaşa Airport

Relating to the transfer of the operational rights of Alanya-Gazipaşa Airport via a lease, the concession agreement between TAV Gazipaşa and DHMİ was signed on 4 January 2008. The operation period of Alanya-Gazipaşa Airport, which currently has 1,500,000 annual passenger capacity, is 25 years until May 2034, and the operation of the airport covers activities within airside and landside facilities and area of runway, apron and taxiway. TAV Gazipaşa shall make an annual rent payment of USD 50 plus VAT as a fixed amount, until the end of the operation period; as well as a share of 65% of the net profit for the period to DHMİ.

Macedonia Skopje, Ohrid and Shtip Airports

On 24 September 2008, the 20-year BOT agreement for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport in Shtip airports was signed between TAV Macedonia and MOTC. The operation of the airports shall cover all airport activities with the exception of air traffic control, and modernization activities are contemplated to include the technical infrastructure. The effective date of the concession contract for Alexander the Great Airport and St. Paul the Apostle Airport is 1 March 2010 and final date of Concession Agreement is 1 March 2030. The renovation of the St. Paul the Apostle Airport in Ohrid and the construction of Alexander the Great Airport in Skopje were completed and the airports started their operations in March 2011 and September 2011, respectively.

Medinah International Airport

A BTO agreement was executed between Tibah Development and GACA on 29 October 2011, for the operation and development of existing Medinah International Airport. Through the BTO agreement Tibah Development undertook the operation of the existing Medinah International Airport as well as the design, engineering, financing, construction, testing, commissioning and maintenance of a new passenger Terminal and the required additional infrastructure. TAV Holding owns 50.00% of Tibah Development. The operations were undertaken in June 2012. The concession period will end in June 2037. The operations of the Medinah International Airport cover a wide range of airport activities such as terminal, car-park, cargo, ground handling, aircraft parking, apron and runway services and slot allocation. Tibah Development has subcontracted the operation of Medinah International Airport to Tibah Operation, of which 51% belongs to TAV Holding. The construction of Medinah International Airport were completed and the airport started its operations in April 2015.

Zagreb International Airport

A Concession Agreement was executed between ZAIC-A limited and Republic of Croatia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Holding signed a letter of intent to become 15% shareholder in the “Consortium” for the concession of Zagreb International Airport. Aviator Netherland B.V. has been established as a 15% shareholder of ZAIC-A. TAV Holding owns 100% of Aviator Netherlands B.V. Handover Date occurred in 6 December 2013 and the consortium that TAV Holding is a 15% partner took over the operations and construction site. The concession period will end in April 2042.

Antalya Airport

Fraport IC İçtas Antalya Havalimanı Terminal Yatırım ve İşletmeciliği A.Ş, was established in Turkey on 18 May 2007. The Company’s main activity is the operation of the terminal building at Antalya Airport, Southern Turkey in accordance with the Lease Agreement made with Devlet Hava Meydanları İşletmesi (“DHMI”). The terms of the lease agreement gives the Company the right to operate the present Domestic Terminal and parking lot, International Terminal I and parking lot and CIP terminal and parking lot and all the complementary units as well as the present heating center starting from 14 September 2007, and International Terminal II, Parking Lot and all the complementary units starting from 23 September 2009. The Lease Agreement between the Company and DHMI will expire on 31 December 2024 and all terminals together with their correspondent units explained above will be transferred to DHMI by then. The rent payable under the present lease is EUR 2,010,000 plus Value Added Tax (“VAT”). The Company shall pay this total sum of the rent to DHMI in cash; 3% on the date of the signature of the contract, 15% within 5 business days from 14 September 2007, 7% within 5 business days from 14 September 2008 and 5% within 5 business days.

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1. REPORTING ENTITY (continued)

BOT, BTO and Concession Agreements (continued)

Operations Contracts

BOT and BTO operations and management contracts include the following:

Terminal and airport services – The Group has the right to operate the terminals and airports as mentioned in the preceding paragraphs. This includes passenger, ramp and check-in counter services and services for parking-apron-taxi ways (for airport operations). A fee is charged to each airline based on the number of passengers that utilize the airport, based on the number of aircrafts that utilize ramps and runways and based on the number of check-in counters utilized by the airlines.

Duty free goods – The Group has the right to manage duty free operations within the terminals which the Group operates. Duty free shopping is available to both arriving and departing passengers. The duty free shops are subcontracted either to Group's joint ventures or to other companies in exchange for a commission based on sales.

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

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

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

Lounge services – The Group has the right to operate or rent the lounges to provide CIP services to the passengers who have the membership.

Bus and car parking services – The Group has the right to operate the car park and render valet parking services. Revenues from bus operations include shuttle services running from airports to city centers.

Software and system services – The Group develops software and systems on operational and financial optimization in aviation, particularly terminal, flight management system and software programs and to meet the information systems requirements of group companies and certain third parties.

Security services – The Group operates the security services within the domestic terminals.

Airline taxi services – The Group renders airline taxi services.

The Group employs 15,230 in subsidiaries (average: 15,886) and 8,950 in joint ventures (average: 9,461) excluding TAV İstanbul (31 December 2018: 14,549 in subsidiaries (average: 14,977) and 9,219 in joint ventures (average: 8,179) excluding TAV İstanbul).

TAV İstanbul employs 45 (average: 618) (31 December 2018: 2,271 (average: 3,120)) people as at 31 December 2019.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated financial statements were authorized for issue by the Board of Directors on 7 February 2020. The power to change the consolidated financial statements after the issuing of the consolidated financial statements is held by the General Assembly.

b) Basis of measurement

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

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

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2. BASIS OF PREPARATION (continued)

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.

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

Company	Functional Currency
TAV Holding	EUR
TAV İstanbul	EUR
TAV Esenboğa	EUR
TAV Ege	EUR
TAV Milas Bodrum	EUR
TAV Tunisia	EUR
TAV Tbilisi	Georgian Lari ("GEL")
TAV Batumi	GEL
Batumi Airport LLC	GEL
TAV Macedonia	EUR
TAV Gazipaşa	EUR
TAV Latvia	EUR
HAVAŞ	EUR
HAVAŞ Latvia	EUR
HAVAŞ Germany	EUR
HYT İzmir	TRL
HYT Muğla	TRL
HYT Samsun	TRL
HAVAŞ Adriatic	Croatian Kona ("HRK")
BTA	TRL
BTA Georgia	GEL
BTA Tunisia	Tunisian Dinar ("TND")
BTA Macedonia	Macedonian Denar ("MKD")
BTA France	EUR
Cakes & Bakes	TRL
BTA Tedarik	TRL
BTA Denizyolları	TRL
BTA Latvia	EUR
BTA Uluslararası Yiyecek	TRL
BTA MZLZ	HRK
BTU Lokum	TRL
BTU Gıda	TRL
TAV İşletme Georgia	GEL
TAV İşletme Tunisia	TND
TAV İşletme Tunisia Plus	TND
TAV İşletme Macedonia	MKD
TAV İşletme Germany	EUR
TAV İşletme Latvia	EUR
TAV İşletme Kenya	Kenyan Shilling ("KES")
TAV İşletme America	USD
TAV İşletme Washington	USD
TAV İşletme New York	USD
GIS Spain	EUR

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2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

Company	Functional Currency
GIS France	EUR
GIS Germany	EUR
GIS Italy	EUR
GIS Mexico	Mexican Peso ("MEX")
GIS Argentina	Argentine Peso ("ARS")
GIS Brazil	Brazilian Real ("BRL")
GIS Colombia	Colombian Peso ("COP")
TAV Havacılık	USD
TAV Bilişim	USD
TAV IT Saudi	Saudi Arabian Riyal ("SAR")
TAV IT Netherlands	EUR
TAV Güvenlik	TRL
TAV Akademi	TRL
TAV Aviation Minds	USD
Aviator Netherlands	EUR
TAV Uluslararası Yatırım	EUR
ATU	EUR
ATU Georgia	GEL
ATU Tunisia	EUR
ATU Macedonia	EUR
ATU Latvia	EUR
ATU Tunisia Duty Free	EUR
ATU Medinah	SAR
ATU Americas	USD
ATU Mağazacılık	TRL
ATU Uluslararası Mağazacılık	EUR
ATU Holdings	USD
TAV Gözen	USD
TGS	TRL
Saudi HAVAŞ	SAR
BTA Medinah	SAR
BS Kahve	TRL
Tibah Development	SAR
Tibah Operation	SAR
TAV İşletme Chile	Chilean Peso ("CLP")
TAV İşletme Saudi	SAR
TAV Antalya	EUR
ZAIC-A	EUR
MZLZ	HRK
MZLZ Operation	HRK
AMS	HRK
Medinah Hotel	SAR

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

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

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2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgements (continued)

Note 3(e) – mark-up applied to construction cost incurred under IFRIC 12 "Service Concession Arrangements".

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period are included in the following notes:

Note 3, 13 and 14 – useful lives of property and equipment and intangible assets

Note 14 – key assumptions used in discounted cash flow projections

Note 18 – utilisation of tax losses and tax incentives

Note 27 – measurement of reserve for employee severance indemnity

Note 32 and 33 – valuation of financial instruments

A valuation for the fair values of TAV Tunisia as a separate cash-generating unit ("CGU") was performed by the Company management. The income approach (discounted cash flow method) was used to determine the fair value of TAV Tunusia.

A business plan with a duration until end of concession term (May 2047) prepared by the management of TAV Tunusia and it was used in the valuation of company. The growth in business plan of TAV Tunisia is driven by passenger and aircraft related projections as well as growth in commercial products related demand in the airports. The Company also assumed that current bank loans shall be restructured in 2020. The discount rates used in discounted cash flows are the weighted average cost of capitals ("WACC") of the company, with average post-tax discount rate of 8.4% during the projection period (between 2020 and 2047). Since TAV Tunisia has a limited life, terminal growth rate is not used in the valuation.

As a result of the impairment testing performed on CGU basis, no impairment loss was recognised for TAV Tunisia.

A valuation for the fair values of TAV Milas Bodrum as a separate CGU was performed by the Company management. The income approach (discounted cash flow method) was used to determine the fair value of TAV Milas Bodrum.

A business plan with a duration until end of concession term (December 2035) prepared by the management of TAV Milas Bodrum and it was used in the valuation of company. The growth in business plan of TAV Milas Bodrum is driven by passenger and aircraft related projections as well as growth in commercial products related demand in the airports. The discount rates used in discounted cash flows are the WACC of the company, with average post-tax discount rate of 9.2% during the projection period (between 2020 and 2035). Since TAV Milas Bodrum has a limited life, terminal growth rate is not used in the valuation.

As a result of the impairment testing performed on CGU basis, no impairment loss is recognized (31 December 2018: EUR 10,000 the impairment loss was reversed) for TAV Milas Bodrum (Note 15).

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities and their joint ventures.

a) Basis of consolidation

Each entity is consolidated based on the following methods:

- TAV İstanbul, TAV Esenboğa, TAV Ege, TAV Milas Bodrum, TAV Macedonia, TAV Gazipaşa, TAV Latvia, HAVAŞ, HAVAŞ Latvia, HAVAŞ Germany, HYT İzmir, HYT Muğla, HYT Samsun, HAVAŞ Adriatic, BTA, BTA Georgia, BTA Tunisia, BTA Macedonia, BTA France, Cakes & Bakes, BTA Tedarik, BTA Denizyolları, BTA Latvia, BTA Uluslararası Yiyecek, BTA MZLZ, BTU Lokum, BTU Gıda, TAV İşletme, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV İşletme New York, GIS Spain, GIS France, GIS Germany, GIS Italy, GIS Mexico, GIS Argentina, GIS Brazil, GIS Colombia, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV IT Netherlands, TAV Güvenlik, TAV Akademi, Aviator Netherlands and TAV Uluslararası Yatırım, are fully consolidated without non-controlling interest's ownership.

- TAV Tunisia, TAV Tbilisi, TAV Batumi, Batumi Airport LLC, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia and TAV Aviation Minds are fully consolidated with the non-controlling interest's ownership reflected as a non-controlling interest.

- ATU, ATU Georgia, ATU Tunisia, ATU Macedonia, ATU Latvia, ATU Tunisia Duty Free, ATU Medinah, ATU Americas, ATU Mağazacılık, ATU Uluslararası Mağazacılık, ATU Holdings, TAV Gözen, TGS, Saudi HAVAŞ, BTA Medinah, BS Kahve, Tibah Development, Tibah Operation, TAV İşletme Chile, TAV İşletme Saudi, TAV Antalya, ZAIC-A, MZLZ, MZLZ Operation, AMS and Medinah Hotel are consolidated using the equity method.

i) Business combinations:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

i) Business combinations (continued):

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii) Non-controlling interests:

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iv) Acquisitions from entities under common control:

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain / loss arising is recognised directly in equity.

v) Loss of control:

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

vi) Joint arrangements and associates:

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

Associates

Joint ventures and associates are accounted for equity method in the consolidated financial statements. Joint ventures and associates initially recognised at fair value. After initial recognition, Group's share of the profit or loss of the investee, is recorded to financial statements by increasing or decreasing the net book value. Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency (continued)

ii) Foreign operations:

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

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

The Group entities and their joint ventures use either EUR, TRL, USD, TND, MKD, GEL, HRK, SAR, CLP, KES, MXN, ARS, BRL and COP as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities or their joint ventures and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses EUR as the reporting currency. Assets and liabilities are translated by using year end foreign exchange rates. Income and expenses which are recorded to financial statements during the period are translated by using yearly average rates. Share capital and legal reserves are classified to financial statements by using their face value in the statutory financial statements. “Foreign currency translation differences” resulted by their translations are classified in the total items that will not be reclassified to profit or loss under equity.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency (continued)

ii) Foreign operations(continued):

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

c) Financial instruments

i) Non-derivative financial assets:

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(h)(i)).

Loans and receivables comprise cash and cash equivalents, restricted bank balances, trade receivables, due from related parties and guaranteed passenger fee receivable from DHMİ (Concession receivables) (see Note 21).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

i) Non-derivative financial assets (continued):

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group management of its short-term commitments.

The Group's use of Project Accounts Reserve Accounts or Funding Accounts is based on certain conditions as defined in respective loan agreements. Therefore, bank balances included in these accounts are presented as restricted bank balances in the consolidated statement of financial position.

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also accounting policy note on intangible assets below).

ii) Non-derivative financial liabilities:

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group has the following other financial liabilities: loans and borrowings, bank overdrafts, trade payables and due to related parties.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a negative component of cash and cash equivalents for the purpose of the statement of cash flows.

When measuring the fair value of a liability, the Company takes into account the effect of its own credit risk and the effect of other factors that will probably affect the settlement of the liability.

iii) Share capital:

Ordinary shares are classified as equity.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

iv) Derivative financial instruments, including hedge accounting:

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value and cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

In case of financial asset or financial liability is recognized in the financial statements as a result of forecast hedge transaction, Gain or losses accounted under other comprehensive income will be reclassed to income and loss components which will be excluded from equity for the period or periods of which cash flows subject to hedging (e.g. period which interest income or expense accounted)

In other cases, when the hedged item is not a non-financial asset, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

d) Property and equipment

i) Recognition and measurement:

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

i) Recognition and measurement (continued):

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

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

ii) Subsequent costs:

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

iii) Depreciation:

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets

i) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries and joint ventures is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Intangible assets recognised in a business combination:

Customer relationships are the intangible assets recognised during the purchase of HAVAŞ shares in years 2005 and 2007 and purchase of HAVAŞ Latvia shares in 2010 and 2011. DHMİ license is the intangible asset recognised during the purchase of HAVAŞ shares in years 2005 and 2007. In a business combination or acquisition, the acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset and its fair value can be measured reliably.

The fair values of DHMİ licence and customer relationship were determined by an independent external third party expert.

The Group applied proportionate consolidation method to account for its 60% ownership interest in HAVAŞ until 30 September 2007. Therefore, intangible assets arising from the initial acquisition of HAVAŞ were reflected by 60%, being the shareholding of the Group, in the consolidated financial statements. In accordance with IFRS 3 Business Combinations, the Group applied step acquisition during the purchase of the remaining 40% shareholding in HAVAŞ. Customer relationship and DHMİ licence were remeasured to their fair values. The fair value change attributable to 60% portion was recorded to the revaluation reserve under equity. This figure reflected the change in fair value of intangible assets which were already carried in the consolidated financial statements prior to the acquisition of the additional 40% shareholding.

iii) Internally generated software:

Internally generated software consists of airport software developed by TAV Bilişim. Internally generated software with finite useful lives is measured at cost less accumulated amortisation and impairment losses.

iv) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

v) Subsequent expenditure:

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

vi) Amortisation:

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Purchased software is amortised over estimated useful lives, which is between 3-5 years. Intangible assets recognised during acquisitions of HAVAŞ and HAVAŞ Latvia are customer relationships and DHMİ licence. Customer relationships have 5-10 years useful life and DHMİ licence has indefinite useful life since the duration of net cash inflow arising from DHMİ licence to the Company does not have any foreseeable limit. DHMİ licence is tested for impairment annually.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

vii) Service concession arrangements

IFRIC 12 Interpretation – According to service concession arrangements, entity recognize proceeds received for the construction, renovation works performed and other service lines rendered under non-current intangible asset or financial asset in the financial statements.

