

elebi Hava Servisi A.Ş.

1 January - 31 March 2017 interim condensed consolidated financial statements

(Convenience translation into English of condensed interim consolidated financial statements originally issued in Turkish)

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		<i>Current year</i>	<i>Prior year</i>
		<i>(Unaudited)</i>	<i>Audited</i>
	Notes	31-Mar-17	31-Dec-16
ASSETS			
Current Assets			
Cash and cash equivalents	4	126.148.478	65.477.817
Financial Investments		14.259.532	10.721.807
-Restricted cash	5	14.259.532	10.721.807
Trade receivables		115.647.132	94.556.073
- Due from related parties	8	1.222.879	1.038.242
- Trade receivables, third parties	8	114.424.253	93.517.831
Other receivables		5.909.776	8.275.515
-Other receivables from third parties	9	5.909.776	8.275.515
Inventories	10	11.120.614	11.195.832
Prepaid expenses	15	12.353.031	14.862.907
Current tax assets	24	1.307.224	2.418.139
Other current assets	14	1.960.416	4.100.361
Total current assets		288.706.203	211.608.451
Non-current assets			
Financial investments	5	3.929.524	3.636.923
Other long-term receivables		27.967.892	25.257.152
- Due from third parties	9	27.967.892	25.257.152
Investments accounted by equity method	6	44.942.790	40.033.913
Property, plant and equipment	11	157.162.177	156.759.806
Intangible assets		178.635.274	169.728.079
- Goodwill	12	34.100.370	32.556.051
- Other intangible assets	12	144.534.904	137.172.028
Prepaid expenses	15	20.322.976	21.419.166
Deferred tax asset	24	47.171.326	42.357.043
Other non-current assets	14	22.098.471	19.021.995
Total non-current assets		502.230.430	478.214.077
Total assets		790.936.633	689.822.528

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		<i>Current year</i>	<i>Prior year</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	Notes	31-Mar-17	31-Dec-16
LIABILITIES			
Current liabilities			
Financial liabilities	7	10.067.065	24.956.512
Short term portion of long term financial liabilities	7	135.873.968	128.529.170
Trade payables		75.516.974	69.127.896
- Due to related parties	8	5.944.096	6.574.559
- Trade payable, third parties	8	69.572.878	62.553.337
Employee benefit obligations	17	28.744.735	25.002.485
Other payables		8.392.386	6.919.820
- Other payables, third parties	9	8.392.386	6.919.820
Deferred income	16	4.753.125	5.611.035
Current income tax liabilities	24	185.810	247.310
Short-term provisions		8.457.808	7.570.376
- Provisions for employee benefits	13	6.844.305	5.859.458
- Other provisions	13	1.613.503	1.710.918
Other current liabilities	14	6.719.048	5.606.013
Total current liabilities		278.710.919	273.570.617
Non-Current Liabilities			
Financial liabilities	7	246.264.941	169.091.081
Other payables	9	9.828.368	9.091.878
Provisions		21.761.834	21.540.508
- Provisions for employee benefits	13	21.761.834	21.540.508
Deferred tax liabilities	24	6.086.285	5.825.508
Other non-current liabilities	14	120.270.484	109.006.172
Total non-current liabilities		404.211.91	314.555.147
Total liabilities		682.922.831	588.125.764
EQUITY			
Equity attributable to equity holders of the parent		92.240.191	87.487.517
Paid-in capital	18	24.300.000	24.300.000
Other accumulated comprehensive income/(expense) not to be reclassified to profit or loss		(16.076.250)	(16.076.250)
- Actuarial gain/(loss) arising from defined benefit plans		(16.076.250)	(16.076.250)
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss		27.284.785	22.781.040
- Foreign currency translation differences		27.284.785	22.781.040
Restricted reserves	18	40.181.456	40.181.456
Retained earnings		16.301.271	(10.534.764)
Net profit/ (loss) for the year		248.929	26.836.035
Non-controlling interest		15.773.611	14.209.247
Total equity		108.013.802	101.696.764
Total liabilities and equity		790.936.633	689.822.528

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED PROFIT OR LOSS STATEMENT FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Tutarlar aksi belirtilmedikçe Türk Lirası ("TL") olarak ifade edilmiştir.)

		(Unaudited) 1 January- 31-Mar 2017	(Unaudited) 1 January- 31-Mar 2016
	Notes		
CONTINUING OPERATIONS			
Revenue (net)	19	181.606.636	167.723.835
Cost of sales (-)	19	(139.422.686)	(130.794.158)
GROSS PROFIT	19	42.183.950	36.929.677
General administrative expenses (-)	21	(30.563.709)	(26.294.135)
Other operating income		6.517.501	3.283.326
Other operating expenses (-)		(7.699.896)	(2.380.698)
OPERATING PROFIT		10.437.846	11.538.170
Income from investment activities		479.091	150.614
Expense from investment activities (-)		(359.391)	(1.536)
Income from investments accounted by equity method		1.641.195	1.588.883
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)		12.198.741	13.276.131
Financial income	22	8.382.016	5.593.217
Financial expense (-)	23	(18.549.294)	(11.854.102)
INCOME BEFORE TAX		2.031.463	7.015.246
Income tax expense		(1.402.392)	(1.926.261)
Current tax expense	24	(2.541.449)	(2.362.751)
Deferred tax income/(expense)	24	1.139.057	436.490
NET INCOME/ (EXPENSE)		629.071	5.088.985
Attributable to:			
Non-controlling interest		380.142	266.032
Equity holder of the parent		248.929	4.822.953
		629.071	5.088.985
Earnings / (losses) per share (Full TL)	25	0,0001	0,002

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED OTHER COMPREHENSIVE INCOME STATEMENT FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	<i>Current year</i>	<i>Prior year</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	1 January-	1 January-
	31-Mar	31-Mar
	2017	2016
Notes		
Net income	629.071	5.088.985
Other comprehensive income		
Not to be reclassified to profit or loss		
- Defined benefit obligation actuarial gains/(losses)	-	(2.786.266)
To be reclassified to profit or loss		
- Currency translation differences	5.659.803	(1.944.560)
Other comprehensive income/(expense)	5.659.803	(4.730.826)
Total comprehensive income	6.288.874	358.159
Total comprehensive income attributable to:		
Non-controlling interest	1.536.200	(36.728)
Equity holders of the parent	4.752.674	394.887
	6.288.874	358.159

