PPP in Airport Business

&

TAV Experience

Mr. Murat Örnekol - Chief Operations Officer
PPP in Airport Business

- Public Private Partnership (PPP), is a work model that is based on a contract or concession agreement between a government or statutory entity on one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.

- Its goal is to combine the **BEST CAPABILITIES** of the public and private sectors for **MUTUAL BENEFIT**.

- Used for **BUILDING** of new and/or upgrade existing **PUBLIC FACILITIES**.

- The private sector assumes a greater role in the planning, financing, design, construction, operation and maintenance of these facilities whereas the governmental body assumes the guarantee for the revenues and controlling the investment.

- The investors most likely use the below formula to evaluate BOT projects

\[
\text{Revenues} - \text{OPEX} - \text{Loan Repayments} \geq \text{CAPEX}
\]

Investors main concerns may be listed as below:

- Feasibility & Profitability
- Bankability
- Clear Regulations
- Environmental Factors
PPP in Airport Business

*ATC: Air Traffic Control, **GTC: Ground Traffic Control, ***Pax screening and other security relevant services ex-or included
PPP in Airport Business

Major Types of PPP Projects
- O&M Contracts
- Long Term Lease Concessions
- B.T.O (Build Transfer Operate)
- B.O.T (Build Operate Transfer)
- B.O.O (Build Own Operate)

To Achieve Successful Outcome from PPP Tenders
- Clearly defined scopes
- Concept design
- Agreed CAPEX (Capital Expenditure) based on the concept
- Clear definition of the Revenue Streams
- Governmental guarantee (Direct/Indirect) for the revenues
- The investor should have the know-how for design, financing, building, construction and operations

Structure of PPP Projects in Airport Business

CLIENT
TENDERING
CONTROL

INVESTOR
DESIGN
FINANCE
BUILT
OPERATE
TRANSFER

FINANCIAL INSTITUTIONS
FUNDING
CONTROL
PPP in Airport Business

**Advantages:**

- Improved and expanded infrastructure services that would not be there otherwise
- Transfer the burden of raising funds from government to the private investor
- Re-allocation of government resources for other urgent uses
- Better allocation of risk between the public and private sectors
- Reduce public sector risk and improve budget certainty through improved service delivery
- Operational, administrative and technological know-how transfer, training of local staff and development of domestic capital markets
- Stimulate economic growth
TAV Experience
## TAV Structure

### Airport Operation Companies
- **Airports**
  - **Turkey**
    - Istanbul Ataturk Airport (100%)
    - Ankara Esenboga Airport (100%)
    - Izmir Adnan M. Airport (100%)
    - Antalya Gazipasa Airport (100%)
  - **Georgia**
    - Tbilisi and Batumi Airports (76%)
  - **Tunisia**
    - Monastir and Enfidha Airports (67%)
  - **Macedonia**
    - Skopje and Ohrid Airports (100%)
  - **Latvia**
    - Riga Airport (100% - Commercial Area Management)
  - **Saudi Arabia**
    - Madinah Airport (33%)

### Service Companies
- **Duty Free**
  - **ATU (50%)**
    - JV between TAV Airports Holding and Heinemann (50%-50%)
    - Largest duty free operator in Turkey
    - Operating in all TAV managed airports
    - Total of 15,000m² sales area
    - More than 1,400 employees

- **Food and Beverage**
  - **BTA (67%)**
    - Total seating capacity of more than 12,800
    - 57 outlets in Istanbul
    - 30 outlets in Ankara
    - 24 outlets in Izmir
    - 10 outlets in Georgia
    - 14 outlets in Tunisia
    - 7 outlets in Macedonia
    - Operates Istanbul Airport Hotel (131 rooms)
    - Manages all F&B points in IDO Ferry Lines Terminals and ferry boats
    - Bakery & pastry factory serving Starbucks & Cafe Nero in Turkey

- **Ground Handling**
  - **HAVAS (100%)**
    - Major ground handler in Turkey with a 65% market share
    - Currently operates in 34 airports in 9 different countries
    - Major shareholder of Havas-Europe (67%) which operates in Latvia, and Germany
    - Shareholder of TGS with Turkish Airlines (50% - 50%)
    - Shareholder of CAS with KTHY (50%)

- **Other**
  - **TAV Operation Services (100%)**: Commercial area allocations, advertising, travel agency services, CIP / VIP operations
  - **TAV IT (100%)**: Integrated Airport IT services including AODB, FIDS, FMS and BMS
  - **TAV Security (100%)**: Security service provider in Istanbul, Ankara and Izmir including x-ray screening and physical security

### 2012 Revenues

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATU</td>
<td>€ 632 m</td>
</tr>
<tr>
<td>BTA</td>
<td>€ 255 m</td>
</tr>
<tr>
<td>HAVAS</td>
<td>€ 116 m</td>
</tr>
<tr>
<td>TAV IT</td>
<td>€ 211 m</td>
</tr>
<tr>
<td>TAV Security</td>
<td>€ 93 m</td>
</tr>
</tbody>
</table>
TAV Structure