TAV Esenboğa is bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa has guaranteed passenger fee to be received from DHMİ. The agreement covers a period up to May 2023 for TAV Esenboğa.

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to February 2027.

A BOT agreement was executed between TAV Tunisia and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways). The concession periods of both airports will end in May 2047.

A concession agreement was executed between TAV Gazipaşa and DHMİ on 4 January 2008 for the operation of Alanya Gazipaşa Airport (air side, land side, parking-apron-taxi ways). The agreement covers a period up to May 2034.

On 24 September 2008, a BOT agreement for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport in Shtip airports was signed between TAV Macedonia and the Ministry of Transport and Communication of Macedonia. The agreement covers a period up to March 2030.

A concession agreement was executed between TAV Ege and DHMİ on 16 December 2011 for the construction and operation of the domestic terminal of İzmir Adnan Menderes Airport and for taking-over the international terminal on January 2015. The agreement covers a period up to December 2032.

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2014 for the leasing of the operating rights of the Milas Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from October 2015 to December 2035 (approximately 20 years and 2 months) and operation right of the domestic terminal starting from July 2015 to December 2035.

A concession agreement was executed between TAV Antalya and DHMİ on 14 September 2007 for the operation the present Domestic Terminal and parking lot, International Terminal I and parking lot and CIP terminal and parking lot and all the complementary units as well as the present heating center and on 23 September 2009 for International Terminal II, Parking Lot and all the complementary units. The Lease Agreement between the Company and DHMİ will expire on 31 December 2024 and all terminals together with their correspondent units explained above will be transferred to DHMI by then.

i) Intangible assets:

The Group recognises an intangible asset arising from a service concession agreement when it has a right to charge for usage of concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession agreement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV Esenboğa, TAV Gazipaşa, TAV Macedonia and TAV Ege are 0%, TAV Tbilisi and TAV Tunisia are 15% and 5% respectively.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period. Amortisation of airport operation right is calculated based on units of production method over estimated passenger figures.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets (continued)

vii) Service concession arrangements (continued)

ii) Financial assets:

The Group recognises the guaranteed passenger fee amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa. Financial assets are initially recognised at fair value and carried at discounted fair value for the subsequent periods.

f) Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment

g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make sale.

h) Impairment

i) Non-derivative financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment (continued)

ii) Non-financial assets:

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "CGU"). Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum full TRL 6,380 as at 31 December 2019 (equivalent to full EUR 959 as at 31 December 2019) (31 December 2018: full TRL 5,434 (equivalent to full EUR 902 as at 31 December 2018)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying consolidated financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 27) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

All actuarial differences are recognised immediately in other comprehensive income.

j) Provisions

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Construction revenue and expenditure: Construction revenue and expenditure are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Service concession agreements: Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

Aviation income: Aviation income is recognised based on the daily reports obtained from related airline companies for terminal service income charged to passengers, as well as for ramps utilised by aircraft and check-in counters utilised by the airlines.

Area allocation income: Area allocation income is recognised by the issuance of monthly invoices based on the contracts made for allocated areas in the terminal.

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue (continued)

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

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

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

Income from airline taxi services: Income from airline taxi services is recognised when services are provided.

l) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables) and ineffective portion of hedging instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current Tax:

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax (continued)

ii) Deferred Tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

iii) Tax exposures:

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

n) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the owners of the company by the weighted average number of ordinary shares outstanding during the period. There are no dilutive potential shares.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Segment reporting

An operating segment is a component of the Group and its joint ventures that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

p) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 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 2019. 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 2019 are as follows:

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.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i)The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:
(continued):

IFRS 16 Leases (continued)

Transition to IFRS 16:

The Group adopted IFRS 16 using the modified retrospective approach of adoption with date of initial application of 1 January 2019. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines and other office equipment) that are considered of low value.

Impact on the consolidated statement of financial position as at 31 December 2019:

	Right-of-use assets				
	Layout and development of land	**Building**	**Vehicles**	**Total**	**Lease liabilities**
1 January 2019	6,765	5,986	1,133	13,884	13,884
Additions	42,106	7,544	581	50,231	48,896
Depreciation expense	(2,781)	(1,526)	(869)	(5,176)	-
Interest expense	-	-	-	-	4,402
Payments	-	-	-	-	(7,861)
Effect of movements in exchange rates	-	(307)	-	(307)	378
31 December 2019	**46,090**	**11,697**	**845**	**58,632**	**59,699**
Lease liabilities under IAS 17	**-**	**-**	**-**	**-**	**9,819**
Total	**46,090**	**11,697**	**845**	**58,632**	**69,518**

The standard is applied for annual periods beginning on or after 1 January 2019.

Lease liabilities under IAS 17	**22,116**
Short term leasings (-)	(102)
Low value assets (-)	(76)
Finance lease liabilities (+)	11,131
Lease liabilities under IFRS 16 (before discount)	**33,069**

Lease liabilities under IFRS 16 (discounted)	**25,015**
Short term lease liabilities	4,567
Long term lease liabilities	20,448

As of 1 January 2019, the weighted average of the Group's alternative borrowing rates in all currencies is 10.75% for TRL, and 3.73% for EUR and USD.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i)The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:
(continued):

IFRS 16 Leases (continued)

Impact on the consolidated statement of profit or loss as at 31 December 2019:

	2019	IFRS 16 Effects	2019 (IFRS 16 Excluded)
Operating revenue	749,233	-	749,233
Cost of catering inventory sold	(34,404)	-	(34,404)
Cost of services rendered	(80,754)	-	(80,754)
Personnel expenses	(226,950)	-	(226,950)
Concession expenses	(3,501)	-	(3,501)
Depreciation, amortisation and impairment expenses	(99,325)	5,176	(94,149)
Other operating income	7,866	-	7,866
Other operating expenses	(131,085)	(7,861)	(138,946)
Share of profit of equity-accounted investees, net of tax	33,446	-	33,446
Operating profit	**214,526**	**(2,685)**	**211,841**
Finance income	16,857	-	16,857
Finance costs	(111,883)	4,403	(107,480)
Net finance costs	**(95,026)**	**4,403**	**(90,623)**
Profit before tax	**119,500**	**1,718**	**121,218**
Tax expense	(38,675)	(344)	(39,019)
Profit from continuing operations	**80,825**	**1,374**	**82,199**
Profit from discontinued operations	299,670	-	299,670
Profit for the period after discontinued operations	**380,495**	**1,374**	**381,869**

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i)The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:
(continued):

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019.

Overall, the amendments did not have a significant impact on the financial position or performance of the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i)The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:
(continued):

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

a. whether an entity considers uncertain tax treatments separately;
b. the assumptions an entity makes about the examination of tax treatments by taxation authorities;
c. how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
d. how an entity considers changes in facts and circumstances.

The interpretation did not have a significant impact on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019.

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

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual beginning on or after 1 January 2019.

The interpretation did not have a significant impact on financial position or performance of the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i)The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:
(continued):

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

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

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. The Group will wait until the final amendment to assess the impacts of the changes.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

Overall, the Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

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4. DETERMINATION OF FAIR VALUES

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

i) Property and equipment:

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

ii) Intangible assets:

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

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

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

iii) Trade and other receivables:

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

iv) Derivatives:

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

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

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

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4. DETERMINATION OF FAIR VALUES (continued)

v) Other non-derivative financial liabilities:

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

Fair value hierarchy:

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

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

31 December 2019	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	165,894	-
Loans and borrowings	-	(1,161,592)	-
Other payables (*)	-	(793,044)	-
Interest rate swap	-	(36,562)	-

31 December 2018	**Level 1**	**Level 2**	**Level 3**
Trade receivables	-	215,818	-
Loans and borrowings	-	(1,126,010)	-
Other payables (*)	-	(799,495)	-
Interest rate swap	-	(29,359)	-

(*) Other payables do not include advances received amounting to EUR 4,661 (31 December 2018: EUR 9,259)

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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, TAV Antalya 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, BTA France, Cakes & Bakes, BTA Tedarik, BTA Latvia, BTA Denizyolları, BTU Lokum, BTU Gıda, BTA Medinah, BS Kahve, BTA Uluslararası Yiyecek, and BTA MZLZ.

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

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

- ***Other:*** Providing lounge services, IT, security and education services, airline taxi services, the Group companies included in this segment are TAV Holding, TAV Latvia, TAV İşletme, TAV İşletme Georgia, TAV İşletme Tunisia, TAV İşletme Tunisia Plus, TAV İşletme Macedonia, TAV İşletme Germany, TAV İşletme Latvia, TAV İşletme Kenya, TAV İşletme America, TAV İşletme Washington, TAV İşletme New York, GIS Spain, GIS France, GIS Germany, GIS Italy, GIS Mexico, GIS Argentina, GIS Brazil, GIS Colombia TAV İşletme Saudi, TAV İşletme Chile, TAV Havacılık, TAV Bilişim, TAV IT Saudi, TAV Güvenlik, TAV Akademi, TAV Aviation Minds, Aviator Netherlands, ZAIC-A, ATU Holdings and Medinah Hotel.

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

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5. OPERATING SEGMENTS (continued)

Operating Segments (continued)

	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total external revenues	556,253	401,884	132,637	149,859	174,108	343,719	491,235	292,082	160,523	106,432	1,514,756	1,293,976
Inter-segment revenue	78,293	144,262	12,724	21,563	469	36	788	-	45,983	52,664	138,257	218,525
Construction revenue	788	-	-	-	-	-	-	-	-	-	788	-
Construction expenditure	(788)	-	-	-	-	-	-	-	-	-	(788)	-
Interest income	10,406	6,773	603	623	1,426	419	4,906	2,065	22,101	14,187	39,442	24,067
Interest expense	(83,233)	(82,839)	(2,849)	(1,406)	(1,235)	(154)	(8,248)	(1,527)	(15,829)	(9,830)	(111,394)	(95,756)
Depreciation and amortisation	(184,095)	(106,727)	(8,593)	(6,095)	(9,666)	(4,598)	(34,929)	(13,144)	(10,037)	(6,454)	(247,320)	(137,018)
Reportable segment operating profit / (loss)	207,227	195,956	(8,067)	2,606	12,497	31,057	49,861	58,351	12,516	1,335	274,034	289,305
Capital expenditure	96,564	11,126	24,890	13,303	41,001	1,409	55,752	30,648	21,565	37,700	239,772	94,186

	Terminal Operations		Catering Operations		Duty Free Operations		Ground Handling and Bus Operations		Other Operations		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Reportable segment assets	3,970,672	3,212,665	64,463	66,369	164,341	85,393	268,127	303,637	607,399	557,743	5,075,002	4,225,807
Reportable segment liabilities	2,645,594	2,495,394	89,280	55,632	101,265	65,999	221,762	176,086	314,422	416,756	3,372,323	3,209,867

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5. OPERATING SEGMENTS (continued)

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

Revenues	**2019**	**2018**
Total revenue for reportable segments	1,447,295	1,353,405
Other revenue	206,506	159,096
Elimination of inter-segment revenue	(138,257)	(218,525)
	1,515,544	**1,293,976**
Effect of using the equity method for joint ventures	(766,311)	(596,631)
Consolidated revenue	**749,233**	**697,345**

Operating profit	**2019**	**2018**
Segment operating profit	261,518	260,195
Other operating profit	12,516	29,110
Elimination of inter-segment operating loss	(193)	(561)
	273,841	**288,744**
Effect of using the equity method for joint ventures	(59,315)	(63,316)
Consolidated operating profit	**214,526**	**225,428**
Finance income	16,857	12,389
Finance expense	(111,883)	(130,083)
Consolidated profit before tax	**119,500**	**107,734**

Assets	**31 December 2019**	**31 December 2018**
Total assets for reportable segments	4,467,603	3,668,064
Other assets	607,399	557,743
	5,075,002	**4,225,807**
Effect of using the equity method for joint ventures	(1,232,212)	(774,496)
Consolidated total assets	**3,842,790**	**3,451,311**

Liabilities	**31 December 2019**	**31 December 2018**
Total liabilities for reportable segments	3,057,901	2,793,111
Other liabilities	314,422	416,756
	3,372,323	**3,209,867**
Effect of using the equity method for joint ventures	(839,094)	(790,368)
Consolidated total liabilities	**2,533,229**	**2,419,499**

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5. OPERATING SEGMENTS (continued)

Interest income	**2019**	**2018**
Total interest income for reportable segments	17,341	9,880
Other interest income	22,101	14,187
Elimination of inter-segment interest income	(20,191)	(9,238)
	19,251	**14,829**
Effect of using the equity method for joint ventures	(5,713)	(2,440)
Consolidated interest income	**13,538**	**12,389**

Interest expense	**2019**	**2018**
Total interest expense for reportable segments	(95,565)	(85,926)
Other interest expense	(15,829)	(9,830)
Elimination of inter-segment interest expense	19,909	9,173
	(91,485)	**(86,583)**
Effect of using the equity method for joint ventures	21,450	17,680
Consolidated interest expense	**(70,035)**	**(68,903)**

Geographical information

The main geographical segments of the Group and its joint ventures are comprised of Turkey, Georgia, Tunisia, Macedonia, Latvia, Oman, Spain and Saudi Arabia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of revenue. Segment assets are based on the geographical location of the assets.

Revenue	**2019**	**2018**
Turkey	427,185	481,027
Georgia	97,565	87,272
Tunisia	46,604	29,478
Macedonia	37,912	29,183
Latvia	29,650	27,854
Oman	29,611	20,974
Spain	20,091	-
Saudi Arabia	13,607	14,695
Other	47,008	6,862
Consolidated revenue	**749,233**	**697,345**

Non-current assets	**31 December 2019**	**31 December 2018**
Turkey	2,122,637	1,993,617
Tunisia	462,240	399,142
Georgia	72,506	68,461
Macedonia	54,157	55,833
Oman	12,701	15,441
Latvia	4,903	521
Spain	3,716	-
Saudi Arabia	1,943	2,638
Other	29,935	9,440
Consolidated non-current assets	**2,764,738**	**2,545,093**

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6. OPERATING REVENUE

An analysis of the Group's operating revenue for the year ended 31 December is as follows:

	2019	**2018**
Ground handling income	188,693	157,292
Aviation income	186,736	172,465
Catering services income	110,525	108,027
Income from lounge services	62,436	41,164
Commission from sales of duty free goods	45,337	39,700
Software sales income	29,917	28,515
Area allocation income	27,404	33,646
Income from car parking operations and valet service income	18,729	16,471
Bus services income	12,397	13,726
Rent income from sublease	9,581	19,419
Security services income	9,554	8,046
Operating financial revenue	8,560	9,925
Loyalty card income	5,826	8,712
Advertising income	5,350	6,560
Utility and general participation income	3,969	2,536
Hotel and reservation income	2,348	7,594
Other operating revenue	21,871	23,547
Total operating revenue	**749,233**	**697,345**

7. PERSONNEL EXPENSES

An analysis of the Group's personnel expenses for the years ended 31 December is as follows:

	2019	**2018**
Wages and salaries	183,069	152,119
Compulsory social security contributions	17,288	16,481
Employee severance indemnity expenses	1,772	1,993
Other personnel expenses	24,821	29,228
Total personnel expenses	**226,950**	**199,821**

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8. CONCESSION EXPENSES

An analysis of the Group's concession expenses for the years ended 31 December is as follows:

	2019	2018
TAV Tunisia (*)	2,061	5,761
TAV Macedonia (**)	1,440	1,181
Total concession expenses	**3,501**	**6,942**

Concession rent expense is related with TAV Tunisia and TAV Macedonia.

(*) 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 5% and 39% of the annual revenues (Note 28).

(**) 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.