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Retained earnings					
Notes	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non- controllin g interest	Total equity
Balances at 1 January 2016	24.300.000	(8.493.178)	14.586.228	33.012.956	(13.524.451)	83.058.187	132.939.742	11.345.517	144.285.259
Transfers to retained earnings	-	-	-	-	83.058.187	(83.058.187)	-	-	-
Other comprehensive income									
--Change in foreign currency translation differences	-	-	(1.641.800)	-	-	-	(1.641.800)	(302.760)	(1.944.560)
- Change in Actuarial gain/(loss) arising from defined benefit plans	-	(2.786.266)	-	-	-	-	(2.786.266)	-	(2.786.266)
Total other comprehensive income	-	(2.786.266)	(1.641.800)	-	-	-	(4.428.066)	(302.760)	(4.730.826)
Net profit/(loss) for the period	-	-	-	-	-	4.822.953	4.822.953	266.032	5.088.985
Total comprehensive income/(expense)	-	(2.786.266)	(1.641.800)	-	-	4.822.953	394.887	(36.728)	358.159
Balances at 31 December 2016	24.300.000	(11.279.444)	12.944.428	33.012.956	69.533.736	4.822.953	133.334.629	11.308.789	144.643.418

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Retained earnings					
Notes	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity
Balances at 1 January 2016	24.300.000	(16.076.250)	22.781.040	40.181.456	(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764
Transfers to retained earnings	-	-	-	-	26.836.035	(26.836.035)	-	-	-
Increase in minority interest of subsidiary	-	-	-	-	-	-	-	28.164	28.164
Other comprehensive income									
--Change in foreign currency translation differences	-	-	4.503.745	-	-	-	4.503.745	1.156.058	5.659.803
- Change in Actuarial gain/(loss) arising from defined benefit plans	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	4.503.745	-	-	-	4.503.745	1.156.058	5.659.803
Net profit/(loss) for the period	-	-	-	-	-	248.929	248.929	380.142	629.071
Total comprehensive income/(expense)	-	-	4.503.745	-	-	248.929	4.752.674	1.536.200	6.288.874
Balances at 31 March 2017	24.300.000	(16.076.250)	27.284.785	40.181.456	16.301.271	248.929	92.240.191	15.773.611	108.013.802

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current year (Unaudited) January 1- March 31, 2017	Prior year (Unaudited) January 1- March 31, 2016
	Notes		
A. Cash flows from operating activities		16.296.669	14.854.981
Profit/loss before tax for the period		629.071	5.088.985
Adjustment for reconciliation of profit/(loss) before taxation			
Adjustment related depreciation and amortisation expense	11,12	17.391.070	14.740.506
Adjustment related to provisions		9.437.548	8.655.144
- Adjustment related to provisions for employee benefits		1.875.012	3.907.378
Adjustments related to interest income and expense	22,23	1.875.012	3.907.378
- Adjustment related to interest income		3.050.058	2.721.461
- Adjustment related to interest expense		(1.845.207)	(1.899.184)
Adjustment related to unrealized related toeing currency translation differences		4.895.265	4.620.645
Adjustment related to tax (income) expense		6.191.739	3.120.745
Adjustment related to increase/decrease in joint ventures are accounted by the equity method		(1.402.392)	(1.926.261)
Adjustment related to (profit) on sales of property, plant and equipment, net	6	(1.641.195)	(1.588.883)
		(119.700)	(149.078)
Changes in working capital		(957.218)	(3.633.314)
Increase/decrease in financial investments		(292.600)	47.917
Adjustment related to increase/decrease in trade receivables		(21.091.059)	(8.177.902)
-Increase/decrease in due from related parties		(184.637)	294.330
-Increase/decrease in due from third parties		(20.906.422)	(8.472.232)
Adjustment related to increase/decrease in other receivables related with operations		(7.561.250)	2.883.616
Adjustment related to increase/decrease in inventories		75.218	(1.336.969)
Increase/decrease in prepaid expenses		3.606.066	3.749.132
Adjustment related to increase/decrease in trade payables		6.389.078	3.695.300
-Increase/decrease in due to related parties		(630.463)	442.708
-Increase/decrease in due to third parties		7.019.541	3.252.592
Increase/decrease in payables related to employee benefits		3.742.250	(2.354.136)
Adjustment related to increase/decrease in other payables related with operations		14.175.080	(2.140.272)
Cash flows from operating activities		17.062.923	16.196.177
Retirement liability paid	13	(668.839)	(1.325.197)
Other provisions paid		(97.415)	(15.999)

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		<i>Current year</i>	<i>Prior year</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	Notes	January 1- March 31, 2017	January 1- March 31, 2016
B. Cash flows from investing activities		(4.669.170)	(6.752.902)
Cash outflows due to purchase of shares or capital increase of associates and/or joint ventures		28.167	-
Cash inflows from the sale of property, plant and equipment and intangible asset		224.629	303.899
- Cash inflows from the sale of property, plant and equipment	11	224.629	303.564
- Cash inflows from the sale of intangible assets	12	-	335
Cash outflows from the purchase of property, plant and equipment and intangible asset		(4.921.966)	(7.056.801)
- Cash outflows from the purchase of property, plant and equipment		(4.903.081)	(6.031.419)
- Cash outflows from the purchase of intangible asset		(18.885)	(1.025.382)
C. Cash flows from financing activities		60.568.157	(20.724.424)
Cash inflows from financial liabilities		114.634.036	3.533.216
Cash outflows due to debt payments		(51.015.821)	(21.536.179)
Interest paid		(4.895.265)	(4.620.645)
Interest received		1.845.207	1.899.184
BEFORE THE EFFECT OF CHANGE IN FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		72.195.656	(12.622.345)
D. Impact of foreign currency translation differences		(11.537.959)	1.543.724
Net increase/decrease in cash and cash equivalents		60.657.697	(11.078.621)
E. Cash and cash equivalents at beginning of period		65.460.743	127.859.564
Cash and cash equivalents at end of period	4	126.118.440	116.780.943

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Çelebi Hava Servisi A.Ş. (collectively referred to as the "Company" or "Çelebi Hava") established in 1958 was the first private ground handling service company in the Turkish aviation sector. The company is continuing its operations under Çelebi Holding. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc) and fuel supplies to domestic and foreign airlines and private cargo companies. The Company operates in İstanbul Atatürk, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaraş, Isparta, Erzincan, Çanakkale, Balıkesir Edremit, Iğdır, Kocaeli, Bingöl Hakkari airports, which are under the control of the State Airports Administration ("DHMI") and İstanbul Sabiha Gökçen airport which is under the control of the Airport Administration and Aviation Industries A.Ş. ("HEAS"). The company is jointly controlled by Çelebi Havacılık Holding A.Ş., the parent company which is controlled by Çelebioğlu Family and Zeus Aviation Services Investments B.V.

The company is registered in Capital Markets Board "CMB" and has been listed in Borsa İstanbul "BİST" since 18 November 1996. The percentage of shares which are publicly traded is %21,64. (31 Aralık 2016:%21.64)

The address of the Company is as follows:

Anel İş Merkezi Saray Mahallesi Site Yolu Sokak No:5 Kat:9
34768 Ümraniye / İstanbul

The average number of employees working for the Group for the year ended March 31, 2017 is 12.158 (December 31, 2016: 12.278).