**Airport Companies**
- Atatürk Airport (100%)
- Esenboga Airport (100%)
- A Menderes Airport (100%)
- Gazipaşa Airport (100%)
- Madinah Airport (33%)
- Monastir & Enfidha (67%)
- Tbilisi & Batumi (76%)
- Skopje & Ohrid (100%)
- TAV Latvia (100%)

**Service Companies**
- ATÜ (50%)
- BTA (67%)
- HAVAŞ (100%)
- TGS (50%)
- HAVAŞ / EUROPE (67%)
- TAV O&M (100%)
- TAV IT (100%)
- TAV Security (100%)

Major shareholders are ADPM (38%), Akfen (8.1%), Tepe (8.1%), Sera (2%), 40% publicly traded in Istanbul Stock Exchange

TAV Airports Holding (“TAV Airports”) is an integrated airport services company providing design and construction, terminal / airport operations and maintenance services, duty free services, food and beverage services, airport security, ground handling and other auxiliary services.
PPP Experience of TAV

• **B.O.T. (Build Operate Transfer)**
  - Ankara Esenboga International Airport (2006 - 2023)
  - Tblisi and Batumi International Airports (2005 – 2027)
  - Monastir and Enfidha International Airports (2007 – 2047)
  - Skopje and Ohrid International Airports (2010 – 2030)

• **B.T.O. (Build Transfer Operate)**
  - Madinah International Airport (2011 – 2037)

• **Long Term Lease Concessions**
  - Istanbul Ataturk International Airport (2005 – 2021)
  - Alanya Gazipasa International Airport (2008 – 2034)
  - Riga International Airport (2011 – 2021)
  - Izmir Adnan Menderes Airport (2012 – 2033)
Pax Growth: Turkey vs. TAV Airports

8.01 times

TAV’s total pax growth rate in 11 years

3.82 times

Turkey’s total pax growth rate in 11 years
Istanbul Ataturk International Airport

3,07 times

Istanbul Ataturk Airport’s passenger growth in TAV’s first 12 years (2000-2012)

#6 in Europe

#20 in World
Ankara Esenboğa International Airport’s passenger growth under TAV Management

2,03 times
Izmir Adnan Menderes Airport’s passenger growth under TAV Management

CAGR: -2.52%

CAGR: 7.52%

1.66 times
Tbilisi and Batumi International Airports (Georgia)

NEW AIRLINES ATTRACTED TO GEORGIAN AIRPORTS

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Pegasus</td>
<td>ATA Airlines</td>
<td>Qatar</td>
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<tr>
<td>LOT Polish</td>
<td>Air Astana</td>
<td>British Airways</td>
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<tr>
<td>China Southern</td>
<td>Aegean Airlines</td>
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<td>Ural Airlines</td>
<td>Estonian</td>
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<tr>
<td>FlyDubai</td>
<td>Alitalia</td>
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<td>Air Kazakhstan</td>
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2,07 times

Georgian Airport’s passenger growth under TAV Management
**Skopje & Ohrid International Airports (Macedonia)**

**NEW AIRLINES ATTRACTED TO MACEDONIAN AIRPORTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
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<td>Transavia</td>
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<td>Mistral Air</td>
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<td>Arkefly</td>
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<td></td>
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<td></td>
<td>German Sky</td>
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**CAGR: 1,94%**

**CAGR: 7,72%**

**Before TAV**

**After TAV**

NEW AIRLINES ATTRACTED TO MACEDONIAN AIRPORTS

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1,25 times

Macedonian Airport’s passenger growth under TAV Management
Due to the Arab Spring effect there was a dramatic decrease in the passengers numbers in 2011, however TAV’s huge marketing efforts showed its results in 2012, reaching almost the same passenger levels before Arab Spring just in 1 year time.

1.45 times

Tunisian Airport’s passenger growth under TAV Management after Arab Spring
TAV has been operating Madinah International Airport since July 2012 and immediate increase in passenger figures can be seen after takeover.
TAV Growth Rates through PPP Projects

Passenger (mpax)

Revenue (million €)

EBITDA (million €)

Employees

CAGR 18%

CAGR 21%

CAGR 19%

CAGR 50%
Financial & Employment Support of TAV to Economy Through PPP Projects

According to **ICAO** studies;

In the global economy, **EVERY $100 in Airport Business** **TRIGGERS** **ADDITIONAL $325** for the general economy

**CONTRIBUTION**

- **TAV’s 2012 REVENUES** **1,1 BILLION** **TO THIS ECONOMY** 3,575 BILLION

The same study shows that;

- **INCREASE** **EVERY 1000 PAX** **1 DIRECT + 1 INDIRECT EMPLOYMENT**

**TAV** has increased its passenger numbers from 9 million to 72 million since 2000. This results in **63.000 x 2** **126.000 NEW EMPLOYMENT**

**TAV Airports Holding** employes **more than 22,000 employees** and overall employment figures in the airports **TAV operating** is more than **60,000 employees**

- **Considering the economic support of TAV to the governments**, **TAV has paid more than EUR 1,5 billion through lease payments** and **EUR 1 billion through tax payments**.
Thank you