9. OTHER OPERATING EXPENSES

An analysis of the Group's other operating expenses for the years ended 31 December is as follows:

	2019	2018
Rent expense	28,633	16,227
Consultancy expense	13,770	18,435
Utility cost	13,622	10,633
Maintenance expenditures	11,634	8,911
Cleaning expense	7,648	6,087
Provision expenses	6,360	2,008
Insurance expense	6,245	5,819
Traveling and transportation expenses	5,660	6,474
Taxes	3,478	4,238
VAT non-recoverable	3,283	3,078
Security cost	3,096	3,063
Advertisement and marketing expenses	2,406	2,234
Communication and stationary expenses	2,383	2,218
Representation expenses	1,686	1,603
Commission and license expense	1,147	1,847
Other operating expenses	20,034	36,100
Total other operating expenses	**131,085**	**128,975**

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10. DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

An analysis of the Group's accumulated depreciation, amortisation and impairment for the years ended 31 December is as follows:

	2019	2018
Airport operation right	63,905	60,066
Property and equipment	27,585	20,300
Right of use asset	5,176	-
Intangible assets	2,659	2,575
Impairment of aircraft	-	1,381
Reversal of impairment of airport operation right	-	(10,000)
Total depreciation, amortisation and impairment expenses	**99,325**	**74,322**

11. FINANCE INCOME AND FINANCE COSTS

Recognised in profit or loss

An analysis of the Group's finance income and finance costs for the years ended 31 December is as follows:

	2019	2018
Interest income on bank deposits and intercompany loans	13,538	12,389
Foreign exchange gain, net	3,243	-
Discount income	76	-
Finance income	**16,857**	**12,389**
Interest expense on financial liabilities and intercompany loans	(70,035)	(68,903)
Discount expense (*)	(32,394)	(33,527)
Commission expense	(2,091)	(1,392)
Interest expense provision on employee benefit obligation	(1,720)	(1,228)
Foreign exchange loss, net	-	(19,233)
Other finance costs (**)	(5,643)	(5,800)
Finance costs	**(111,883)**	**(130,083)**
Net finance costs	**(95,026)**	**(117,694)**

(*) Discount expense is related with the unwinding of discount on concession payables amounting to EUR 32,394 as of 31 December 2019 (31 December 2018: EUR 33,527).

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

Recognised in other comprehensive income

	2019	2018
Effective portion of changes in fair value of cash flow hedges	(647)	12,227
Portion of cash flow hedges charged to profit or loss	(8,104)	(8,436)
Foreign currency translation differences for foreign operations	31,087	(5,744)
Tax on cash flow hedge reserves	1,363	(1,441)
Finance costs recognised in other comprehensive income, net of tax	**23,699**	**(3,394)**

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12. TAX EXPENSE

An analysis of the Group's tax expense for the years ended 31 December is as follows:

Tax recognised in profit or loss

	2019	2018
Current tax expense		
Current year tax expense	22,500	20,248
	22,500	20,248
Deferred tax benefit		
Origination and reversal of temporary differences	14,550	4,942
Change in previously recognised investment incentives	1,625	1,169
Change in previously recognised tax losses	-	170
	16,175	6,281
Total tax expense	**38,675**	**26,529**

Tax recognised in other comprehensive income

	2019			2018		
	Before tax	Tax benefit	Net of tax	Before tax	Tax (expense) / benefit	Net of tax
Foreign currency translation differences for foreign operations	31,087	-	31,087	(5,744)	-	(5,744)
Effective portion of changes in fair value of cash flow hedges	(406)	1,363	957	6,764	(1,441)	5,323
Defined benefit obligation actuarial differences	(9,283)	1,583	(7,700)	(7,444)	1,489	(5,955)
Other comprehensive income from equity accounted investees	(15,790)	1,899	(13,891)	(11,473)	324	(11,149)
	5,608	**4,845**	**10,453**	**(17,897)**	**372**	**(17,525)**

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12. TAX EXPENSE (continued)

Reconciliation of effective tax rate

The reported tax expenses for the years ended 31 December 2019 and 2018 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:

	%	2019	%	2018
Profit before tax from continuing operations		119,500		107,734
Profit before tax from discontinued operations		387,170		243,708
Profit before tax		**506,670**		**351,442**
Tax using the Company's domestic tax rate	22	111,467	22	77,317
Tax effects of:				
- non-deductible expenses	-	952	-	1,571
- translation of non-monetary items according to IAS 21	1	2,763	5	14,615
- change in previously recognised investment incentives	-	1,625	(1)	(2,293)
- tax exempt income	-	(1,798)	(1)	(2,844)
- used tax loss carry forwards which no deferred tax asset is recognised	-	(150)	-	(917)
- current year losses for which no deferred tax asset is recognised	2	9,399	5	16,597
- effect of different tax rates for foreign jurisdictions	(1)	(4,665)	(2)	(5,550)
- adjustment for equity accounted investees	(1)	(6,358)	(3)	(10,155)
- adjustments related to tax legislation of subsidiaries which is in foreign countries	2	10,476	-	-
- other consolidation adjustments	-	2,464	(1)	(3,056)
Tax expense	**25**	**126,175**	**24**	**85,285**
Total tax expense from continuing operations		**38,675**		**26,529**
Total tax expense from discontinued operations		**87,500**		**58,756**

Corporate tax:

	2019	2018
Corporate tax provision from continuing operations	22,500	20,248
Corporate tax provision from discontinued operations	89,378	62,720
Corporate tax provision	111,878	82,968
Add: taxes payable from previous year	11,405	19,767
Less: corporation taxes paid during the year	(24,644)	(91,330)
Current tax liabilities	**98,639**	**11,405**

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12. TAX EXPENSE (continued)

Corporate tax (continued):

Turkey

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilised.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax (CIT) rate at 31 December 2019 is 22% (31 December 2018: 22%). Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In accordance with the Law No. 7061 which is published on 5 December 2018 in the official gazette numbered 30261, the rate of the Corporate Tax, which is 20% according to the provisional article 10 added to the Corporate Tax Law (KVK), will be applied as 22% in 2018, 2019 and 2020 for all the taxpayers. The tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Georgia

Georgian corporate income tax is levied at a rate of 15% on income less deductible expenses. A new corporate tax treatment, which entered into effect as from 1 January 2018, has been introduced in Georgia. According to the new rule, the corporate tax liability will raise when the profit is distributed. There is no change on the corporate tax rate.

Tunisia

Tunisian corporate income tax is levied at a rate of 25% on income less deductible expenses (31 December 2018: 25%).

Macedonia

Macedonian corporate income tax is levied at a rate of 10% on income less deductible expenses as from 2014 onwards (including determination of 2014 CIT). Losses can be carried forward for 3 years provided that the accumulated accounting losses are covered by the accumulated profits.

Latvia

Latvian corporate income is levied at a rate of 20% on income less deductible expenses as of 2019. According to the new rule, the corporate tax liability will raise when the profit is distributed.

Germany

German corporate income is levied at a rate of 15% on income less deductible expenses. However municipalities impose a trade tax on income. Taking into account the various municipality multipliers, the combined average tax rate for corporations ranges from approximately 23% to 33%.

Kenya

Kenyan corporate income tax is levied at a rate of 30% on income less deductible expenses.

United States

American federal corporate income tax is levied at a rate of 21% on income less deductible expenses.

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12. TAX EXPENSE (continued)

Corporate tax (continued):

Saudi Arabia

Under the Saudi Arabian tax and zakat regulations, tax / zakat status of a resident company is determined based on the nationality of its shareholders. TAV IT Saudi's all shareholders are incorporated outside GCC. So, it is subject to income tax at 20% over the gross income less allowable expenses under the law (the adjusted net profit for the year). Tax losses can be carried forward indefinitely in Saudi Arabia. However, maximum limit of the brought forward loss that can be deducted from the taxable profit for the year is 25% of the taxable profit.

Oman

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

Chile

In the Chile, due to the tax reform as of year 2018 there are two income tax systems which are elective for tax payers (where certain requirements satisfied):

Attributed income system (AIS): Corporate tax rate is 25% for entities subject to the AIS. Also, there is additional WHT of %35 regardless of whether a dividend was effectively distributed or not, with a 100% tax credit for the FCT paid at the attributing entity's level. Total tax burden is %35 for this system.

Partially integrated system (PIS): Corporate tax rate is 25,5% for entities subject to the PIS in 2018 and 27% in 2018. Also, there is additional WHT of %35 final taxes upon effective distribution of profits, with a tax credit of 65% of the FCT paid at the entity level. Total tax burden is %44,45 for this system.

France

France corporate income tax is levied at a rate of 33,3% on income less deductible expenses.

Spain

Spain corporate income tax is levied at a rate of 25% on income less deductible expenses.

Italy

Italy corporate income tax is levied at a rate of 24% on income less deductible expenses.

Mexico

Mexico corporate income tax is levied at a rate of 30% on income less deductible expenses.

Argentina

Argentina corporate income tax is levied at a rate of 30% on income less deductible expenses.

Colombia

Colombia corporate income tax is levied at a rate of 33% on income less deductible expenses.

Brazil

Brazil corporate income tax is levied at a rate of 34% on income less deductible expenses.

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12. TAX EXPENSE (continued)

Investment allowance:

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

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

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

The Article 5 of the Law no. 6009 "Law on the Amendment of the Income Tax Law and Certain Laws and Decree Laws" which was promulgated in the Official Gazette on 1 August 2010 regulated the amount of investment incentive to be benefited in computing the corporate tax base after the cancellation of the Article no.2 of the Law no. 5479. According to the Law no. 6009, the taxpayers were allowed to benefit from the investment incentive stemming from the periods before the promulgation of the Law no. 5479, up to 25% of the taxable income of the respective tax period. Such change is effective including the fiscal year ending on 31 December 2011.

However, on 9 February 2012, the Turkish Constitutional Court decided to cancel the Article 5 of the Law no. 6009 and stay of execution of the article was promulgated in the Official Gazette no. 28208 dated 18 February 2012. Accordingly, taxpayers are allowed to benefit from the investment incentive without any limitation. The annulment of the article was promulgated in the Official Gazette no. 28719 dated 26 July 2013.

Income withholding tax:

According to Corporate Tax Law code numbered 5520 article 15, companies who are resident in Turkey, should calculate 15% income withholding tax on dividends distributed to non-resident companies, individuals and resident individuals. Where there is a tax treaty between Turkey and the country of the dividend recipient is a resident taxpayer, the applicable rate might be less than the local rate. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer pricing regulations:

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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13. PROPERTY AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
Cost								
Balance at 1 January 2018	**159**	**226**	**86,123**	**43,985**	**48,207**	**274,362**	**2,917**	**455,979**
Effect of movements in exchange rates	2	(5)	(740)	(173)	(3,294)	4,155	(1,789)	(1,844)
Additions (*)	800	21,878	11,393	3,045	17,252	24,542	11,416	90,326
Disposals	-	-	(2,189)	(2,063)	(1,053)	(29)	(313)	(5,647)
Transfers (**)	-	-	48	495	1,887	8,203	(7,671)	2,962
Balance at 31 December 2018	**961**	**22,099**	**94,635**	**45,289**	**62,999**	**311,233**	**4,560**	**541,776**
Balance at 1 January 2019	**961**	**22,099**	**94,635**	**45,289**	**62,999**	**311,233**	**4,560**	**541,776**
Effect of movements in exchange rates	(77)	(713)	(258)	(5)	(965)	(2,746)	37	(4,727)
Additions (*)	-	1,393	9,694	5,961	8,331	21,702	18,519	65,600
Disposals	-	-	(2,281)	(2,894)	(7,550)	(225,864)	(61)	(238,650)
Transfers (**)	-	-	397	-	(1,542)	15,409	(17,226)	(2,962)
Acquisitions through business combinations	-	-	353	53	7,806	2,423	-	10,635
Balance at 31 December 2019	**884**	**22,779**	**102,540**	**48,404**	**69,079**	**122,157**	**5,829**	**371,672**

(*) There is no capitalised borrowing cost on property and equipment during 2019 (31 December 2018: None). In year 2019, additions to property and equipment has not been purchased by financial leasing (31 December 2018: EUR 134).

(**) Transfer amounting to EUR 2,962 comprises transfer to airport operation right as at 31 December 2019 (31 December 2018: (EUR 2,962) comprises transfer from airport operation right).

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13. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leaseholds improvements	Construction in progress	Total
Accumulated depreciation								
Balance at 1 January 2018	**-**	**180**	**59,804**	**15,889**	**29,445**	**158,297**	**-**	**263,615**
Effect of movements in exchange rates	-	2	(927)	(310)	(2,705)	376	-	(3,564)
Depreciation for the year	-	305	3,943	3,314	6,669	39,130	-	53,361
Disposals	-	-	(1,731)	(1,969)	(628)	(25)	-	(4,353)
Impairment losses	-	-	-	1,381	-	-	-	1,381
Balance at 31 December 2018	**-**	**487**	**61,089**	**18,305**	**32,781**	**197,778**	**-**	**310,440**
Balance at 1 January 2019	**-**	**487**	**61,089**	**18,305**	**32,781**	**197,778**	**-**	**310,440**
Effect of movements in exchange rates	-	(45)	(196)	(89)	(2,091)	125	-	(2,296)
Depreciation for the year	-	455	4,843	5,311	6,887	66,645	-	84,141
Disposals	-	-	(2,032)	(1,374)	(7,219)	(223,537)	-	(234,162)
Acquisitions through business combinations	-	-	220	39	5,863	1,698	-	7,820
Balance at 31 December 2019	**-**	**897**	**63,924**	**22,192**	**36,221**	**42,709**	**-**	**165,943**
Carrying amounts								
At 31 December 2018	**961**	**21,612**	**33,546**	**26,984**	**30,218**	**113,455**	**4,560**	**231,336**
At 31 December 2019	**884**	**21,882**	**38,616**	**26,212**	**32,858**	**79,448**	**5,829**	**205,729**

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14. INTANGIBLE ASSETS

	Purchased software and brandmarks	Internally generated software	Customer relationships	DHMİ license	Total
Cost					
Balance at 1 January 2018	**22,238**	**4,149**	**26,194**	**5,324**	**57,905**
Effect of movements in exchange rates	(63)	-	-	-	(63)
Additions	1,712	-	75	-	1,787
Disposals	(358)	-	-	-	(358)
Balance at 31 December 2018	**23,529**	**4,149**	**26,269**	**5,324**	**59,271**
Balance at 1 January 2019	**23,529**	**4,149**	**26,269**	**5,324**	**59,271**
Effect of movements in exchange rates	(374)	104	(238)	-	(508)
Additions	1,758	-	-	-	1,758
Disposals	(4,206)	-	-	-	(4,206)
Acquisitions through business combinations	3,654	-	2,047	-	5,701
Balance at 31 December 2019	**24,361**	**4,253**	**28,078**	**5,324**	**62,016**
Accumulated amortisation					
Balance at 1 January 2018	**17,071**	**3,310**	**25,721**	**-**	**46,102**
Effect of movements in exchange rates	(301)	-	-	-	(301)
Amortisation for the year	1,871	527	432	-	2,830
Disposals	(349)	-	-	-	(349)
Balance at 31 December 2018	**18,292**	**3,837**	**26,153**	**-**	**48,282**
Balance at 1 January 2019	**18,292**	**3,837**	**26,153**	**-**	**48,282**
Effect of movements in exchange rates	(154)	96	(219)	-	(277)
Amortisation for the year	2,212	320	288	-	2,820
Disposals	(4,102)	-	-	-	(4,102)
Acquisitions through business combinations	1,704	-	-	-	1,704
Balance at 31 December 2019	**17,952**	**4,253**	**26,222**	**-**	**48,427**
Carrying amounts					
At 31 December 2018	**5,237**	**312**	**116**	**5,324**	**10,989**
At 31 December 2019	**6,409**	**-**	**1,856**	**5,324**	**13,589**

(*) There is no transfer amount from construction in progress as of 31 December 2019 (31 December 2018: None).

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14. INTANGIBLE ASSETS (continued)

DHMİ licenses acquired through the purchase of HAVAŞ shares in years 2005 and 2007 were recognised with indefinite useful lives since there is no foreseeable limit to the period over which they are expected to generate net cash inflows. The useful life of DHMİ license associated with the acquisition of HAVAŞ was deemed indefinite since;

- without these licenses ground handling companies could not operate,
- it is difficult to obtain the licence, which requires high pre-operational costs and procurement of workforce and equipment required to deliver ground handling services
- the continuity of the license requires low annual payments compared to initial license cost.

The replacement cost method was used in order to determine the fair value of the DHMİ licences for impairment testing. As a result of the impairment testing no impairment was recognized.

Goodwill

An analysis of goodwill as at 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Balance at 1 January	135,980	136,050
Addition during the year	1,774	-
Effect of movements in exchange rates	(66)	(70)
Balance at the end of the year	**137,688**	**135,980**

Goodwill is related with the CGU's HAVAŞ, TAV Tbilisi and GIS Spain as at 31 December 2019 (31 December 2018: HAVAŞ and TAV Tbilisi).

Impairment testing for CGU's

For the purpose of impairment testing, goodwill is allocated to CGU's. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	31 December 2019	31 December 2018
HAVAŞ	131,565	131,565
TAV Tbilisi	3,858	3,858
GIS Spain	1,094	-
Other	1,171	557
	137,688	**135,980**

A valuation for the fair values of HAVAŞ, TAV Tbilisi and GIS Spain as three separate CGU's was performed by an independent valuation expert. The income and market approaches were used to determine the fair values of HAVAŞ, TAV Tbilisi and GIS Spain. In the analysis, income approach (discounted cash flow method) was mostly used, with lower weightings applied to the value of HAVAŞ, TAV Tbilisi and GIS Spain resulting from the Guideline Transaction and Company methods.