Subsidiaries and Equity Investments Valued With Facts About:

The Company also owns 94,8% of Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. ("Çelebi Güvenlik") which operates in airport terminal safety and provides safety services to airline companies. Pursuant to the resolution taken in the Ordinary General Assembly meeting, the liquidation process started as of December 31, 2013 and the title of the Company was changed into Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. in Liquidation. (In Liquidation Çelebi Güvenlik)

The Company was informed of winning the tender offer and participates in the Celebi Tanacsado Korlátolt Felelősségű Társaság ("Celebi Kft") company that was founded on 22 September 2006 as founding shareholder for the realization of the abovementioned share transfer. Celebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH").

Celebi Kft has been taken over by CGHH with all assets and liabilities and merger transactions have been completed at 31 October 2007 after the completion of the registration, related changes in Articles of Association and General Assembly decisions carried out within the legal framework effective in Hungary. Since Celebi Kft owned 100% of CGHH shares before the merger, the Company's share has remained 70% in CGHH share capital. As of 2011, shares representing 30% of CGHH were purchased from Çelebi Havacılık Holding A.Ş. for Turkish Liras 33.712.020.

As of 31 March 2017, total paid in capital of CGHH is 200.000.000 Hungarian forint.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

Within the framework of the tender relating to provide ground handling services for 10 years period in Mumbai Chhatrapati Shivaji International Airport in India which resulted in favor of the consortium in which the Company takes part, a joint venture company has been established on 12 December 2008 with a capital of 100.000.000 Indian Rupee and the title of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai India to provide ground handling services. The Company, as co-founder, has a 55% stake in Celebi Nas and the capital of the company is amounting to 552.000.000 Indian Rupee. Also 228.000.000 Indian Rupee has been paid as capital advance which has been registered by Celebi Nas' partners yet. On April 08, 2015, Celebi Nas has signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the CSIA International Airport in which Celebi Nas operates. The content of the agreement covers the rendering of services regarding air conditioners and generators mounted on passenger boarding bridges in the passenger terminal of the mentioned airport. Celebi Nas has been granted the concession rights until May 2036 within the scope of the concession agreement.

The Company participated as a co-founders in the company with capital of 100.000 Indian Rupee under the title Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") to carry out activities relating to the development, modernization and 25-year operation of the existing cargo terminal in the airport ("Brownfield") in New Delhi in India on 6 May 2009, and its capital share in Celebi Delhi Cargo is 74%. The paid capital of the Celebi Delhi Cargo is amounting to 1.120.000.000 Indian Rupee.

The equity needed to meet financial requirement of the investments planned and the fulfillment of the requirements arising from the Concession Agreement signed by Celebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), established in 18 November 2009, with a paid-in capital amounting to 18.150.000 Indian Rupee and in which the Company participated at 74%, with the tender authority upon winning the tender opened for the conduct of airport ground handling services in Delhi International Airport for 10 years, was met through a premium capital increase according to the legal legislation in India by paying 1.081.917.000 Indian Rupee and the Company has a 74% stake in Celebi GH Delhi.

The Company participated 25% of company Delhi Aviation Services Private Limited ("DASPL") with capital of 250.000.000 Indian Rupee under the title Celebi GH Delhi to carry out activities relating to the development, modernization and standardization to the international standards of air-conditioning, power generators and water system on passenger bridges on the airport.

As of 25 March 2010, the Company participated 100% of a company that was established in Madrid, Spain under the title "Celebi Ground Handling Europe" ("Celebi Spain") with the capital of 10.000 Euro as a founding partner for the purpose of investing business in foreign countries, especially those in the European Union such as Troy Airport Services ("Troy") located in Poland of which the company owns %100 Shares but Celebi Europe has not started its operations yet.

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on November 20, 2008 in order to carry out transportation, load transfer, cargo storage and distribution activities. Celebi Cargo GmbH (Celebi Cargo), a subsidiary of Çelebi Kargo having a prepaid capital at an amount of €32.100.000 and which is a resident in Germany established in November 2009, rented store/warehouse facilities located at International Frankfurt Airport Cargo (Frankfurt Cargo Süd) and carrying out activities in air cargo storage and handling. The capital of Çelebi Kargo is TL 114.000.000 as of March 31, 2017 and all its capital is paid.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

As of March 31, 2017, the consolidated financial statements of the Company include the Company, Celebi Nas, CGHH, Çelebi Güvenlik in Liquidation, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo and Celebi Cargo (collectively, referred to as the "Group").

These consolidated financial statements for the period January 1 –March 31, 2017 have been approved for issue by the Board of Directors on May 10, 2017 and signed by Osman Yılmaz (Deputy General Manager) and Deniz Bal (Financial Affairs Director) on behalf of Board of Directors.

Subsidiaries:

The Company has the following subsidiaries. The nature of the business of the Subsidiaries and their respective geographical segments are as follows:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>
In liquidation			
Çelebi Güvenlik	Turkey	Turkey	Aviation and other security services
CGHH	Hungary	Hungary	Ground handling services
Celebi Delhi Cargo	India	India	Warehouse and cargo services
Celebi GH Delhi	India	India	Ground handling services
Celebi Spain	Spain	Spain	Ground handling services (inactive)
Çelebi Kargo	Turkey	Turkey	Warehouse and cargo services
Celebi Cargo	Germany	Germany	Warehouse and cargo services

Investments Accounted by Equity Method:

<u>Investments Accounted by Equity Method</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>
Celebi Nas	India	India	Ground handling services

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Affiliates:

The Company has the following subsidiaries. The nature of the business of the Subsidiaries and their respective geographical segments are as follows:

<u>Affiliates</u>	<u>Country of incorporation</u>	<u>Geographical segment</u>	<u>Nature of business</u>
DASPL	India	India	Ground handling services

2.1. Basis of presentation

2.1.1 Financial reporting standards

The Group’s consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Reporting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).

Group is prepared its financial statements for the interim period ended 31 March 2017 according to Turkey Accounting Standard No.34 Interim Financial Reporting Accounting Standards.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Company’s financial statements have been prepared in accordance with this decision.

The Company and the group companies established in Turkey, maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with rules and principles published by POA, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards. Company's functional and presentation currency is accepted as TL.

Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in TL, which are the functional currency of the Company and the presentation currency of the Group. As of 31 March 2017, the currency of subsidiaries has shown below.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

<u>Company</u>	<u>Currency</u>
Çelebi Güvenlik in Liquidation	Turkish Lira (TL)
CGHH	Hungarian Forint (HUF)
Celebi Delhi Cargo	Indian Rupee (INR)
Celebi GH Delhi	Indian Rupee (INR)
Celebi Nas	Indian Rupee (INR)
Çelebi Kargo	Turkish Lira (TL)
Celebi Cargo GmbH	Euro (EUR)

Going Concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

2.1.2 Amendments in International Financial Reporting Standards (IFRS)

The new standards, amendments and interpretations

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

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments

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

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

ii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases

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

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

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

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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IAS 7 Statement of Cash Flows (Amendments)

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

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

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

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

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

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

2.1.3 Financial statements of joint ventures operating in foreign countries

Financial statements of joint ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Foreign joint ventures’ assets and liabilities are translated into TL with the foreign exchange rate at the statement of financial position date. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and statement of financial position date rates are included in the “currency translation differences” under the shareholders’ equity.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2.1.4 Basis of Consolidation

- a) The consolidated financial statements include the accounts of the parent company. Çelebi Hava, its Subsidiaries and its Joint ventures (collectively referred to as the “Group”) on the basis set out in sections (b), to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries and Joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.
- b) Subsidiaries are companies over which the Group’s has capability to control the financial and operating policies for the benefit of the Group, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies. The available or convertible existence of potential voting rights are considered for the assessing whether the Group controls another organization Subsidiaries are consolidated from the date on which the control is transferred to the Group and consolidated by using full consolidation method. Subsidiaries are no longer consolidated from the date that the control ceases. The acquisition of the subsidiaries by the Group is recognized by using purchase method. The acquisition cost includes; the fair value of the assets on the purchase date, equity instruments disposed and the liabilities incurred at the exchange date and costs that directly attributable to the acquisition, The identifiable asset during the merge of the companies is measured by fair value at the purchase date of liabilities and contingent liabilities regardless of the minority shareholders. The Group recognized the goodwill for the exceed portion of the cost of acquisition that the fair value of net identifiable assets acquired. If the acquisition cost is below the fair value of identifiable net asset of subsidiary, the difference is recognized to the comprehensive income statement, Transactions between inter companies the balances and unearned gains arising from transactions between Group companies are eliminated. Unaccrued losses are also subjected to elimination. The accounting policies of subsidiaries are revised in accordance with the Group's policies. The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Group and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between company and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by the Group in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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The table below sets out all Subsidiaries and demonstrates their shareholding structures:

<u>Subsidiary</u>	<u>Direct and indirect shareholding by Celebi Hava and its Subsidiaries (%)</u>	
	<u>31 March 2017</u>	<u>31 December 2016</u>
Çelebi Güvenlik İn Liquidation (2)	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
Celebi GH Delhi	74,0	74,0
Celebi Spain (1)	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

- (1) As of 31 March 2017 Celebi Spain has directly and indirectly 100% voting right. However, Celebi Spain has not been consolidated in consolidated financial statements by reason of being immaterial for the consolidated financial statements and the company operations have not started. (Note 5).
- (2) Pursuant to the resolution taken in the Ordinary General Assembly meeting, of Çelebi Güvenlik with a capital of TL 1.906.736, participated by the Company at the rate of 94,8%, the liquidation process started as of December 31, 2013 and the title of the Company was changed into Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.in Liquidation. As of March, 2017, since Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.in Liquidation did not constitute any materiality on the consolidated financial statements of the Group, no additional presentation was made in the financial statements within the scope of IFRS 5 Assets Held for Sale and Discontinued Operations.
- c) The Group categorized the sales and purchase of its subsidiaries' shares transactions as transactions between group shareholders except parent company. Therefore, for the addition share purchase from other than parent company, the Group records the difference between cost of purchase and book value of asset of subsidiary's purchased portion under shareholders' equity. For the share sales to other than parent company, the Group records the income or loss as a result of the difference between sales price and book value of asset of subsidiary's sold portion under shareholders' equity.
- d) Joint ventures are accounted by the equity method.

<u>Investments Accounted by Equity Method</u>	<u>Direct and indirect shareholding by Çelebi Hava (%)</u>	
	<u>31 March 2017</u>	<u>31 December 2016</u>
Celebi Nas	57,00%	57,00%

Unrealized revenue transactions with the joint ventures have been eliminated by the rate of the controlling power of the Group over the Affiliate. Dividends from the shares the Company owns have also been eliminated from the related equity and income statement accounts.

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- e) For available for sale financial assets under 20% of voting rights or over 20% of voting rights and that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

2.2. Changes in accounting policies

2.2.1 Comparative information

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year.

The Group presented the consolidated statement of financial position as of 31 March 2017 comparatively with the consolidated statement of financial position as of 31 December 2016, presented the consolidated statement of comprehensive income, comprehensive income consolidated statement of cash flows and consolidated statement of changes in equity for the period ended 31 March 2017 comparatively with the consolidated financial statements for the interim period ended 31 March 2016.

2.3. Summary of Significant Accounting Policies

Condensed consolidated financial statements for the period ended 31 March 2017, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 2017 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements except IFRS 11 and IAS 19 for the year ended 31 December 2016. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2016.

NOTE 3 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed by the board of directors, and found effective in strategically decision taking.

The management considers the Group within the views named geographic and operational segments. They are assessing the Group's performance on an operating segment basis; Ground Handling Services, Security Services, Cargo and Warehouse Services, Terminal Construction and Management. Reportable operating segment revenues are Ground Handling Services, Security Services, Terminal Construction and Management and Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA after IFRIC 12 effect and expense offsetting amount that does not have any cash-flow effect, regarding to operating leasing are excluded.

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NOTE 3 - SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of 31 March 2017 is as follows :

1 January - 31 March 2017

	Reportable Segments			
	Ground Handling Services	Cargo And Warehouse Services	Ground Handling Services	Cargo And Warehouse Services
Revenue	116.090.356	65.696.662	(180.382)	181.606.636
Cost of sales	(85.327.194)	(54.115.325)	19.833	(139.422.686)
Gross profit	30.763.162	11.581.337	(160.549)	42.183.950
General administrative expenses	(21.791.426)	(8.953.525)	181.242	(30.563.709)
Addition: Depreciation and amortization	6.120.213	3.317.335	-	9.437.548
Addition: Operating lease equalization	(23.298)	1.734.847	-	1.711.549
Addition: Effect of IFRIC 12 shares	-	1.221.535	-	1.221.535
Addition: Prepaid allocation cost expense	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation provisions	1.477.202	44.969	-	1.522.171
Effect of EBITDA to investments accounted by equity method	4.643.245	(150.325)	-	4.492.920
EBITDA	21.477.866	8.796.173	20.693	30.294.732

1 January - 31 March 2016

	Reportable Segments			
	Ground Handling Services	Cargo And Warehouse Services	Ground Handling Services	Cargo And Warehouse Services
Revenue	112.635.727	55.149.852	(61.744)	167.723.835
Cost of sales	(83.162.599)	(47.631.559)	-	(130.794.158)
Gross profit	29.473.128	7.518.293	(61.744)	36.929.677
General administrative expenses	(20.092.503)	(6.394.469)	192.837	(26.294.135)
Addition: Depreciation and amortization	5.652.946	3.002.198	-	8.655.144
Addition: Operating lease equalization	22.938	2.204.840	-	2.227.778
Addition: Effect of IFRIC 12 shares	-	931.908	-	931.908
Addition: Prepaid allocation cost expense	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation provisions	1.307.191	68.989	-	1.376.180
Effect of EBITDA to investments accounted by equity method	3.901.212	104.884	-	4.006.096
EBITDA	20.553.680	7.436.643	131.093	28.121.416