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14. INTANGIBLE ASSETS (continued)

Impairment testing for CGU's (continued)

25-year business plan prepared by the management for HAVAŞ, 13-year business plan prepared by the management for TAV Tbilisi and 7-year business plan prepared by the management for GIS Spain were used in the valuation of companies. The growth in business plan of HAVAŞ, TAV Tbilisi and GIS Spain is driven by the opportunities in companies' businesses and addition of new customers.

As a result of the impairment testing performed on CGU basis, no impairment loss was recognised for HAVAŞ, TAV Tbilisi and GIS Spain as at 31 December 2019.

Key assumptions used in discounted cash flow projections

Key assumptions used in calculation of recoverable amounts are discount rates and terminal growth rates. These assumptions are as follows:

	31 December 2019	
	Pre-tax discount rate	Terminal growth rate
HAVAŞ	15.8%	2.0%
TAV Tbilisi	21.5%	-
GIS Spain	13.0%	2.0%

	31 December 2018	
	Pre-tax discount rate	Terminal growth rate
HAVAŞ	15.9%	2.0%
TAV Tbilisi	21.0%	-

Discount rate

The discount rates used in discounted cash flows are the weighted average cost of capitals ("WACC") of the companies.

Terminal growth rate for HAVAŞ is determined as 2.0% and GIS Spain as 2.0%. Since TAV Tbilisi has a limited life, terminal growth rate is not used in the valuation.

Market Approach

The Guideline Transaction Method utilises valuation multiples based on actual transactions that have occurred in the subject company's industry. These derived multiples are then applied to the appropriate operating data of the subject company to arrive at an indication of fair market value. Guideline Company Method focuses on comparing the subject company to guideline publicly-traded companies.

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15. AIRPORT OPERATION RIGHT

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Alanya Gazipaşa Airport	Skopje International Airport	Milas Bodrum Airport	Total
Cost							
Balance at 1 January 2018	**773,654**	**107,611**	**519,192**	**45,700**	**86,736**	**490,463**	**2,023,356**
Effect of movements in exchange rates	-	1,906	-	-	-	-	1,906
Additions (*)	-	-	325	-	-	-	325
Transfers	-	-	(2,962)	-	-	-	(2,962)
Balance at 31 December 2018	**773,654**	**109,517**	**516,555**	**45,700**	**86,736**	**490,463**	**2,022,625**
Balance at 1 January 2019	**773,654**	**109,517**	**516,555**	**45,700**	**86,736**	**490,463**	**2,022,625**
Effect of movements in exchange rates	-	(4,715)	-	-	-	-	(4,715)
Additions (*)	-	-	78,933	-	-	-	78,933
Transfers	2,962	-	-	-	-	-	2,962
Balance at 31 December 2019	**776,616**	**104,802**	**595,488**	**45,700**	**86,736**	**490,463**	**2,099,805**

(*) There is no capitalised borrowing cost on airport operation right during 2019 (31 December 2018: None).

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15. AIRPORT OPERATION RIGHT (continued)

	İzmir Adnan Menderes International Airport	Tbilisi International Airport	Enfidha International Airport	Alanya Gazipaşa Airport	Skopje International Airport	Milas Bodrum Airport	Total
Accumulated amortisation							
Balance at 1 January 2018	**166,266**	**39,919**	**108,597**	**9,351**	**29,301**	**52,288**	**405,722**
Effect of movements in exchange rates	-	286	-	-	-	-	286
Amortisation for the year	25,769	5,886	13,868	1,019	3,783	9,741	60,066
Reversal of impairment losses (Note 2)	-	-	-	-	-	(10,000)	(10,000)
Balance at 31 December 2018	**192,035**	**46,091**	**122,465**	**10,370**	**33,084**	**52,029**	**456,074**
Balance at 1 January 2019	**192,035**	**46,091**	**122,465**	**10,370**	**33,084**	**52,029**	**456,074**
Effect of movements in exchange rates	-	(2,031)	-	-	-	-	(2,031)
Amortisation for the year	27,784	5,516	12,845	1,104	4,225	12,431	63,905
Balance at 31 December 2019	**219,819**	**49,576**	**135,310**	**11,474**	**37,309**	**64,460**	**517,948**
Carrying amounts							
At 31 December 2018	**581,619**	**63,426**	**394,090**	**35,330**	**53,652**	**438,434**	**1,566,551**
At 31 December 2019	**556,797**	**55,226**	**460,178**	**34,226**	**49,427**	**426,003**	**1,581,857**

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16. RIGHT OF USE ASSETS

	Right-of-use assets			
	Layout and development of land	Building	Vehicles	Total
1 January 2019	6,765	5,986	1,133	13,884
Additions	42,106	7,544	581	50,231
Depreciation expense	(2,781)	(1,526)	(869)	(5,176)
Effect of movements in exchange rates	-	(307)	-	(307)
31 December 2019	**46,090**	**11,697**	**845**	**58,632**

The Group, as a lessee, has recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. The transition effect of the Group in accordance with IFRS 16 is explained in Note 3.p.

17. PREPAID CONCESSION AND RENT EXPENSES

An analysis of the Group's prepaid rent expenses as at 31 December 2019 and 2018 are as follows:

31 December 2019	Concession and rent	Prepaid development expenditures	Total
Balance at 31 December 2018	**39,176**	**6,191**	**45,367**
Effect of discontinued operations	(39,176)	(6,191)	(45,367)
Balance at 31 December 2019	**-**	**-**	**-**
Represented as current prepaid concession and rent expense	**-**	**-**	**-**
Represented as non-current prepaid concession and rent expense	**-**	**-**	**-**

31 December 2018	Concession and rent	Prepaid development expenditures	Total
Balance at 31 December 2017	**68,576**	**9,269**	**77,845**
Concession and rent payments	116,042	-	116,042
Current year rent expense – TAV İstanbul	(145,442)	(3,078)	(148,520)
Balance at 31 December 2018	**39,176**	**6,191**	**45,367**
Represented as current prepaid concession and rent expense	**39,176**	**3,078**	**42,254**
Represented as non-current prepaid concession and rent expense	**-**	**3,113**	**3,113**

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18. DEFERRED TAX ASSETS AND LIABILITIES

The Group recognises deferred tax assets and liabilities in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

The tax rate has changed from 20% since 1 January, 2018 within 3 years (in 2018, 2019 and 2020) in Turkey, due to this change 22% tax rate is used for temporary differences expected to close. However, since the corporate tax rate is 20% after 2020, %20 tax rate is used after 2020.

The rate of 25% for subsidiaries in Tunisia (31 December 2018: 25%) and the rate of 10% for subsidiaries in Macedonia (31 December 2018: 10%) are used.

Recognised deferred tax assets and liabilities

As at 31 December 2019 and 2018, deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Property and equipment, airport operation right, and intangible assets	2,887	579	(28,849)	(24,437)	(25,962)	(23,858)
Trade and other receivables and payables	3,067	640	(839)	(547)	2,228	93
Derivatives	7,155	5,917	-	(6)	7,155	5,911
Loans and borrowings	-	26	(2,922)	(1,992)	(2,922)	(1,966)
Reserve for employee severance indemnity	2,556	4,470	-	-	2,556	4,470
Provisions	627	883	-	-	627	883
Investment incentives	21,982	28,667	-	-	21,982	28,667
IFRS 16 Liabilities	11,746	-	-	-	11,746	-
Adjustments related to tax legislation of subsidiaries which is in foreign countries	-	-	(9,108)	-	(9,108)	-
Other items	-	2,781	(2,398)	(358)	(2,398)	2,423
Deferred tax assets / (liabilities)	**50,020**	**43,963**	**(44,116)**	**(27,340)**	**5,904**	**16,623**
Set-off of tax	(23,410)	(14,796)	23,410	14,796	-	-
Net deferred tax assets / (liabilities)	**26,610**	**29,167**	**(20,706)**	**(12,544)**	**5,904**	**16,623**

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18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements in temporary differences during the year

	Balance at 31 December 2017	Recognised in profit or loss	Recognised in other comprehensive income	Effect of changes in foreign exchange rate	Effect of discontinued activities	Balance at 31 December 2018	Recognised in profit or loss	Effect of acquisition	Recognised in other comprehensive income	Effect of changes in foreign exchange rate	Effect of discontinued activities	Balance at 31 December 2019
Property and equipment, airport operation right and other intangible assets	(23,346)	(3,797)	-	(165)	3,450	(23,858)	(6,265)	(47)	-	(1,067)	5,275	(25,962)
Trade and other receivables and payables	441	(612)	-	-	264	93	1,490	-	-	1	644	2,228
Derivatives	7,844	(144)	(1,441)	-	(348)	5,911	-	-	1,363	(2)	(117)	7,155
Loans and borrowings	(1,917)	(50)	-	-	1	(1,966)	(955)	-	-	(1)	-	(2,922)
Reserve for employee severance indemnity	4,683	(632)	1,489	-	(1,070)	4,470	(1,314)	97	1,583	181	(2,461)	2,556
Provisions	960	10	-	-	(87)	883	(79)	17	-	(8)	(186)	627
Tax loss carry-forwards	170	(170)	-	-	-	-	-	-	-	-	-	-
Investment incentives	29,836	(1,169)	-	-	-	28,667	(6,685)	-	-	-	-	21,982
IFRS 16 liabilities	-	-	-	-	-	-	10,583	-	-	1,163	-	11,746
Provision for tax	-	-	-	-	-	-	(9,108)	-	-	-	-	(9,108)
Other items	399	283	-	(13)	1,754	2,423	(3,842)	(499)	-	797	(1,277)	(2,398)
Tax assets / (liabilities)	**19,070**	**(6,281)**	**48**	**(178)**	**3,964**	**16,623**	**(16,175)**	**(432)**	**2,946**	**1,064**	**1,878**	**5,904**

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18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

At the reporting date, the Group has unused tax losses of EUR 325,127 (31 December 2018: EUR 265,134) available for offset against future profits. Tax losses can be carried forward for five years under the current tax legislation adopted in Turkey. Deferred tax asset related with the tax losses is not recognised as at 31 December 2019 (31 December 2018: not recognised), since it is not assessed as probable that sufficient future taxable profits will be available, through increase in passenger numbers and improved operational performance in the following years. Total unused tax loss carry forwards will expire as follows:

	31 December 2019	31 December 2018
Expire in year 2019	-	25,789
Expire in year 2020	32,659	28,282
Expire in year 2021	28,151	30,005
Expire in year 2022	55,128	52,731
Expire in year 2023 and after	209,189	128,327
Total	**325,127**	**265,134**

As per the annulment decision of the Turkish Constitutional Court (see Note 12) in 2012, TAV Esenboğa and TAV Ege, consolidated subsidiaries of the Group, are subject to investment allowance ruling and can use their available allowances to reduce their taxable corporate income without any time limitations. Accordingly, deferred tax asset amounting to EUR 21,982 (31 December 2018: EUR 28,667) on such investment allowance of TAV Esenboğa and TAV Ege is recorded in the accompanying consolidated financial statements as at 31 December 2019 since it is assessed as probable that TAV Esenboğa and TAV Ege will use their right of deducting investment allowances from their corporate income after deducting carry forward tax losses to the extent that sufficient future taxable profits will be available till the end of their concession periods.

Unrecognised deferred tax assets and liabilities

Unrecognised deferred tax assets related to tax-loss carry forwards as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Unrecognised deferred tax assets	77,390	63,381
	77,390	**63,381**

Deferred tax assets have not been recognised in respect of the tax loss carry forwards where it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from till the end of concession periods.

As at 31 December 2019, a deferred tax liability of EUR 140,523 (31 December 2018: EUR 119,908) related to investments in subsidiaries and joint ventures was not recognised since it is not assessed as probable that the temporary difference will reverse in the foreseeable future.

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19. INVENTORIES

At 31 December 2019 and 2018, inventories comprised the following:

	31 December 2019	31 December 2018
Spare parts and other inventories	6,214	6,196
Catering inventories	2,725	2,980
	8,939	**9,176**

20. OTHER RECEIVABLES, CURRENT AND NON-CURRENT ASSETS

At 31 December 2019 and 2018, other receivables and current assets comprised the following:

Other receivables and current assets	31 December 2019	31 December 2018
Prepaid taxes and funds	28,118	5,551
VAT deductible	17,421	21,341
Advances to suppliers	8,407	7,099
Income accruals	7,864	5,487
Other prepaid expense	4,979	3,833
Prepaid insurance	1,889	1,948
Deposits and guarantees given	1,682	1,292
Advances given to personnel	613	711
Other receivables (*)	202,197	4,490
	273,170	**51,752**

(*) EUR 192,641 of the other receivables is related with the current portion of compensation payment of TAV İstanbul which is disclosed in Note 37.

At 31 December 2019 and 2018, other receivables and current assets comprised the following:

Other non-current assets	31 December 2019	31 December 2018
Financial assets (*)	77,270	-
Other non-current receivables (**)	218,304	7,890
	295,574	**7,890**

(*) Amount related to 15 years (5+5+5) ground handling contract between HAVAŞ and Türk Hava Yolları ("THY"), which is the shareholder of TGS, in order to resume the current ownership of THY and HAVAŞ.

(**) EUR 192,230 of the other non-current receivables is related with the non-current portion of compensation payment of TAV İstanbul which is disclosed in Note 37.

21. TRADE RECEIVABLES

At 31 December 2019 and 2018, trade receivables comprised the following:

Trade receivables:	31 December 2019	31 December 2018
Trade receivables (*)	90,823	121,742
Guaranteed passenger fee receivable from DHMİ (**)	22,371	21,306
Doubtful receivables	20,785	15,113
Allowance for doubtful receivables (-)	(20,785)	(15,113)
Notes receivables	2,962	7,217
	116,156	**150,265**

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

(*) Pledges on trade receivables are disclosed in Note 26 and Note 34.

(**) Guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport as a result of IFRIC 12 application.

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21. TRADE RECEIVABLES (continued)

At 31 December 2019 and 2018, trade receivables comprised the following:

Non-current trade receivables:	31 December 2019	31 December 2018
Guaranteed passenger fee receivable from DHMİ (*)	49,738	65,553
	49,738	**65,553**

(*) Guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport as a result of IFRIC 12 application.

22. CASH AND CASH EQUIVALENTS

At 31 December 2019 and 2018, cash and cash equivalents comprised the following:

	31 December 2019	31 December 2018
Cash on hand	814	820
Cash at banks		
- Demand deposits	70,088	56,999
- Time deposits	512,677	493,495
Other liquid assets	230	1,222
Cash and cash equivalents	**583,809**	**552,536**
Bank overdrafts used for cash management purposes	(1,380)	(379)
Cash and cash equivalents in the statement of cash flows	**582,429**	**552,157**

The details of the Group's time deposits, maturities and interest rates as at 31 December 2019 and 2018 are as follows:

31 December 2019

Original Currency	Maturity	Interest rate %	Balance
EUR	January 2020	0.01 – 0.75	433,015
USD	January 2020	0.01 – 2.35	71,794
TRL	January 2020	6.50 – 11.90	7,868
			512,677

31 December 2018

Original Currency	Maturity	Interest rate %	Balance
EUR	January 2019	0.05 – 3.00	426,237
USD	January 2019	0.60 – 4.75	53,449
TRL	January 2019	12.75 – 23.00	13,809
			493,495

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33.

There is no blockage or restriction on the use of cash and cash equivalents as at 31 December 2019 and 2018.

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23. RESTRICTED BANK BALANCES

At 31 December 2019 and 2018, restricted bank balances comprised the following:

	31 December 2019	31 December 2018
Project reserve and funding accounts (*)	69,033	70,524
	69,033	**70,524**

(*) Certain subsidiaries, namely TAV Holding , TAV Esenboğa, TAV Tunisia, TAV Macedonia, TAV Ege, and TAV Milas Bodrum ("the Borrowers") opened Project Accounts designated mainly in order to reserve required amount of debt services, lease payment to DHMİ and other state authorities based on agreements with their lenders. As a result of pledges regarding the project bank loans as explained in Note 26, all cash except for cash on hand are classified in these accounts for TAV Esenboğa, TAV Tunisia, TAV Ege, TAV Macedonia and TAV Milas Bodrum. Based on these agreements, the Group can access and use such restricted cash as per the conditions and cascade defined in respective loan agreements. The project accounts should be used for predetermined purposes, such as, operational expenses, loan repayments or rent payments to airport administrations, tax payments, debt service, etc.