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NOTE 3 - SEGMENT REPORTING (Continued)

Reconciliation of EBITDA figure to income before tax is provided as follows:

	1 January- 31 March 2017	1 January- 31 March 2016
EBITDA for reported segments	30.294.732	28.121.416
Depreciation and amortization	(9.437.548)	(8.655.144)
Operating lease equalization	(1.711.549)	(2.227.778)
Effect of IFRIC 12	(1.221.535)	(931.908)
Other operating income	6.517.501	3.283.326
Other operating expenses (-)	(7.699.896)	(2.380.698)
Addition: Prepaid allocation cost expense	(288.768)	(288.768)
Retirement pay liability and unused vacation provisions	(1.522.171)	(1.376.180)
EBITDA effect of equity accounted investees	(4.492.920)	(4.006.096)
Operating profit	10.437.846	11.538.170
Income from investment activities	479.091	150.614
Expenses from investment activities (-)	(359.391)	(1.536)
Share of profit from equity accounted investees	1.641.195	1.588.883
Financial income	8.382.016	5.593.217
Financial expenses (-)	(18.549.294)	(11.854.102)
Income before tax	2.031.463	7.015.246

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Total Assets:	31 March 2017	31 December 2016
Turkey	510.223.888	406.090.754
India	270.370.195	253.668.293
Hungary	83.511.716	77.377.440
Germany	19.844.859	38.628.635
Segment assets (*)	883.950.658	775.765.122
Unallocated assets	161.721.689	99.454.036
Deduction: Inter-segment elimination	(254.735.714)	(185.396.630)
Total assets as per consolidated financial statements	790.936.633	689.822.528

(*) Total combined assets are generally formed of assets that are related with operations and do not include deferred income tax assets, time deposits.

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NOTE 3 - SEGMENT REPORTING (Continued)

Total liabilities	31 March 2017	31 December 2016
Turkey	88.128.310	68.861.941
India	180.566.386	170.935.044
Hungary	11.566.373	12.951.773
Germany	19.935.059	40.989.731
Segment liabilities (*)	300.196.128	293.738.489
Unallocated liabilities	398.292.259	328.402.270
Less: Inter-segment elimination	(15.565.556)	(34.014.995)
Total liabilities as per consolidated financial statements	682.922.831	588.125.764

(*) Total combined liabilities are generally formed of liabilities that are related with operations and do not include financial liabilities, deferred income tax liabilities.

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NOTE 3 - SEGMENT REPORTING (Continued)

Geographical Segments

Geographical Analysis for the period 1 January - 31 March 2017

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	89.480.585	29.979.023	46.425.767	15.726.081	181.611.456	(4.820)	181.606.636
Cost of sales	(64.052.317)	(19.668.156)	(38.097.275)	(17.624.447)	(139.442.195)	19.509	(139.422.686)
Gross profit	25.428.268	10.310.867	8.328.492	(1.898.366)	42.169.261	14.689	42.183.950
General administrative expenses	(17.382.248)	(3.724.225)	(6.225.377)	(3.231.859)	(30.563.709)	-	(30.563.709)
Other operating income / expense (net)	(1.364.590)	(137.280)	248.556	70.919	(1.182.395)	-	(1.182.395)
Operating profit / (loss)	6.681.430	6.449.362	2.351.671	(5.059.306)	10.423.157	14.689	10.437.846

Geographical Analysis for the period 1 January - 31 March 2016

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	96.239.462	21.089.259	28.669.984	21.720.498	167.719.203	4.632	167.723.835
Cost of sales	(70.497.857)	(13.845.840)	(23.753.011)	(22.697.450)	(130.794.158)	-	(130.794.158)
Gross profit	25.741.605	7.243.419	4.916.973	(976.952)	36.925.045	4.632	36.929.677
General administrative expenses	(16.103.653)	(3.005.196)	(4.399.193)	(2.913.895)	(26.421.937)	127.802	(26.294.135)
Other operating income / expense (net)	96.519	12.156	1.574.261	(695.179)	987.757	(85.129)	902.628
Profit from investments accounted under equity method	-	-	1.588.883	-	1.588.883	-	1.588.883
Operating profit / (loss)	9.734.471	4.250.379	3.680.924	(4.586.026)	13.079.748	47.305	13.127.053

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2017	31 December 2016
Cash	704.897	439.801
Banks	125.443.581	65.038.016
- time deposit	100.290.831	46.375.184
- demand deposit	25.152.750	18.662.832
	126.148.478	65.477.817

Effective interest rates on TL, EUR, USD and INR denominated time deposits at December 31, 2016 are %11,84, %1,73, %2,42, %4,47. (December 31, 2016: TL 10,5%, EUR 1,40%, USD 1,90%, INR 4,47%). The maturity days on TL, EUR, USD and INR denominated time deposits as of March 31, 2017 20-60 days, 1-14 days and 1-30 days for INR, EUR and USD respectively, 1-30 day for TL. (December 31, 2016: INR 20-60 days, TL 1-35 days, EUR 1-14 days and for USD 1-30 days).

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at 31 March 2017 and 31 March 2016 are as follows:

	31 March 2017	31 March 2016
Cash and banks	126.148.478	116.847.286
Less: Interest Accruals	(30.038)	(66.343)
	126.118.440	116.780.943

NOTE 5 - FINANCIAL INVESTMENTS

	31 March 2017	31 March 2016
Less: Restricted cash (*)	14.259.532	10.721.807
	14.259.532	10.721.807

(*) The mentioned amount represents the collections from the clients kept in mandatory restricted accounts according to the concession agreements signed for the operation of the terminals in New Delhi Airport in India.

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Available-for-sale assets:

	Percentage of shares	March 31, 2017	Percentage of shares	December 31, 2016
	%	TL	%	TL
DASPL	25,00	3.908.999	25,00	3.616.398
Celebi Spain (*)	75,00	20.525	75,00	20.525
		3.929.524		3.636.923

- (*) As at 31 March 2017, Celebi Spain is not material for the Group's financial statements at cost due to the failure and the company's operations have not started yet after deduction of depreciation not been consolidated in the consolidated financial statements and accounted for as available-for-sale financial assets are reflected in the financial statements.

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NOTE 6 - EQUITY ACCOUNTED INVESTEEES

The movement in the investments accounted by equity method during the periods ended 31 March is as follows:

	%	31 March 2017	%	31 December 2016
Çelebi Nas	57,00	44.942.790	57,00	40.033.913
	57,00	44.942.790	57,00%	40.033.913

The movement in the investments accounted by equity method during the periods ended 31 March is as follows:

	31 March 2017	31 March 2016
As of 1 January	40.033.913	26.204.104
Share on profit / loss	1.641.195	1.588.883
Currency translation differences	3.267.682	(720.079)
As of 31 March	44.942.790	27.072.908

Profit /loss from investments accounted under equity method:

	1 January- 31 March 2017	1 January- 31 March 2016
Çelebi Nas	1.641.195	1.588.883
	1.641.195	1.588.883

Summary statement of equity accounted investees:

	1 January- 31 March 2017	1 January- 31 March 2016
Total Revenue	91.840.517	85.963.091
Profit / (Loss) for the period	46.897.726	45.929.177
	January 1- March 31, 2017	January 1- March 31, 2016
Total Revenue	25.428.786	17.794.725
Profit / (Loss) for the period	2.879.289	2.888.878

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NOTE 7 – SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term borrowings:

	31 March 2017		
	Effective Interest rate (%)	Original Amount	TL
<i>Short-term financial liabilities</i>			
INR Borrowings	10,60-12,00	154.385.653	8.662.579
TL Borrowings	-	1.293.336	1.293.336
Total short term credits			9.955.915

Short-term finance lease obligations

Short-term finance lease obligations - USD	24.653	89.702
Short-term finance lease obligations - EUR	5.488	21.448
Total short-term finance lease obligations		111.150

	31-Mar-17		
	Effective Interest rate (%)	Original Amount	TL
<i>Short-term portion of long-term borrowings:</i>			
Interest expense accrual – EUR		280.525	1.096.374
Interest expense accrual –INR		319.604	17.933
INR borrowings	10,75-11,35	526.264.160	29.528.682
EUR borrowings	2,20-2,75	26.925.000	105.230.979
Short-term portion of total long term borrowings			135.873.968
Total short term liabilities:			145.941.033

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NOTE 7- SHORT TERM AND LONG TERM FINANCIAL LIABILITIES (Continued)

Long-term financial liabilities

	31 March 2017		
	Effective Interest Rate (%)	Original Amount	TL
INR borrowings	10,75-11,35	572.132.187	32.102.337
EUR borrowings	2,20-2,75	54.750.079	213.979.734

Long-term finance lease obligations:

Long-term finance lease obligations – USD	50.258	182.870
Total long-term finance lease obligations		182.870
Total long-term financial liabilities		246.264.941
Total financial liabilities		392.205.974

	December 31, 2016		
	Effective Interest rate (%)	Original Amount	TL
<i>Short-term financial liabilities</i>			
EUR Borrowings	1,70 - 3,35	5.500.000	20.404.450
INR Borrowings	10,60-12,00	84.486.669	4.385.703
Total short term credits			24.790.153

Short-term finance lease obligations

Short-term finance lease obligations - USD	24.307	85.540
Short-term finance lease obligations - EUR	21.785	80.819
Total short-term finance lease obligations		166.359

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NOTE 7- SHORT TERM AND LONG TERM FINANCIAL LIABILITIES (Continued)

Short-term portion of long-term borrowings

	December 31, 2016		
	Effective interest rate (%)	Original Amount	TL
<i>Short-term portion of long-term borrowings:</i>			
Interest expense accrual – USD		64.011	225.267
Interest expense accrual – EUR		297.035	1.101.969
INR borrowings	10,75 - 11,35	502.972.510	26.109.303
EUR borrowings	2,20 - 2,75	27.249.422	101.092.631
Short-term portion of total long term borrowings:			128.529.170
Total short term liabilities:			153.485.682

Long-term financial liabilities

	December 31, 2016		
	Effective Interest Rate (%)	Original Amount	TL
INR borrowings	10,75 - 11,35	591.100.520	30.684.028
EUR borrowings	2,20 - 2,75	37.250.000	138.193.775
			168.877.803

Long-term finance lease obligations

Long-term finance lease obligations – USD	60.604	213.278
Total long-term finance lease obligations		213.278
Total long-term financial liabilities		169.091.081
Total financial liabilities		322.576.763

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NOTE 7- SHORT TERM AND LONG TERM FINANCIAL LIABILITIES (Continued)

The redemption schedule of borrowings according to their contractual re-pricing dates is as follows:

	31 March 2017	31 December 2016
Less than 3 months	12.739.601	24.755.015
Between 3-12 months	133.201.432	128.730.665
Between 1-5 years	246.264.941	169.091.083
	392.205.974	322.576.763

The redemption schedules of long-term bank borrowings as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Between 1-2 years	119.964.535	57.028.113
Between 2-3 years	66.418.257	83.839.945
Between 3-4 years	59.699.279	28.009.745
	246.082.071	168.877.803

The redemption schedules of financial lease obligations as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017			31 December 2016		
	Minimum lease Payments	Interest	Total obligation	Minimum lease Payments	Interest	Total obligation
Less than 1 year	125.705	(14.555)	111.150	182.497	(16.138)	166.359
Between 1-2 years	83.213	(8.412)	74.801	96.535	(9.338)	87.197
Between 2-3 years	95.773	(3.560)	92.213	92.631	(4.633)	87.998
Between 3-4 years	15.963	(107)	15.856	38.597	(514)	38.083
	320.654	(26.634)	294.020	410.260	(30.623)	379.637

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 March 2017	31 December 2016
Short-term trade receivables		
Due from third parties	117.449.657	96.514.411
Less: Provision for doubtful receivables	(3.025.404)	(2.996.580)
Trade receivables from third parties (net)	114.424.253	93.517.831
Due from related parties (Note 26)	1.222.879	1.038.242
Total short-term trade receivables	115.647.132	94.556.073

The Group’s previous experience in the collection of receivables has been considered in the provisions booked. Therefore, the Group does not foresee any additional trade receivable risk for the possible collection losses.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of provision for doubtful receivables is as follows:

	31 March 2017	31 March 2016
Opening balance	2.996.580	2.934.249
Cumulative translation differences	28.824	2.079
Delete of non-collectable receivables	-	(42.621)
Closing balance	3.025.404	2.893.707

Short-term trade payables

	31 March 2017	31 December 2016
Trade payables to third parties	59.529.576	51.433.834
Accrued liabilities	10.043.302	11.119.503
Total trade payables to third parties	69.572.878	62.553.337
Due to third parties (Note 26)	5.944.096	6.574.559
Total trade payables	75.516.974	69.127.896

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	March 31, 2017	December 31, 2016
Other short-term receivables		
Receivables from Tax Office	4.287.323	7.646.992
Deposits and guarantees given	1.031.417	628.188
Other short-term receivables	591.036	335
Total trade payables to third parties	5.909.776	8.275.515

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 March 2017	31 December 2016
Other long-term receivables		
Deposits and guarentees given (*)	27.967.892	25.257.152
	27.967.892	25.257.152

(*) As of 31 March 2017, the amount which was given for Group's subsidiaries and joint ventures in India, the Celebi GH Delhi, Celebi Delhi Cargo, Celebi Nas amounting to TL 11.456.153 (31 December 2016: TL 15.540.137) ve TL 7.251.372 (31 December 2016: TL 9.555.325) as a deposit to the local authorities, companies and the amount which was shown in banks as blockage.