31 December 2019

Original Currency	Interest rate %	Balance
EUR	0.05 – 1.50	64,420
TRL	10.10 – 10.75	3,660
USD	1.00 – 1.85	743
Other		210
		69,033

31 December 2018

Original Currency	Interest rate %	Balance
EUR	1.25 – 1.75	61,378
TRL	22.00 – 23.00	3,979
USD	3.25 – 3.75	2,735
Other		2,432
		70,524

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24. CAPITAL AND RESERVES

At 31 December 2019 and 2018, the shareholding structure of the Company was as follows:

Shareholders	**(%)**	**31 December 2019**
Tank ÖWA alpha GmbH	46.12	167,542
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	5.06	18,375
Sera Yapı Endüstrisi ve Ticaret A.Ş. ("Sera Yapı")	1.18	4,278
Other non-floated	3.20	11,625
Other free float	44.44	161,461
Paid in capital in TRL (nominal)	**100.00**	**363,281**
Paid in capital in EUR (nominal) as at 31 December 2019		54,624
Effect of non-cash increases and exchange rates		107,760
Paid in capital EUR		**162,384**

Shareholders	**(%)**	**31 December 2018**
Tank ÖWA alpha GmbH	46.12	167,542
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	5.06	18,375
Sera Yapı Endüstrisi ve Ticaret A.Ş. ("Sera Yapı")	1.29	4,682
Other non-floated	3.20	11,625
Other free float	44.33	161,057
Paid in capital in TRL (nominal)	**100.00**	**363,281**
Paid in capital in EUR (nominal) as at 31 December 2018		60,266
Effect of non-cash increases and exchange rates		102,118
Paid in capital EUR		**162,384**

The Company's share capital consists of 363,281,250 shares amounting to TRL 363,281 as at 31 December 2019 (31 December 2018: 363,281,250 shares amounting to TRL 363,281).

Legal reserves

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and second legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communiqué II-19.1, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2019, legal reserves of the Group amounted to EUR 121,975 (31 December 2018: EUR 119,598).

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24. CAPITAL AND RESERVES (continued)

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

As at 31 December 2019 and 2018 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively EUR 9,711 asset and EUR 6,113 asset. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "Non-controlling interests" in the consolidated financial statements. As at 31 December 2019 and 2018, profit amounts attributable to non-controlling interests in the consolidated statement of comprehensive income are respectively EUR 8,093 gain and EUR 13,786 gain.

Dividend distribution

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation. According to the aforementioned communique, 50% distribution rate has been determined. Companies pay dividends according to their articles of association or dividend distribution policy. In addition, dividends may be paid in equal or different amount of installments, and cash dividend advances may be distributed over profit for the period presented in interim financial statements.

In 2019 the Company distributed dividends to the shareholders amounting to EUR 121,469 (TRL 757.587) from the Company's distributable profits computed for 2018 (2018: EUR 82,829 (TRL 406,372)). Dividend per share is full EUR 0.33 (full TRL 2.09) (2018: EUR 0.23 (full TRL 1.12)).

The Board of Directors of the Company has decided to distribute dividend amounting to TRL 392,491 (equivalent to EUR 59,685) in cash from the profit for the year 2019 with the decision numbered 2020/2 as of 7 February 2020. The decision will be presented to the General Assembly for the approval. Dividend per share will be full TRL 1.08 (full EUR 0.16).

Share premium

Excess amount of selling price and nominal value for each share was recorded as share premium in equity.

Revaluation surplus

The revaluation surplus comprises the revaluation of intangible assets acquired in a business combination until the investments are derecognised or impaired.

Purchase of shares of entities under common control

The purchases of the shares of entities that are under common control are accounted for at book values. The net amount of consideration paid over the book value of the net assets acquired is recognised directly in equity.

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of tax.

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24. CAPITAL AND RESERVES (continued)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

Other reserve comprises all gain or loss realized on sale or purchase of non-controlling interest without a change in control in a subsidiary.

25. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 December 2019 was based on the profit attributable to ordinary shareholders of EUR 373,104 (31 December 2018: EUR 255,178) and a weighted average number of ordinary shares outstanding of 363,281,250 (31 December 2018: 363,281,250), as follows:

	2019	**2018**
Numerator:		
Profit for the period attributable to owners of the Company from continued operations	73,434	70,226
Profit for the period attributable to owners of the Company from discontinued operations	299,670	184,952
Denominator:		
Weighted average number of shares	363,281,250	363,281,250
Basic and diluted profit per share for continued operations (full EUR)	**0.20**	**0.19**
Basic and diluted profit per share for discontinued operations (full EUR)	**0.82**	**0.51**

	2019	**2018**
Issued ordinary shares at 1 January	363,281,250	363,281,250
Effect of shares issued during the year	-	-
Weighted average number of ordinary shares	**363,281,250**	**363,281,250**

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26. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see Note 33.

	31 December 2019	31 December 2018
Non-current liabilities		
Secured bank loans (*)	548,346	610,856
Unsecured bank loans	21,237	22,156
Lease liabilities	63,813	9,593
	633,396	**642,605**
Current liabilities		
Short term secured bank loans	373,551	368,975
Current portion of long term secured bank loans (*)	128,054	95,926
Short term unsecured bank loans	10,155	10,222
Current portion of long term unsecured bank loans	9,351	6,366
Current portion of long term lease liabilities	5,705	1,537
	526,816	**483,026**

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

The Group's total bank loans and finance lease liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Bank loans	1,090,694	1,114,501
Lease liabilities	69,518	11,130
	1,160,212	**1,125,631**

The Group's bank loans as at 31 December 2019 are as follows:

	Presented as		
	Current liabilities	Non-current liabilities	Total
TAV Tunisia (*)	365,704	-	365,704
TAV Ege	18,631	207,870	226,501
HAVAŞ	35,256	104,399	139,655
TAV Milas Bodrum	11,493	124,044	135,537
TAV Esenboğa	26,445	57,951	84,396
TAV Macedonia	7,883	34,643	42,526
BTA	12,967	19,135	32,102
TAV Gazipaşa	23,677	-	23,677
Other	19,055	21,541	40,596
	521,111	**569,583**	**1,090,694**

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26. LOANS AND BORROWINGS (continued)

(*) TAV Tunisia had started negotiations with the Tunisian Authorities and the Lenders regarding a potential restructuring to restore the economic balance of the concession in line with the Concession Agreement terms. In the meantime, Tunisia has suffered from major terrorist attacks on 18 March 2015 and 26 June 2015, which had a substantial negative impact on tourism and passenger traffic, which in turn negatively affected the revenues of TAV Tunisia. Passenger traffic has dropped from 3.3 million in 2014 to 1.4 million in 2015 and increased to 1.7 million in 2017, to 2.5 million in 2018 and to 3.0 million in 2019. Under these 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.

In the meantime, since TAV Tunisia has been in breach of its financing agreements due to its current difficulties, non-current loan liabilities of TAV Tunisia were reclassified to current loan liabilities on 30 June 2015 and the amount outstanding as of 31 December 2019 is EUR 365,704 thousand (included interest accrual). 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. The Letter of Intent had been originally set as 30 September 2015 and was extended several times (last extension of the Letter of Intent having been delivered until 28 February 2020 to accommodate for the revised calendar for the signing of the Restructuring Agreement.

Furthermore, TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 64,080 thousand becoming due and payable (December 2018: EUR 64,428). The Company had been advised by its legal counsels that under the Finance Documents the Hedging Banks cannot act alone in demanding these payments.

In order to restore the economic balance of the concessions, negotiations regarding concession restructuring and debt restructuring were continuing with the Tunisian Authorities and Lenders. As of today:

- Restructuring of the concessions has been agreed and amendments to the Concession Agreements have been signed with the Tunisian Authorities on 6 November 2019. These amendments mainly include adjusting concession fee rates based on certain passenger traffic thresholds and restructuring historical concession fee payments as 1,200 EUR yearly payments until the end of the concessions.

- Restructuring of the debt has been agreed with the Lenders and amendments to the Finance Documents are in execution version. The management believes that all critical steps of the debt restructuring have been completed and Financial Close of the transaction is expected to take place within first half of 2020 year, further to the satisfaction of a number of conditions precedents.

The Group's bank loans as at 31 December 2018 are as follows:

	Presented as		
	Current liabilities	**Non-current liabilities**	**Total**
TAV Tunisia (*)	368,530	-	368,530
TAV Ege	14,746	214,555	229,301
TAV Milas Bodrum	11,952	129,728	141,680
HAVAŞ	22,730	107,493	130,223
TAV Esenboğa	19,701	81,803	101,504
TAV Macedonia	7,921	40,539	48,460
TAV Gazipaşa	16,652	22,637	39,289
BTA	4,529	17,141	21,670
Other	14,728	19,116	33,844
	481,489	**633,012**	**1,114,501**

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26. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	521,111	481,489
In the second year	123,342	131,093
In the third year	138,526	115,872
In the fourth year	70,285	102,425
In the fifth year	50,547	61,372
After five years	186,883	222,250
	1,090,694	**1,114,501**

The majority of the borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Spreads for EUR denominated loans as at 31 December 2019 are between 1.54% - 5.50%, USD denominated loans as at 31 December 2019 are between 0.95% - 3.00% (31 December 2018: Spreads for EUR and USD denominated loans are between 1.25% - 5.50%, respectively).

Interest payments of 100%, 100%, 100% and 90% of floating bank loans for TAV Ege, TAV Macedonia, TAV İşletme, TAV İşletme America and TAV Milas Bodrum respectively are fixed with interest rate swaps as explained in Note 32.

TAV Esenboğa terminated the hedge relationship in 2018 due to refinancing.

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

Details of the loans are summarised for each project below:

TAV Tunisia

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2028	Euribor + 2.28%	152,902	163,750
Secured bank loan	EUR	2022	Euribor + 1.90%	92,336	98,888
Secured bank loan	EUR	2028	Euribor + 1.54%	61,879	66,270
Secured bank loan	EUR	2028	Euribor + 4.75%	34,359	36,796
				341,476	**365,704**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2028	Euribor + 2.28%	156,821	166,465
Secured bank loan	EUR	2022	Euribor + 1.90%	93,747	99,872
Secured bank loan	EUR	2028	Euribor + 1.54%	64,968	66,664
Secured bank loan	EUR	2028	Euribor + 4.75%	31,426	35,529
				346,962	**368,530**

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26. LOANS AND BORROWINGS (continued)

TAV Tunisia (continued)

Redemption schedules of bank loans of TAV Tunisia as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	365,704	368,530
	365,704	**368,530**

TAV Ege

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2027 - 2028	Euribor + 5.50%	233,561	226,501
				233,561	**226,501**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2027 - 2028	Euribor + 5.50%	237,105	229,301
				237,105	**229,301**

Redemption schedules of TAV Ege bank loans according to original maturities as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	18,631	14,746
In the second year	23,349	17,821
In the third year	25,536	22,393
In the fourth year	28,371	24,660
In the fifth year	31,002	27,287
After five years	99,612	122,394
	226,501	**229,301**

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26. LOANS AND BORROWINGS (continued)

HAVAŞ

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2020 - 2023	2.75% - 3.35%	111,616	111,792
Secured bank loan	EUR	2023	Euribor + 2.70%	27,844	27,863
				139,460	**139,655**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2019 - 2023	2.75% - 4.40%	95,143	94,402
Secured bank loan	EUR	2023	Euribor + 2.70%	35,800	35,821
				130,943	**130,223**

Redemption schedules of the HAVAŞ bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	35,256	22,730
In the second year	29,184	35,090
In the third year	51,805	30,968
In the fourth year	23,410	23,336
In the fifth year	-	18,099
	139,655	**130,223**

TAV Milas Bodrum

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2031	Euribor + 4.50%	135,537	135,537
				135,537	**135,537**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2031	Euribor + 4.50%	141,680	141,680
				141,680	**141,680**

Redemption schedules of TAV Milas Bodrum bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	11,493	11,952
In the second year	12,223	11,244
In the third year	11,508	12,019
In the fourth year	10,683	11,402
In the fifth year	11,979	10,623
After five years	77,651	84,440
	135,537	**141,680**

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26. LOANS AND BORROWINGS (continued)

TAV Esenboğa

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2022	Euribor + 3.00%	85,800	84,396
				85,800	**84,396**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loans	EUR	2022	Euribor + 3.00%	103,400	101,504
				103,400	**101,504**

Redemption schedules of TAV Esenboğa bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	26,445	19,701
In the second year	26,941	25,321
In the third year	31,010	26,389
In the fourth year	-	30,093
	84,396	**101,504**

TAV Macedonia

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2025	Euribor + 4.95%	43,384	42,526
				43,384	**42,526**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2025	Euribor + 4.95%	49,474	48,460
				49,474	**48,460**

Redemption schedules of TAV Macedonia bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	7,883	7,921
In the second year	7,532	7,569
In the third year	7,217	7,249
In the fourth year	3,503	6,944
In the fifth year	6,771	3,362
After five years	9,620	15,415
	42,526	**48,460**

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26. LOANS AND BORROWINGS (continued)

BTA

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2020 - 2024	2,90% - 3,35%	20,313	20,323
Unsecured bank loan	USD	2022 - 2023	5,76% - 6,10%	9,332	9,371
Secured bank loan	USD	2024	5,20%	1,791	1,794
Unsecured bank loan	TL	2020	24,00%	602	614
				32,038	**32,102**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2019 - 2021	3,00% - 3,35%	10,863	10,872
Unsecured bank loan	USD	2022	5,95% - 6,10%	7,862	7,896
Unsecured bank loan	EUR	2022	3,25%	2,000	2,000
Unsecured bank loan	TL	2019	12,45% - 12,90%	900	902
				21,625	**21,670**

Redemption schedules of BTA bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	12,967	4,529
In the second year	10,582	5,860
In the third year	5,773	7,903
In the fourth year	2,780	3,378
	32,102	**21,670**

TAV Gazipaşa

The breakdown of bank loans as at 31 December 2019 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2020	4.10% - 4.50%	23,500	23,677
				23,500	**23,677**

The breakdown of bank loans as at 31 December 2018 is as follows:

	Original Currency	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount
Secured bank loan	EUR	2018 - 2020	3.90% - 4.60%	38,500	39,289
				38,500	**39,289**

Redemption schedules of TAV Gazipaşa bank loans as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
On demand or within one year	23,677	16,652
In the second year	-	22,637
	23,677	**39,289**

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26. LOANS AND BORROWINGS (continued)

Pledges

Pledges regarding the project bank loans of TAV Holding, TAV Esenboğa TAV Ege and TAV Milas Bodrum:

a) Share pledge: TAV Esenboğa, TAV Milas Bodrum and TAV Ege have pledges over shares amounting to, TRL 96,660, TRL 648,988 and TRL 442,859 respectively (31 December 2018: For TAV Esenboğa, TAV Milas Bodrum and TAV Ege TRL 96,660, TRL 464,405 and TRL 442,859 respectively). In case of an event of default, the banks have the right to take control of the shares. Upon the occurrence of any event of default, the banks can demand the sale of shares by way of public auction in accordance with the applicable provisions of the Bankruptcy and Execution Law of the Republic of Turkey or by way of private auction among the nominees. Share pledges will expire after bank loans are paid or on the dates of maturity.

b) Receivable pledge: In case of an event of default, the banks have the right to take control of the receivables of project companies (disclosed as the Borrowers in Note 23) in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

TAV Esenboğa, TAV Milas Bodrum and TAV Ege have pledged their receivables amounting to EUR 30,375, EUR 2,396 and EUR 6,714 respectively as at 31 December 2019 (31 December 2018: For TAV Esenboğa, TAV Milas Bodrum and TAV Ege EUR 26,833, EUR 1,143 and EUR 5,594 respectively).

c) Pledge over bank accounts: In case of an event of default, the banks have the right to control the bank accounts of project companies in order to perform its obligations under the loan documents. Upon the occurrence of event of default project companies shall be entitled to set-off and apply the whole or any part of the cash standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts.

TAV Esenboğa, TAV Milas Bodrum, TAV Ege and TAV Holding have pledges over bank accounts amounting to EUR 2,974, EUR 2,746, EUR 35,929 and EUR 10,000 respectively as at 31 December 2019 (31 December 2018: For TAV Esenboğa, TAV Milas Bodrum, TAV Ege and TAV Holding EUR 10,651, EUR 1,963, EUR 33,579 and EUR 10,000 respectively).

With the consent of the facility agent, TAV Esenboğa have a right to have an additional;

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to USD 500 for the acquisition cost of any assets or leases of assets,
- indebtedness up to USD 3,000 for the payment of tax and social security liabilities.

With the consent of the facility agent, TAV Ege has a right to have an additional;

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to EUR 2,000 for the acquisition cost of any assets or leases of assets,
- indebtedness up to EUR 500 per guarantee or EUR 3,000 in aggregate for bank letters of guarantee to be provided to tax, custom, utilities or other governmental authorities.

With the consent of the facility agent, TAV Milas Bodrum has a right to have an additional subordinated debt approved in advance by the Facility Agent,

- indebtedness up to EUR 3,000 for general corporate and working capital purposes,
- indebtedness up to EUR 700 per guarantee or EUR 5,000 in aggregate for bank letters of guarantee to be provided to tax, custom, utilities or other governmental authorities,
- indebtedness up to EUR 200 for corporate credit cards, employee credit lines and direct debit system arrangements.