	December 31, 2016	December 31, 2015
Other short-term payables		
Other short-term payables (*)	8.262.186	6.762.769
Deposits and guarantees received	130.200	157.051
	8.392.386	6.919.820

(*) As of 31 March 2017; TL 7.577.535 of other short-term payables (31 December 2016: TL 6.142.490) Celebi Delhi Cargo, a subsidiary of the Company in India, the other partner Delhi International Airport Private Limited (DIAL) debts arising from the concession contract.

	31 March 2017	31 December 2016
Other long-term payables		
Deposits and guarantees received	9.828.368	9.091.878
	9.828.368	9.091.878

NOTE 10 – INVENTORIES

	31 March 2017	31 December 2016
Trade goods	1.560.120	1.800.844
Other inventories (*)	9.560.494	9.394.988
	11.120.614	11.195.832

(*) Other inventories include fuel oil, baggage sticker, boarding passes, miscellaneous periodicals, clothes and spare parts.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended 31 March 2017 are as follows:

	Opening 1 January 2017	Additions	Disposals	Transfers	Foreign Currency Translation Differences	Closing 31 March 2017
Cost						
Plant, machinery and equipment	255.823.826	3.725.648	(575.414)	4.123.873	3.822.534	266.920.467
Motor vehicles	51.586.757	142.517	(2.024)	148.633	2.607.338	54.483.221
Furniture and fixtures	26.595.962	105.878	-	(1.382.100)	351.357	25.671.097
Leasehold improvements (*)	121.020.459	52.536	-	(2.264.569)	553.004	119.361.430
Construction in Progress	2.340.056	776.590	-	-	95.219	3.211.865
	457.367.060	4.803.169	(577.438)	625.837	7.429.452	469.648.080
Accumulated depreciation						
Plant, machinery and equipment	(173.771.036)	(4.253.128)	470.479	(740.433)	(2.769.720)	(181.063.838)
Motor vehicles	(36.190.543)	(564.438)	2.030	(131.310)	(1.912.552)	(38.796.813)
Furniture and fixtures	(21.786.275)	(363.966)	0	371.762	(229.876)	(22.008.355)
Leasehold improvements (*)	(68.859.400)	(1.528.190)	0	(25.947)	(203.360)	(70.616.897)
	(300.607.254)	(6.709.722)	472.509	(525.928)	(5.115.508)	(312.485.903)
Net book value	156.759.806					157.162.177

(*) The land plots where the stations and cargo buildings were constructed by Çelebi Hava Servisi A.Ş. in the airports within which it operates were rented from the DHMI and other local authority. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 March 2017 the net book value of these stations was TL 44.359.193. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

Depreciation expense for the period ended 31 March 2017 in the amount of TL 6.043.857 and TL 665.865 are respectively included in cost of sales and operating expenses.

There are net book value TL 311.532 worth of financial leasing assets in plant, machinery and equipment as of 31 March 2017.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended 31 March 2016 are as follows:

	Opening 1 January 2016	Additions	Disposals	Transfers	Foreign Currency Translation Differences	Closing 31 March 2016
Cost						
Plant, machinery and equipment	238.658.955	4.605.848	(85.187)	-	(487.639)	242.691.977
Motor vehicles	41.167.274	131.172	-	-	27.528	41.325.974
Furniture and fixtures	24.294.745	83.336	-	-	32.174	24.410.255
Leasehold improvements (*)	116.862.759	191.769	-	271.273	6.810	117.332.611
Construction in Progress	1.229.010	1.019.291	(153.396)	(271.273)	5.469	1.829.101
	422.212.743	6.031.416	(238.583)	-	(415.658)	427.589.918
Accumulated depreciation						
Plant, machinery and equipment	(154.978.810)	(3.663.104)	84.097	-	312.851	(158.244.966)
Motor vehicles	(30.287.426)	(350.434)	-	-	37.520	(30.600.340)
Furniture and fixtures	(19.915.766)	(454.050)	-	-	(15.144)	(20.384.960)
Leasehold improvements (*)	(61.361.486)	(1.661.270)	-	-	6.773	(63.015.983)
	(266.543.488)	(6.128.858)	84.097	-	342.000	(272.246.249)
Net book value	155.669.255					155.343.669

(*) The land plots where the stations and cargo buildings were constructed by Çelebi Hava Servisi A.Ş. in the airports within which it operates were rented from the DHMI and other local authority. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 31 March 2016 the net book value of these stations was TL49.524.989. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

Depreciation expense for the period ended 31 March 2016 in the amount of TL 5.917.390 and TL 211.468 are respectively included in cost of sales and operating expenses.

There are net book value TL 5.821.369 worth of financial leasing assets in plant, machinery and equipment as of 31 March 2016.

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NOTE 12 - INTANGIBLE ASSETS

Other Intangible Assets

Movements in intangible assets for the period ended 31 March 2017 are as follows:

	Opening 1 January 2016	Additions	Transfers	Foreign Currency Translation Differences	Closing 31 March 2017
Cost					
Rights	10.688.549	-	(625.839)	-	10.062.710
Customer relations	47.785.826	-	-	2.472.303	50.258.129
Software	14.349.206	118.796	-	61.540	14.529.542
Concession rights	103.273.865	-	-	8.355.812	111.629.677
Build-operate-transfer investments (*)	80.738.245	-	-	6.523.994	87.262.239
	256.835.691	118.796	(625.839)	17.413.649	273.742.297
Accumulated depreciation					
Rights	(4.147.904)	(159.790)	525.928	-	(3.781.766)
Concession rights (**)	(29.548.221)	(1.143.701)	-	(2.410.527)	(33.102.449)
Customer relations	(47.785.826)	-	-	(2.472.303)	(50.258.129)
Software	(10.771.187)	(300.738)	-	(230.169)	(11.302.094)
Build-operate-transfer investments(*)	(27.410.525)	(1.123.597)	-	(2.228.833)	(30.762.955)
	(119.663.663)	(2.727.826)	525.928	(7.341.832)	(129.207.393)
Net book value	137.172.028				144.534.904

(*) TL 52.305.298 which is difference between discounted present value of deposits paid with interest rate, 11,46%, and the deposit amounting to INR 1.374.428.822, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL4.321.463 which is difference between discounted present value of deposit paid with interest rate,10,82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

(**) Celebi Delhi Cargo within the scope of the concession agreement signed between DIAL and refers to spending on fixed assets recognized in accordance with IFRIC 12.

Amortization expense for the period ended 31 March 2017 in the amount of TL 268.531 and TL , 2.459.295 are included in operating expenses and cost of sales.