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26. LOANS AND BORROWINGS (continued)

Pledges (continued)

Pledges regarding the project bank loan of TAV Macedonia:

TAV Macedonia has granted share pledge in favor of the lenders. In addition, receivables of TAV Macedonia amounting to EUR 2,858 (31 December 2018: EUR 1,882) have been pledged and all the commercial contracts and insurance policies have been assigned to the lenders.

Pledges regarding the project bank loan of TAV Tunisia:

Similar to above, TAV Tunisia has granted share pledge, account pledge and pledge of rights from the Concession Agreement to the lenders. TAV Tunisia has pledge over shares amounting to TND 245,000. Share pledge will expire after bank loan is paid or on the date of maturity. TAV Tunisia has a right to have additional indebtedness;

- with a maturity of less than one year for an aggregate amount not exceeding EUR 3,000 (up to 1 January 2020) and not exceeding EUR 5,000 (thereafter),
- under finance or capital leases of equipment if the aggregate capital value of the equipment leased does not exceed EUR 5,000,
- incurred by, or committed in favour of, TAV Tunisia under an Equity Subordinated Loan Agreement,
- disclosed in writing by TAV Tunisia to the Intercreditor Agent and in respect of which it has given its prior written consent.

Distribution lock-up tests for TAV Esenboğa, TAV Tunisia, TAV Macedonia, TAV Ege, TAV Milas Bodrum must satisfy following conditions before making any distribution:

- no default has occurred and is continuing,
- no default would result from such declaration, making or payment,
- the reserve accounts are each fully funded (except TAV Tbilisi),
- all mandatory prepayments required to have been made,
- debt service cover ratio is not less than, 1.30 for TAV Esenboğa, 1.20 for TAV Tunisia, 1.20 for TAV Macedonia and 1.30 for TAV Ege and 1.25 TAV Milas Bodrum
- the first repayment has been made,
- all financing costs have been paid in full,
- any tax payable in connection with the proposed distribution has been paid from amounts available for paying such distribution.

Covenants

Certain financing agreements include early repayment clauses in case of non-compliance with financial ratios. Financing agreements of TAV Esenboğa, TAV Milas Bodrum, TAV Ege and TAV Macedonia have covenants.

The ratios were all met by the companies as at 31 December 2019.

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26. LOANS AND BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

		Cash flows		Non-cash changes		
	31 December 2018	Capital, lease & interest payments	Additions	New leases	Interest accruals & translation	31 December 2019
Bank loans	1,114,501	(120,815)	48,404	-	48,604	1,090,694
Lease liabilities	11,130	(9,794)	67,182	-	1,000	69,518
Total financial liabilities	**1,125,631**	**(130,609)**	**115,586**	**-**	**49,604**	**1,160,212**

		Cash flows		Non-cash changes		
	31 December 2017	Capital, lease & interest payments	Additions	New leases	Interest accruals & translation	31 December 2018
Bank loans	1,106,299	(295,214)	249,780	-	53,636	1,114,501
Lease liabilities	12,418	(2,354)	-	179	887	11,130
Total financial liabilities	**1,118,717**	**(297,568)**	**249,780**	**179**	**54,523**	**1,125,631**

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27. RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and joint ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TRL 6,380 as at 31 December 2019 (equivalent to full EUR 959) (31 December 2018: full TRL 5,434 (equivalent to full EUR 902)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its Turkish subsidiaries and joint ventures arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiaries and joint venture registered in Turkey arising from the retirement of employees. IFRSs require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2019 has been calculated assuming an annual inflation rate of 8.20% and a discount rate of 11.70% resulting in a real discount rate of approximately 3.23% (31 December 2018: an annual inflation rate of 9.00% and a discount rate of 14.6% resulting in a real discount rate of approximately 5.14%). It is planned that retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

	2019	**2018**
Balance at 1 January	**21,862**	**23,240**
Interest cost	1,720	1,987
Service cost	1,772	3,066
Payments made during the year	(14,526)	(6,964)
Effect of acquisition of subsidiary	486	-
Effects of changes in foreign exchange rate	(1,887)	(6,911)
Actuarial difference	9,283	7,444
Balance at 31 December	**18,710**	**21,862**

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28. OTHER PAYABLES

At 31 December 2019 and 2018, other payables comprised the following:

Other short term payables	**31 December 2019**	**31 December 2018**
Concession payable (*)	90,019	89,670
Expense accruals	13,292	19,695
Taxes and duties payable	11,637	4,762
Advances received	4,654	9,259
Social security premiums payable	3,840	3,490
Due to personnel	3,635	25,185
Other accruals and liabilities	70,928	97,713
	198,005	**249,774**

Other long term payables	**31 December 2019**	**31 December 2018**
Concession payable (*)	579,426	528,597
Other accruals and liabilities (**)	20,267	30,383
	599,693	**558,980**

The Group's exposure to currency and liquidity risk is related to other payables is disclosed in Note 33.

(*) 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 Group and The Republic of Tunisia have signed an amendment on 6 November 2019 to the existing concession agreement governing the operation of Monastir and Enfidha airports. This amendment significantly reduces the past and present concession fees of TAV Tunisia and restructures the historical concesion fees payable and the future concession fee calculation schedule. The concession fee is computed at an increasing rate between 5% and 39% of the annual revenues.

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

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2015 for the leasing of the operating rights of the Milas Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from 22 October 2015 to 31 December 2035 (approximately 20 years and 2 months) and operation right of the domestic terminal starting from July 2014 to December 2035. The concession payable of TAV Milas Bodrum domestic terminal is presented in financials EUR 284,803 as of 31 December 2019 (31 December 2018: EUR 296,555).

The concession payable of the international and domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 274,453 as of 31 December 2019 (The concession payable of the domestic terminal of İzmir Adnan Menderes Airport is presented in financials EUR 288,378 as of 31 December 2018).

(**) EUR 17,052 of the other payables is related with the joint ventures that has negative net assets (31 December 2018: 28,131).

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29. DEFERRED INCOME

The breakdown of deferred income as at 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Deferred income		
Short-term deferred income	14,405	8,376
Long-term deferred income	16,952	17,831
	31,357	**26,207**

Deferred income related with the unearned portion of concession rent income from ATU is EUR 15,846 as at 31 December 2019 (EUR 19,431 as at 31 December 2018).

30. PROVISIONS

At 31 December 2019 and 2018, provisions comprised the following:

	31 December 2019	31 December 2018
Unused vacation provision	5,312	5,607
Other provisions	230	259
	5,542	**5,866**

Provisions	**2019**	**2018**
Balance at 1 January	**5,866**	**6,102**
Provision set during the year, net	225	1,029
Effects of change in foreign exchange rate	(549)	(1,265)
Balance at 31 December	**5,542**	**5,866**

31. TRADE PAYABLES

At 31 December 2019 and 2018, trade payables comprised the following:

	31 December 2019	31 December 2018
Trade payables	52,953	43,336
Other	2,579	2,833
	55,532	**46,169**

Trade payables mainly comprise payables outstanding for trade purchases and ongoing costs. The Group's exposure to currency and liquidity risk related to trade payables is disclosed in Note 33.

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32. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018, derivative financial instruments comprised the following:

	31 December 2019		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	-	(36,562)	(36,562)
	-	**(36,562)**	**(36,562)**

	31 December 2018		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	32	(29,391)	(29,359)
	32	**(29,391)**	**(29,359)**

Interest rate swap:

TAV Ege uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2019, 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 2018: 100%).

TAV Milas Bodrum uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2019, 90% of total loan is hedged through IRS contract (31 December 2018: 90%).

TAV Tunisia received Early Termination Letters from the Hedging Banks, which resulted in termination amounts of EUR 64,080 becoming due and payable.

TAV Macedonia uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2019, 100% of total loan is hedged through IRS contract (31 December 2018: 100%).

TAV İşletme uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2019, 100% of total loan is hedged through IRS contract (31 December 2018: 100%).

TAV İşletme America uses interest rate swap to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2019, 100% of total loan is hedged through IRS contract (31 December 2018: None).

TAV Esenboğa terminated the hedge relationship in year 2018 due to refinancing.

The fair value of derivatives at 31 December 2019 is estimated at loss of EUR 36,562. This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 December 2019, changes in the fair value of these interest rate swaps are reflected to other comprehensive income resulting to an income of EUR 957 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.

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33. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. TAV Milas Bodrum, TAV Macedonia, TAV İşletme, TAV Ege and TAV İşletme America use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. 90%, 100%, 100%, 100%, 100% and 100% of floating loans of TAV Milas Bodrum, TAV Macedonia, TAV İşletme, TAV İşletme America and TAV Ege respectively are fixed).

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Note	31 December 2019	31 December 2018
Other non-current assets	20	192,230	-
Trade receivables - non-current	21	49,738	65,553
Trade receivables - current	21	116,156	150,265
Due from related parties	35	28,843	31,560
Other receivables and current assets (*)	20	192,641	10
Restricted bank balances	23	69,033	70,524
Cash and cash equivalents (**)	22	582,995	551,716
Interest rate swaps used for hedging		-	32
		1,231,636	**869,660**

(*) Non-financial instruments such as VAT deductible and carried forward, prepaid expenses and advances given are excluded from other current assets and other non-current assets.

(**) Cash on hand is excluded from cash and cash equivalents.

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33. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Impairment losses

The aging of trade receivables at the reporting date is as follows:

	31 December 2019	31 December 2018
Not due	106,737	159,462
Past due 1 - 30 days	10,637	14,791
Past due 31 - 90 days	12,227	12,412
Past due 91 - 360 days	21,907	22,984
Past due 1 - 5 year	35,171	21,282
	186,679	**230,931**

The movements in the allowance for impairment in respect of trade receivables during the years ended 31 December were as follows:

	2019	2018
Balance at 1 January	**(15,113)**	**(13,316)**
Collections during the year	1,313	314
Impairment loss recognised	(7,262)	(3,254)
Effect of changes in foreign exchange rates	277	1,143
Balance at 31 December	**(20,785)**	**(15,113)**

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

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33. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

31 December 2019

	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Non-derivative financial liabilities						
Secured bank loans	1,049,951	(1,203,239)	(390,284)	(116,468)	(419,506)	(276,981)
Unsecured bank loans	40,743	(53,312)	(4,985)	(19,149)	(29,178)	-
Lease liabilities	69,518	(69,786)	(1,543)	(3,539)	(25,842)	(38,862)
Trade payables (*)	52,953	(52,953)	(37,578)	(15,375)	-	-
Due to related parties	306,891	(306,891)	-	(998)	(305,893)	-
Other payables (*)	793,044	(1,084,307)	(70,678)	(140,405)	(291,075)	(582,149)
Bank overdraft	1,380	(1,380)	(1,380)	-	-	-
Derivative financial liabilities						
Interest rate swaps						
Outflow	36,562	(45,728)	-	(9,077)	(26,839)	(9,812)
	2,351,042	**(2,817,596)**	**(506,448)**	**(305,011)**	**(1,098,333)**	**(907,804)**

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

31 December 2018

	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Non-derivative financial liabilities						
Secured bank loans	1,075,757	(1,145,856)	(359,934)	(65,774)	(399,273)	(320,875)
Unsecured bank loans	38,744	(41,791)	(3,004)	(13,587)	(25,200)	-
Lease liabilities	11,130	(11,190)	(397)	(1,186)	(6,065)	(3,542)
Trade payables (*)	43,535	(43,535)	(43,535)	-	-	-
Due to related parties	331,291	(331,509)	(462)	(22)	(331,025)	-
Other payables (*)	799,495	(1,158,688)	(68,389)	(152,386)	(256,719)	(681,194)
Bank overdraft	379	(379)	(379)	-	-	-
Derivative financial liabilities						
Interest rate swaps						
Inflow	(32)	(54)	-	-	-	(54)
Outflow	29,391	(38,750)	-	(8,813)	(23,497)	(6,440)
	2,329,690	**(2,771,752)**	**(476,100)**	**(241,768)**	**(1,041,779)**	**(1,012,105)**

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

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33. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The following table indicates the periods in which the cash flows associated with the derivatives that are cash flow hedges expected to occur.

31 December 2019	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Interest rate swaps						
Liabilities	(36,562)	(45,728)	-	(9,077)	(26,839)	(9,812)

31 December 2018	Carrying Amount	Contractual cash flows	3 months or less	3 -12 months	1-5 years	More than five years
Interest rate swaps						
Assets	32	54	-	-	-	54
Liabilities	(29,391)	(38,750)	-	(8,813)	(23,497)	(6,440)

Currency risk

Exposure to currency risk:

The Group's exposure to foreign currency risk in Euro equivalent of their original currencies was as follows:

31 December 2019

Foreign currency denominated financial assets	USD	EUR (*)	TRL	Other	Total
Other non-current assets	77,367	-	11,256	471	89,094
Trade receivables	1,948	2,663	8,609	18,889	32,109
Due from related parties	15,293	902	4,036	504	20,735
Other receivables and current assets	5,361	3,576	8,705	2,241	19,883
Restricted bank balances	744	-	3,668	208	4,620
Cash and cash equivalents	81,665	4,193	7,491	9,173	102,522
	182,378	**11,334**	**43,765**	**31,486**	**268,963**
Foreign currency denominated financial liabilities					
Loans and borrowings	(20,830)	(16,412)	(9,920)	(1,704)	(48,866)
Bank overdraft	-	-	(1,380)	-	(1,380)
Trade payables	(4,436)	(1,837)	(5,164)	(5,866)	(17,303)
Due to related parties	(546)	(134)	(23)	(1)	(704)
Other payables	(3,965)	(1,204)	(6,302)	(3,074)	(14,545)
	(29,777)	**(19,587)**	**(22,789)**	**(10,645)**	**(82,798)**
Net exposure	**152,601**	**(8,253)**	**20,976**	**20,841**	**186,165**

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33. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

31 December 2018

Foreign currency denominated financial assets	USD	EUR (*)	TRL	Other	Total
Other non-current assets	4,410	-	8	443	4,861
Trade receivables	33,513	5,346	16,009	19,932	74,800
Due from related parties	10,306	641	3,763	4,047	18,757
Other receivables and current assets	2,593	917	22,104	1,632	27,246
Restricted bank balances	2,630	-	3,954	2,431	9,015
Cash and cash equivalents	61,218	11,612	13,696	10,569	97,095
	114,670	**18,516**	**59,534**	**39,054**	**231,774**
Foreign currency denominated financial liabilities					
Loans and borrowings	(29,877)	(19,804)	-	(2)	(49,683)
Bank overdraft	(98)	-	(281)	-	(379)
Trade payables	(4,990)	(4,964)	(6,781)	(9,522)	(26,257)
Due to related parties	(99)	(2,367)	(19,730)	(1)	(22,197)
Other payables	(7,711)	(733)	(31,189)	(5,699)	(45,332)
	(42,775)	**(27,868)**	**(57,981)**	**(15,224)**	**(143,848)**
Net exposure	**71,895**	**(9,352)**	**1,553**	**23,830**	**87,926**

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

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33. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis:

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

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

A 10 percent strengthening / (weakening) of EUR against the following currencies at 31 December 2019 and 2018 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		**Profit or loss**	
	Strengthening of EUR	Weakening of EUR	Strengthening of EUR	Weakening of EUR
31 December 2019				
USD	-	-	(15,260)	15,260
TRL	-	-	(2,236)	2,236
Other	-	-	(2,084)	2,084
Total	-	-	**(19,580)**	**19,580**
31 December 2018				
USD	-	-	(7,189)	7,189
TRL	-	-	(155)	155
Other	-	-	(2,383)	2,383
Total	-	-	**(9,727)**	**9,727**

Interest rate risk

The Group has used material amounts of bank borrowings from foreign financial institutions and banks. Although most of these borrowings have floating interest rates, the Group management and banks fixed interest rates by using derivative financial instruments. TAV Milas Bodrum, TAV Macedonia, TAV İşletme, TAV İşletme America and TAV Ege use interest rate swaps to hedge the fluctuations in Euribor and Libor rates (i.e. Interest payments of 90%, 100%, 100%, 100% and 100% of floating loans of TAV Milas Bodrum, TAV Macedonia, TAV İşletme, TAV İşletme America and TAV Ege respectively are fixed). Hedge accounting is applied for the mentioned derivative financial instruments

TAV Esenboğa terminated the hedge relationship in year 2018 due to refinancing.

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33. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Profile:

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

	Carrying amount	
	31 December 2019	**31 December 2018**
Fixed rate instruments		
Financial assets	26,817	28,735
Financial liabilities	(198,692)	(170,472)
	(171,875)	**(141,737)**

	Carrying amount	
	31 December 2019	**31 December 2018**
Variable rate instruments		
Financial liabilities	(892,002)	(944,028)
	(892,002)	**(944,028)**

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

Based on the Group's current borrowing profile, a 50 basis points increase in Euribor or Libor would have resulted in additional interest expense of approximately EUR 1,358 on the Group's variable rate debt when ignoring effect of derivative financial instruments. EUR 1,358 of the exposure is hedged through interest rate swap contracts. Therefore, the net exposure on statement of comprehensive income would be EUR 0. A 50 basis points increase in Euribor or Libor would have resulted an increase in cash flow hedge reserve in equity approximately by EUR 10,792 and a 50 basis points decrease in Euribor or Libor would have resulted a decrease in cash flow hedge reserve in equity approximately by EUR 11,242.

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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33. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Risk management framework

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

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

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

The Group Audit Committee is assisted in its oversight role by Internal Audit. The mission of the Internal Audit Directorate of the Group is to assist TAV Holding Board of Directors and Management (including subsidiaries) in their oversight, management and operating responsibilities by identifying; ineffectiveness of internal control, risk management and governance processes inefficiencies that cause waste of its resources and making professional recommendations through independent audits (reports) and / or advisory services.

Internal audit plans are based on risk assessments as well as the issues highlighted by the Audit Committee and the management. Risk assessment is conducted and coordinated by Risk Management Department on continuous basis so as to identify and evaluate not only existing risks but also emerging risks. Formally, risk assessment is made annually but more often if required.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of trade and other receivables, net of provision for impairment of receivables, and the total of cash and cash equivalents, represents the maximum amount exposed to credit risk. The main customer is Turkish Airlines (THY). Based on past history with this customer, the Group management believes there is no significant credit risk for this customer. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded due to reputation and type of customers for the airlines (well-known reputable, international and flag carrier companies).

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

Liquidity risk

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

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

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33. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Group as mentioned in Note 32.

The Group applies hedge accounting in order to manage volatility in profit or loss.

i) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December 2019, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily EUR, but also USD, GEL, TND, MKD, SAR, HRK, KES, CLP, TRL OMR, MXN, ARS, BRL and COP which are disclosed within the relevant notes to these consolidated financial statements. The currencies in which these transactions primarily denominated are USD and TRL. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial instruments.

ii) Interest rate risk:

The Group adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

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

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33. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Operational risk (continued)

Capital management

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

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

Fair values

Fair values versus carrying amounts:

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

		31 December 2019		31 December 2018	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Other non-current assets	20	192,230	192,230	-	-
Trade receivables - non current	21	49,738	56,056	65,553	75,574
Trade receivables - current	21	116,156	117,191	150,265	151,249
Due from related parties	35	28,843	28,843	31,560	31,560
Other receivables and current assets (*)	20	192,641	192,641	10	10
Restricted bank balances	23	69,033	69,033	70,524	70,524
Cash and cash equivalents	22	583,809	583,809	552,536	552,536
Derivative financial instruments	32	-	-	32	32
Financial liabilities					
Bank overdraft	22	(1,380)	(1,380)	(379)	(379)
Loans and borrowings	26	(1,160,212)	(1,162,587)	(1,125,631)	(1,125,684)
Trade payables (**)	31	(52,953)	(52,953)	(43,535)	(43,535)
Due to related parties	35	(306,891)	(306,891)	(331,291)	(331,291)
Derivative financial instruments	32	(36,562)	(36,562)	(29,391)	(29,391)
Other payables (**)	28	(793,044)	(814,806)	(799,495)	(823,668)
		(1,118,592)	**(1,135,376)**	**(1,459,242)**	**(1,472,463)**

(*) 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.

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Commitments and contingencies

	31 December 2019	31 December 2018
Letters of guarantee given to third parties	244,934	220,961
Letters of guarantee given to DHMİ	222,489	220,090
Letters of guarantee given to Tunisian Government	19,246	19,051
Letters of guarantee given to Saudi Arabian Government	11,512	11,248
Letters of guarantee given to Macedonian Government	250	250
	498,431	**471,600**

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 12,888 (EUR 11,512) (31 December 2018: USD 12,888 (EUR 11,248)) 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 162,246 (EUR 144,915) (31 December 2018: USD 194,330 (EUR 162,343)) to National Commercial Bank which is included in letters of guarantee given to third parties. This letter of guarantee is provided to back an Equity Bridge Loan which was rolled in 2019 within a maturity of 2021. The total obligation has been provided by the Group.

The Group is obliged to give a letter of guarantee at an amount equivalent of EUR 12,229 (31 December 2018: EUR 11,892) to the Ministry of State Property and Land Affairs and EUR 7,017 (31 December 2018: 7,508) 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.

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Esenboğa

TAV Esenboğa is bound by the terms of the BOT Agreements made with DHMİ. If these companies do not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of these companies' operations according to the BOT Agreements. According to the BOT agreements:

- The share capital of the companies cannot be less than 20% of fixed investment amount.
- The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ.

After granting of temporary acceptance by DHMİ in year 2007, final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made and the cost will be charged to TAV Esenboğa.
All equipment used by TAV Esenboğa must be in a good condition and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are delineated in the Tax Application Law, the operator is obliged to perform the replacement.

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

HAVAŞ

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ and HAVAŞ undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, HAVAŞ covers those losses by an insurance policy amounting to USD 50,000. HAVAŞ also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ is required to provide DHMİ with letters of guarantee amounting to USD 1,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount which is USD 1,000 within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the İstanbul Atatürk, İzmir, Dalaman, Milas Bodrum, Alanya, Adana, Trabzon, Ankara, Kayseri, Nevşehir, Gaziantep, Şanlıurfa, Batman, Adıyaman, Elazığ, Muş, Sivas, Samsun, Malatya, Hatay, Konya, Çorlu, Sinop, Amasya and Ağrı airports; when the rent period ends, DHMİ will have the right to retain the immovable in the area free of charge.

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Tbilisi

TAV Tbilisi is bound by the terms of the BOT Agreement. In case TAV Tbilisi fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations.

With regards to the BOT Agreement, TAV Tbilisi is required to;

- comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;
- maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and International Air Transportation Association, International Civil Aviation Organization or European Civil Aviation Conference;
- ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;
- remedy accidents that might occur upon mechanical damage inflicted by TAV Tbilisi to existing communication networks or inappropriate use or operation thereof.

The Final Acceptance Protocol was concluded in May 2011.

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Batumi

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

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

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

The Final Acceptance Protocol was concluded in March 2012.

TAV Tunisia

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

According to Enfidha Concession Agreement, TAV Tunisia is required to:

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on 1 October 2009 which was then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- finance up to 30% of the Project by Equity.

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

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Tunisia (continued)

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

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

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

In accordance with the general ground handling agreement, the Company undertakes the liabilities of all the losses incurred by their personnel to third parties. In this framework, TAV Tunisia covers those losses by an operator third party insurance policy amounting to USD 500,000 related with all operations.

The Conceding Authority and TAV Tunisia shall, seven years prior to the expiry of the Concession Agreement, negotiate and agree on a repair, maintenance and renewal program, with the assistance of specialists if applicable, which program includes the detailed pricing of the works for the final five years of the concession which are necessary in order to ensure that the movable and immovable concession property is transferred in good condition to the Conceding Authority, as well as the schedule of the tasks to be completed prior to the transfer. In this context, TAV Tunisia annually performs repair and maintenance procedures for the operation of the concession property according to the requirements set in the Concession Agreement.

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Alanya Gazipaşa Airport.

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

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

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

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34. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations (continued)

TAV Gazipaşa (continued)

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

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

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

TAV Macedonia

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

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

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

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

TAV Ege

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment’s useful life is expired according to the relevant tax regulations, TAV Ege should replace them in one year.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working condition and should not be damaged. TAV Ege is responsible from the repair and maintenance of all fixed assets during the contract period.

TAV Milas Bodrum

During the contract period, TAV Milas Bodrum should keep all the equipment it uses in a good condition at all times. If the equipment’s useful life is expired or the equipment is damaged, the Company should replace it with its equivalent or with a better replacement.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working condition and should not be damaged. TAV Milas Bodrum is responsible from the repair and maintenance of all fixed assets during the contract period.

Management believes that as at 31 December 2019, the Group has complied with the terms of the contractual obligations mentioned above.

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35. RELATED PARTIES

The major immediate parent and ultimate controlling parties of the Group are Aéroports de Paris.

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

Key management personnel compensation:

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

	2019	2018
Short-term benefits (salaries, bonuses etc.)	29,676	15,494
	29,676	**15,494**

As at 31 December 2019 and 2018, none of the Group's directors and executive officers has outstanding personnel loans from the Group.

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

Other related party transactions:

	31 December 2019	31 December 2018
Due from related parties	12,026	21,873
Current loan to related parties	14,919	7,838
	26,945	**29,711**

	31 December 2019	31 December 2018
Non-current loan to related parties	1,898	1,849
	1,898	**1,849**

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35. RELATED PARTIES (continued)

Other related party transactions (continued):

Due from related parties	31 December 2019	31 December 2018
ATU (1) (*)	7,692	7,078
BTA Medinah (1)	2,102	1,894
Tibah Operation (1)	1,863	1,662
TAV Tepe Akfen Yat. İnş ve İşl. A.Ş. ("TAV İnşaat") (2) (**)	67	9,376
TGS (1)	-	193
Other related parties	302	1,670
	12,026	**21,873**

(*) Receivables from ATU comprise of concession fee duty-free receivables.
(**) Receivables from TAV İnşaat are mainly comprised of construction of new headquarter of TAV Holding.

Loan to related parties	31 December 2019	31 December 2018
Tibah Development (1)	6,127	4,043
Saudi Havaş (1)	2,273	-
BTA Medinah (1)	2,160	-
ATU (1)	1,418	-
TAV İşletme Saudi (1)	1,256	1,201
ATU Medinah (1)	1,052	-
TAV İşletme Chile (1)	632	879
TAV İnşaat (2)	-	1,695
Other related parties	1	20
	14,919	**7,838**

Non-current loan to related parties	31 December 2019	31 December 2018
Saudi Havaş (1)	1,898	1,849
	1,898	**1,849**

(1) Joint Ventures
(2) Subsidiary of shareholders

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35. RELATED PARTIES (continued)

Other related party transactions (continued):

	31 December 2019	**31 December 2018**
Due to related parties	970	264
Current loan from related parties	28	25,134
	998	**25,398**
Non-current loan from related parties	305,893	305,893
	306,891	**331,291**

Due to related parties	**31 December 2019**	**31 December 2018**
Other related parties	970	264
	970	**264**

Current loan from related parties	**31 December 2019**	**31 December 2018**
TAV Antalya (1)	-	19,632
ATU (1)	-	5,078
Tepe İnşaat (2)	-	413
Other related parties	28	11
	28	**25,134**

Non-current loan from related parties	**31 December 2019**	**31 December 2018**
Tank ÖWA alpha GmbH (2)	305,893	305,893
	305,893	**305,893**

Short term deferred income from related parties	**31 December 2019**	**31 December 2018**
ATU (1) (*)	992	2,160
	992	**2,160**

Long term deferred income from related parties	**31 December 2019**	**31 December 2018**
ATU (1) (*)	14,854	17,271
	14,854	**17,271**

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

(1) Joint Ventures
(2) Shareholders

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35. RELATED PARTIES (continued)

Services rendered to related parties	**2019**	**2018**
ATU (1) (*)	58,125	257,819
Other related parties	10,651	16,211
	68,776	**274,030**

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

Services rendered by related parties	**2019**	**2018**
TAV Antalya (1)	2,466	-
ATU (1)	718	577
TGS (1)	59	188
Tibah Development (1)	-	24
Tepe Servis ve Yönetim Hizmetleri A.Ş. (2)	-	523
Other related parties	169	299
	3,412	**1,611**

Interest expense from related parties (net)	**2019**	**2018**
Saudi HAVAŞ (1)	-	180
Tank ÖWA alpha GmbH (3)	(9,000)	(5,893)
Other related parties	1,843	159
	(7,157)	**(5,554)**

The average interest rate used within the Group is 4.33% per annum (31 December 2018: 4.31%). 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	**2019**	**2018**
TAV İnşaat (*) (2)	16,960	13,553
	16,960	**13,553**

(*) Construction work rendered by TAV İnşaat for the year ended 31 December 2019 is mainly related to the construction of new headquarter of TAV Holding (31 December 2018 is related to the construction of Medinah Hotel and new headquarter of TAV Holding).

(1) Joint Ventures
(2) Subsidiary of shareholders
(3) Shareholders

Dividend distribution

In 2019 the Company distributed dividends to the shareholders amounting to EUR 121,469 (TRL 757.587) from the Company's distributable profits computed for 2018 (2018: EUR 82,829 (TRL 406,372)). Dividend per share is full EUR 0.33 (full TRL 2.09) (2018: EUR 0.23 (full TRL 1.12)).

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36. INTERESTS IN OTHER ENTITIES

a) Non-controlling interests in subsidiaries

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

	31 December 2019			
	TAV Tunisia	**TAV Tbilisi**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**18.00%**	**20.00%**		
Non-current assets	465,283	62,911		
Current assets	44,051	14,962		
Non-current liabilities	82,653	11,044		
Current liabilities	573,635	4,397		
Net assets	**(146,954)**	**62,432**		
Carrying amount of NCI	(48,495)	12,486	4,255	(31,754)
Change in non-controlling interest	22,043	-	-	22,043
	(26,452)	**12,486**	**4,255**	**(9,711)**

	1 January - 31 December 2019			
	TAV Tunisia	**TAV Tbilisi**	**Other immaterial subsidiaries**	**Total**
Revenue	42,121	83,445		
(Loss) / profit	(8,603)	43,254		
Total comprehensive income	**(632)**	**43,254**		
(Loss) / profit allocated to NCI	(2,839)	8,651	1,579	7,391

In 2019 the Company distributed dividends to the non-controlling interests in subsidiaries amounting to EUR 11,691 (2018: EUR 17,838)

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36. INTERESTS IN OTHER ENTITIES (continued)

a) Non-controlling interests in subsidiaries

	31 December 2018			
	TAV Tunisia	**TAV Tbilisi**	**Other immaterial subsidiaries**	**Total**
NCI Percentage	**33.00%**	**20.00%**		
Non-current assets	399,142	66,865		
Current assets	30,613	19,849		
Non-current liabilities	5,001	1,552		
Current liabilities	570,994	4,340		
Net assets	**(146,240)**	**80,822**		
Carrying amount of NCI	(48,259)	16,164	4,046	(28,049)
Change in non-controlling interest	21,936	-	-	21,936
	(26,323)	**16,164**	**4,046**	**(6,113)**

	1 January - 31 December 2018			
	TAV Tunisia	**TAV Tbilisi**	**Other immaterial subsidiaries**	**Total**
Revenue	32,660	84,018		
(Loss) / profit	(21,260)	54,493		
Total comprehensive income	**(15,547)**	**55,090**		
(Loss) / profit allocated to NCI	(7,016)	10,899	7,096	10,979

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates

As of 31 December 2019 and 2018, equity-accounted investees in consolidated statement of financial position comprise the following:

	31 December 2019	31 December 2018
Joint ventures	387,787	486,910
Associates	5,636	5,723
	393,423	**492,633**

For the years ended 31 December 2019 and 2018, share of profit equity-accounted investees, net of tax in consolidated statement of comprehensive income comprise the following

	2019	2018
Joint ventures	34,171	47,590
Associates	(725)	(1,433)
	33,446	**46,157**

i) Joint Ventures

Carrying amounts of the Group's joint ventures in the statement of financial position as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
TAV Antalya	293,403	381,231
TGS	50,209	59,784
ATU	41,723	43,001
Tibah Operation	2,297	2,425
Other	155	469
	387,787	**486,910**

Group's share of profit / (loss) of the Group's joint ventures in the statement of comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
TAV Antalya	31,628	21,231
TGS	11,931	15,763
ATU	8,309	22,144
Tibah Operation	827	845
Tibah Development	(16,446)	(9,357)
Other	(2,078)	(3,036)
	34,171	**47,590**

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

The Group has the following significant interests in joint ventures:

TAV Antalya

- 49.00% equity shareholding with 50.00% voting power in TAV Antalya, a joint venture established in Turkey. The following tables summarise the financial information of TAV Antalya. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in TAV Antalya, which is accounted for using the equity method:

	31 December 2019	31 December 2018
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	1,179,702	1,227,683
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 15,845) (31 December 2018: EUR 86,469))	151,930	254,628
Non-current liabilities	593,756	569,923
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 112,397) (31 December 2018: EUR 111,363))	151,071	149,926
Net assets	**586,805**	**762,462**
Group's share of net assets	293,403	381,231
Carrying amount in the statement of financial position	293,403	381,231

	2019	2018
Revenue	389,630	284,007
Depreciation and amortisation	202,684	159,979
Interest expense	9,558	6,511
Tax expense	22,749	15,394
Profit for the year	**63,256**	**42,462**
Other comprehensive income	(694)	-
Total comprehensive income	**62,562**	**42,462**
Group's share of profit for the year	31,628	21,231
Cash dividends received by the Group	119,108	383

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

TGS

- 50% equity shareholding with 50% voting power, in TGS, a joint venture established in Turkey. The following tables summarise the financial information of TGS. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in TGS, which is accounted for using the equity method:

	31 December 2019	31 December 2018
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	184,727	96,617
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 8,607) (31 December 2018: EUR 9,925)	65,210	70,885
Non-current liabilities	96,387	10,638
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 48,704) (31 December 2018: EUR 30,408))	53,133	37,297
Net assets	**100,417**	**119,567**
Group's share of net assets	50,209	59,784
Carrying amount in the statement of financial position	50,209	59,784

	2019	2018
Revenue	318,344	295,677
Depreciation and amortisation	24,076	9,417
Interest expense	6,718	38
Tax expense	4,544	5,335
Profit for the year	**23,862**	**31,526**
Other comprehensive income	(11,389)	(17,433)
Total comprehensive income	**12,473**	**14,093**
Group's share of profit for the year	11,931	15,763
Cash dividends received by the Group	15,811	6,976

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

ATU

- 50.00% equity shareholding with 50% voting power in ATU, a joint venture established in Turkey. The following tables summarise the financial information of ATU. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in ATU, which is accounted for using the equity method.

	31 December 2019	31 December 2018
Percentage of interest	**50.00%**	**50.00%**
Non-current assets	217,178	50,949
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 24,873 (31 December 2018: EUR 56,295))	160,926	169,170
Non-current liabilities	182,734	10,636
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 68,412 (31 December 2018: EUR 97,655))	111,925	123,481
Net assets	**83,445**	**86,002**
Group's share of net assets	41,723	43,001
Carrying amount in the statement of financial position	41,723	43,001

	2019	2018
Revenue	393,818	684,022
Tax expense	2,537	13,376
Depreciation and amortisation	42,681	8,993
Interest expense	5,016	136
Profit for the year	**16,618**	**44,288**
Other comprehensive income	(751)	(4,349)
Total comprehensive income	**15,867**	**39,939**
Group's share of profit for the year	8,309	22,144
Cash dividends received by the Group	10,144	15,828

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

Tibah Operation

- 51.00% equity shareholding with 33.33% voting power in Tibah Operation, a joint venture established in Saudi Arabia. The following tables summarise the financial information of Tibah Operation. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Tibah Operation, which is accounted for using the equity method:

	31 December 2019	31 December 2018
Percentage of interest	**51.00%**	**51.00%**
Non-current assets	2	-
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 370 (31 December 2018: 1,887))	17,689	15,830
Non-current liabilities	3,674	2,784
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 8,734 (31 December 2018: 5,762))	9,514	8,291
Net assets	**4,503**	**4,755**
Group's share of net assets	2,297	2,425
Carrying amount in the statement of financial position	2,297	2,425

	2019	2018
Revenue	51,428	48,802
Tax expense	562	382
Profit for the year	**1,622**	**1,656**
Other comprehensive income	93	203
Total comprehensive income	**1,715**	**1,859**
Group's share of profit for the year	827	845
Cash dividends received by the Group	859	-

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

Tibah Development

- 50.0% equity shareholding with 50.00% voting power in Tibah Development, a joint venture established in Saudi Arabia. The following tables summarise the financial information of Tibah Development. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Tibah Development, which is accounted for using the equity method:

	31 December 2019	31 December 2018
Percentage of interest	**50.00%**	**33.33%**
Non-current assets	1,002,228	887,819
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 13 (including cash and cash equivalents amounting to 31 December 2018: EUR 14)	50,045	67,443
Non-current liabilities	920,218	875,937
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 89,359 (31 December 2018: EUR 66,139))	150,762	141,709
Net assets	**(18,707)**	**(62,384)**
Group's share of net assets (*)	-	-
Carrying amount in the statement of financial position	-	-

(*) Tibah Development has negative net assets amounting to EUR 9,354 has reclassed to other payables as of 31 December 2019 (31 December 2018: EUR 20,793)

	2019	2018
Revenue	226,416	210,365
Depreciation and amortisation	34,760	26,894
Interest expense	44,926	41,590
Tax expense	61	505
Loss for the year	**(32,892)**	**(28,071)**
Other comprehensive income	(12,102)	7,571
Total comprehensive income	**(44,994)**	**(20,500)**
Group's share of loss for the year	(16,446)	(9,357)

The Group has interests in a number of joint ventures none of which is regarded as individually material. The following table summarises, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

i) Joint Ventures (continued)

	31 December 2019	31 December 2018
Carrying amount of interest in joint ventures (*)	155	469

	2019	2018
Share of:		
Loss for the year	(2,078)	(2,860)
Other comprehensive income	(144)	(844)
Total comprehensive income	(2,222)	(3,704)
Cash dividends received by the Group	-	503

(*) The companies have negative net assets amounting to EUR 6,053 has reclassed to other payables as of 31 December 2019 (31 December 2018: EUR 7,178)

ii) Associates

Carrying amounts of the Group's associates in the statement of financial position as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
ZAIC-A	5,178	5,486
Other	458	237
	5,636	**5,723**

Group's share of profit of the Group's associates in the statement of comprehensive income for the years ended 31 December are as follows:

	2019	2018
ZAIC-A	(964)	(1,626)
Other	239	193
	(725)	**(1,433)**

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36. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures and Associates (continued)

ii) Associates (continued)

ZAIC – A

- 15.00% equity shareholding with 15.00% voting power in ZAIC-A, an associate established in United Kingdom. The following tables summarise the financial information of ZAIC-A. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in ZAIC-A, which is accounted for using the equity method:

	31 December 2019	31 December 2018
Percentage of interest	**15.00%**	**15.00%**
Non-current assets	383,034	402,173
Current assets (including cash and cash equivalents amounting to 31 December 2019: EUR 1,376 (31 December 2018: EUR 23,029))	33,294	23,029
Non-current liabilities	331,261	373,299
Current liabilities (including trade and other payables and provisions amounting to 31 December 2019: EUR 1,376 (31 December 2018: EUR 15,327))	50,544	15,327
Net assets	**34,523**	**36,576**
Group's share of net assets	5,178	5,486
Carrying amount in the statement of financial position	5,178	5,486

	2019	2018
Revenue	86,874	78,000
Expense	(93,302)	(88,843)
Loss for the year	**(6,428)**	**(10,843)**
Other comprehensive income	4,375	-
Total comprehensive income	**(2,053)**	**(10,843)**
Group's share of profit for the year	(964)	(1,626)

TAV Havalimanları Holding A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019

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

37. DISCONTINUED OPERATIONS

As of 6 April 2019 02:00, all commercial flights have been transferred to the new İstanbul Airport and operations of TAV İstanbul have ended. Due to this reason, the Group has decided to classify TAV İstanbul operations as discontinued operations. Operations of Group's other subsidiaries which were also operating in İstanbul Atatürk Airport, are not classified as discontinued, since these subsidiaries are still operating in the other airports and new İstanbul Airport as well.

As explained in Note 1, TAV Holding and TAV İstanbul received a formal letter issued by DHMİ dated 22 January 2013, stating that DHMİ will fully reimburse the Group for potential 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 on the European side of İstanbul before the end of the rent period of TAV İstanbul; i.e. 3 January 2021.

On 26 December 2019, The Group and DHMI agreed on the compensation payment related with the early closure of Atatürk Airport. The Group write off the carrying value of leasehold improvements and prepaid rent amounting to EUR 46,273 and EUR 8,738, respectively, and accrued a compensation income amounting to EUR 389,000.

	2019	2018
Revenue	139,649	506,468
Operating profit	390,698	227,295
Net finance costs	(3,528)	16,413
Profit before tax	387,170	243,708
Tax expense	87,500	58,756
Profit for the period	**299,670**	**184,952**

	2019	2018
Net cash provided from operating activities	140,315	238,164
Net cash provided from investing activities	2,250	5,164
Net cash used in financing activities	(216,359)	(292,807)

	2019	2018
Weighted average number of shares	180,000,000	180,000,000
Profit for the period attributable to owners of the Company	**299,670**	**184,952**
Basic and diluted profit per share (full EUR)	**1.66**	**1.03**

38. SUBSEQUENT EVENTS

The Board of Directors of the Company has decided to distribute dividend amounting to TRL 392,491 (equivalent to EUR 59,685) in cash from the profit for the year 2019 with the decision numbered 2020/2 as of 7 February 2020. The decision will be presented to the General Assembly for the approval. Dividend per share will be full TRL 1.08 (full EUR 0.16).

On 31 January 2020, Group's ownership rate of TAV Tunisia increased from 82% to 100%.

GLOSSARY

ACI
Airports Council International

Apron
Apron is a designated area at an airport where aircraft are parked, refueled, loaded, unloaded, boarded and maintenance is performed.

Isolated Areas
Isolated areas are zones at airports that are open to international flights, where passengers are taken before making entry or exit and after declaration and control process pursuant to the customs regulations, as well as lounges where passengers, who come from abroad without entering into customs and will go to another airport of the same country or to another country, are hosted.

Baggage Handling System (BHS)
A conveyor belt system that transports checked baggage to areas where the bags are loaded onto airplanes

Charter Terminal
Terminal building reserved for passengers who travel with flights other than the scheduled or regular flights

Check-in
Check-in is the process in which ticket and baggage transactions and passenger controls are conducted at airport terminals by airline or ground handling company representatives

Check-in Counter
Equipped tables at terminals used for passenger check-in procedures

Check-in Lounges
Sections at terminals hosting groups of check-in counters

CIP Passenger
Commercially Important Person

Duty Free Shop
Shops at airports where passengers can make purchases without paying customs tax

Carry-on Baggage Handcarts
Mechanical, portable transporters used at airports to carry passenger property

EUROCONTROL
European Organization for the Safety of Air Navigation

EBITDA
Acronym for Earnings before Interest, Taxes, Depreciation and Amortization

EBITDAR
Acronym for Earnings before Interest, Taxes, Depreciation, Amortization and Rent

FIDS (Flight Information Display System)
FIDS is the system that displays the latest data via flight information screens, monitors, flight gate indicators, baggage claim indicators and employee monitors

Guaranteed Passenger Income
Guaranteed passenger income is the passenger revenue guaranteed by the related entity, based on the expected number of passengers per year, pursuant to the concession contract signed with the authorized entity. It can vary based on the contract as well as the period covered by the contract

Duty-Paid Lounge
Isolated lounges at airports that are open to international flights, where passengers are taken for the declaration and control process pursuant to the customs regulations before making entry or exit

Customs Enforcement
The organization that inspects or confiscates the baggage or other freight, cargo or postal belongings of passengers pursuant to customs regulations at airports that are open to international flights, and that enforces customs regulations provisions in the process of sending or receiving all kinds of commodities and materials that will go-come abroad

Airport
A large area, on land or water, with buildings, facilities and equipment that is constructed for the purpose of featuring facilities that facilitate landing, takeoff and ground movement of aircraft; serve the maintenance and other needs of aircraft; as well as boarding, loading and unloading aircraft

Hangar
Mostly large structures at airports that are used for sheltering or conducting maintenance and repair activities on aircraft

Airside Area (Flight Line Facilities)
Isolated areas beyond the passport control points (waiting lounges, duty free area, boarding gates); the runways, apron areas and taxi routes of the airport as well as zones adjacent to them; buildings and structures, or parts of these buildings and structures, that are directly used for flight operations under certain circumstances; as well as areas that have controlled access to all of these sections

Aviation Income
Income earned from services provided to passengers and aircraft at the airports

Non-aviation Income
Income derived from activities other than services provided to passengers and aircraft at the airports, such as duty free

HAVAS (Havalimanlari Yer Hizmetleri A.S.)
Havas, or Havaalanlari Yer Hizmetleri A.S. (Ground Handling Services Co.), is the company that performs ground handling services at the airports

Earnings per Share (EPS)
An indicator calculated by dividing a company's net (after-tax) profit by its number of outstanding shares

HUB
Main Center

ICAA
International Civil Airports Association

ICAN
International Commission for Air Navigation

ICAO
International Civil Aviation Organization

Inorganic Growth
Inorganic growth is revenue growth achieved by a company's acquiring another firm or making a new investment, and consolidating the production and revenue of the acquired firm

Subsidiary
A direct or indirect capital and management relationship that creates a permanent tie between a company and another in terms of participation in the management of the company and the formulation of the company's policies

Composite Cover
A mixture of concrete and asphalt used for covering runways

Conveyor
A mechanical apparatus with a moving belt that carries passenger baggage from check-in counters to the aircraft and back to the baggage-claim area

Liquidity
Liquidity is the degree of speed and ease to which an asset can be exchanged for cash

Organic Growth
Organic growth is the growth achieved via a company's own activities. It includes production increase, as well as the increase in revenue attained by selling this output

Over Flight
An aircraft flight passing over the air space of a foreign jurisdiction without landing

RAT Fields/Areas
Runway, apron and taxiway areas as well as other fields reserved on the airside of the airport for vehicles and equipment to move and park

Project Finance
Project finance is a method of securing the financing needed for long-term infrastructure and industrial investments at the maximum possible level and with the minimum possible impact on the company's balance sheet. Posting the project's income stream or the asset itself as collateral may be needed as a condition of financing

Peak Day, Peak Hour
Maximum amount of passenger, aircraft, cargo, et al. movement at an airport handled during one day or one hour within a given period (generally a calendar year)

Runway
Designated rectangular areas on a tract of land on which aircraft take off and land

"primeclass" Service
As part of this exclusive service, the passenger is greeted at the terminal departures gate by a porter and his/her security check and scan, check in and passport transactions are performed with the assistance of hostesses

Ramp
Ramp is the area at airports where aircraft are parked and attended to

Civil Aviation
Civil aviation in general refers to all activities related to air transportation. More specifically, it is also the generic term for all air transport-related operational activities performed by airports, airlines and handling companies in accordance with national and international rules and security principles

SLOT
Slot is a method of using airport capacity optimally by spreading the air traffic at busy airports to each hour of the day and each hour of the week as equally as possible. In other words, it is the right of use of airport facilities at the landing-takeoff time slots allocated to the aircraft

Taxi
The movements of an aircraft on the ground

Taxi Route (Taxiway)
Standard-sized paths at airports along which the aircraft taxi to or from a runway, apron, and the like

Scheduled Flight
Scheduled flight is the flight service with a pre-determined departure-arrival time and route

Charter Flight
Charter flight is a non-scheduled flight service offered in certain periods, mostly in summer months, in which departure time is determined based on airport traffic and passenger demand

Terminal
Group of buildings featuring air transport service-related companies and facilities where pre-flight and post-flight transactions of passengers are performed

Terminal Operation
This term refers to the Airport General Directorate or Directorate that operates the terminal on behalf of the Turkish State Airports Authority (DHMI) at the airports operated by DHMI, and/or state enterprises, public agencies, real and private legal entities that engage in terminal operations pursuant to the Build-Operate-Transfer Model or as part of another arrangement

TOC
Terminal Operations Center

Transit Passenger
Transit passengers are those who continue their travel in the same aircraft or with the same flight number shortly after arriving at an airport on an airplane. These passengers are not allowed to take advantage of duty free, catering and accommodation services at the airport

Transfer Passenger
Transfer passengers are those who continue their travel with a different aircraft or in the same aircraft but with a different flight number after arriving at an airport on an airplane. These passengers are allowed to take advantage of duty free, catering and accommodation services at the airport

Aircraft Loading
Loading an airplane in accordance with its technical specifications and operational information

Flight Limits
Loading-related limits determined for each type of aircraft

VIP
A very important person. VIPs are mostly the senior managers of public entities whose titles are listed by the Prime Ministry

VIP Lounge
Places reserved at airports for VIP Passengers

Build-Operate-Transfer
Process in which a private company provides the financing for a public infrastructure investment or service, undertakes the project, operates it for a period determined by the public authorities and transfers the facility at the end of the designated period to the related public authority in an intact, operating and well-maintained condition

Passenger
All individuals traveling on the aircraft who are not part of the flight personnel or cabin crew are referred to as passengers

TAV HAVALİMANLARI ANNUAL REPORT 2019

TAV AIRPORTS HOLDING

Stock Ticker Symbol: TAVHL
Date of Istanbul Trade Registry: 07.11.1997
Trade Registration & MERSIS No: 590256 / 0832-0062-0900-0011
Phone: +90 212 463 3000 / 2122-2123-2124
Fax: +90 212 465 3100
Website: www.tavhavalimanlari.com.tr
Address: Vadistanbul Bulvar, Ayazaga Mahallesi Cendere Caddesi No: 109L 2C Blok 34485 Sariyer/Istanbul