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NOTE 12 – INTANGIBLE ASSETS (Continued)

Other Intangible Assets

Movements in intangible assets for the period ended 31 March 2016 are as follows:

	Opening 1 January 2016	Additions	Foreign Currency Translation Differences	Closing 31 March 2016
Cost				
Rights	11.162.357	-	335	11.162.692
Customer relations	44.457.702	-	278.796	44.736.498
Software	11.442.585	512.986	25.852	11.981.423
Concession rights	84.351.019	512.396	(2.221.401)	82.642.014
Build-operate-transfer investments (*)	68.531.044	-	(1.744.917)	66.786.127
	219.944.707	1.025.382	(3.661.335)	217.308.754
Accumulated depreciation				
Rights	(3.337.446)	(303.950)	-	(3.641.396)
Concession rights (**)	(21.133.357)	(870.533)	571.442	(21.432.448)
Customer relations	(41.990.989)	(316.234)	(290.295)	(42.597.518)
Software	(9.088.375)	(152.447)	(12.377)	(9.253.199)
Build-operate-transfer investments(*)	(19.710.287)	(883.122)	519.419	(20.073.990)
	(95.260.454)	(2.526.286)	788.189	(96.998.551)
Net book value	124.684.253			120.310.203

(*) TL 42.114.696 which is difference between discounted present value of deposit paid with interest rate, 11,46%, and the deposit amounting to INR 1.200.000.000, additionally INR 1.374.428.822, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 4.321.463 which is difference between discounted present value of deposit paid with interest rate, 10,82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

(**) Celebi Delhi Cargo within the scope of the concession agreement signed between DIAL and refers to spending on fixed assets recognized in accordance with IFRIC 12.

Amortization expense for the period ended 31 March 2016 in the amount of TL 204.674 and TL , 2.321.612 are included in operating expenses and cost of sales.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill

Positive goodwill at 31 March 2017 and 31 December 2016 is as follows:

	31 March 2017	31 December 2016
Goodwill due to acquisition of CGHH	29.509.295	28.060.700
Celebi Nas due to acquisition of additional share	2.705.387	2.705.387
Goodwill due to acquisition of Celebi GmbH	1.885.688	1.789.964
	34.100.370	32.556.051

Goodwill due to acquisition of CGHH

Positive goodwill at 31 March 2017 is as follows:

	31 March 2017	31 December 2016
1 January	28.060.700	23.738.281
Foreign Currency Translation Differences	1.448.595	4.322.419
Goodwill	29.509.295	28.060.700

Goodwill impairment test

The group tests goodwill at least once a year for the risk of impairment. A valuation report prepared by an independent valuation firm is based on for ordinary goodwill impairment test.

	31 March 2017
Ground handling services - Hungary	29.509.295

The recoverable value of the aforementioned cash generating unit, has been determined by taking the usage calculations as a basis. For the purposes of carrying out impairment tests, detailed forecasts for the next 7 years have been used which are based on approved annual budgets and strategic projections of the management representing the best estimate of future performance. Growth rate used in the projections to be realized after 7 years ensured to be 1%. The fair value of Euro amount is calculated in terms of Hungarian Forint which converted with the exchange rates at the balance sheet date. Therefore, the said fair value model is affected by the fluctuations in the foreign exchange market.

Other important assumptions in the fair value calculation model are as follows;

Discount rate	9,40%
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The Group management determined the budgeted gross profit margin by taking into consideration for the previous performance of the Company and the market growth expectations. The weighted average growth rates used are in line with the estimation stated in industry reports. The discount rate used is the before tax discount rate and includes the Company specific risk factors.

As a result of impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 March 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill from purchasing 4% shares of Celebi Nas

The Company has purchased %4 shares of Celebi Nas with ratio of %51 on January 26, 2012 by paying USD 1.000.000 (TL 1.820.300) from Sovika Aviation Private Limited which has already owned %8 shares of Celebi Nas before. The purchase was recognized in accordance with IFRS 3 "Business Combinations" terms, the goodwill which has been calculated after the purchase as TL 910.723 has also been reflected in consolidated financial statements.

Goodwill from purchasing 2% shares of Celebi Nas

The Company has purchased %2 shares of Celebi Nas with ratio of %55 on December 7, 2016 by paying INR 61.705.000 (TL 3.199.363) from Sovika Aviation Private Limited which has already owned %4 shares of Celebi Nas before. The purchase was recognized in accordance with IFRS 3 "Business Combinations" terms, the goodwill which has been calculated after the purchase as TL 1.794.664 has also been reflected in consolidated financial statements.

Management of the Group evaluates the synergy created by the association of Celebi Nas and Celebi Hava as one of the main results of the emergence of goodwill. By the management of the Group, subjected goodwill has been distributed over Celebi Nas by Celebi Nas being evaluated as one cash generating unit.

Ground handling services – India

31 March 2017
2.705.387

The recoverable value of the aforementioned cash generating unit, has been determined by taking the usage calculations as a basis. For the purposes of carrying out impairment tests, detailed forecasts for the next 5 years have been used which are based on approved annual budgets and strategic projections of the management representing the best estimate of future performance.

The Group management determined the budgeted gross profit margin by taking into consideration for the previous performance of the Company and the market growth expectations, The discount rate used is the before tax discount rate and includes the Company specific risk factors.

As a result of impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 March 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill from purchasing of Celebi GmbH

A "share purchase agreement" was signed on February 18, 2014 between Celebi Cargo GmbH, a subsidiary of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. registered in Frankfurt, Germany, 100% of the capital of which is owned by Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş., in which the Company participates at the rate of 99,97%, and Aviapartner GmbH, also registered in Frankfurt, Germany, for the transfer of all of the shares of Aviapartner Cargo GmbH (Aviapartner Cargo) operating in Frankfurt and Hahn International Airports in Germany in cargo storage and handling, 100% of the capital of which is owned by Aviapartner GmbH for EUR 4.459.283 (13.604.381 TL) to Celebi Cargo GmbH. The closing procedures regarding this agreement were concluded on February 28, 2014. As of December 31, 2014, negotiations are ongoing regarding the ultimate determination of the purchase price over the financial statements dated February 28, 2014 within the framework of the "Share purchase agreement. An ultimate agreement on the purchase price has not been reached by the group's management within the frame of this agreement and the purchase readjustment amounting to EUR 362.003 (TL 1.021.102) has been included in the calculation of goodwill. As of April 30, 2014, the official title of Aviapartner Cargo was changed as Celebi GmbH and all assets and liabilities of Celebi GmbH was taken over by Celebi Cargo and the legal merger was completed as of October 30, 2014.

Goodwill of Celebi GmbH which is calculated with net asset is follows:

	31 March 2017	31 March 2015
1 January	1.533.138	1.533.138
Foreign currency translation differences	352.550	14.716
Goodwill	1.885.688	1.547.854

Goodwill impairment test

The group tests goodwill at least once a year for the risk of impairment. A valuation report prepared by an independent valuation firm is based on for ordinary goodwill impairment test.

Warehouse and cargo services – Germany	31 March 2017
	1.885.688

The recoverable value of the aforementioned cash generating unit, has been determined by taking the usage calculations as a basis. For the purposes of carrying out impairment tests, detailed forecasts for the next 5 years have been used which are based on approved annual budgets and strategic projections of the management representing the best estimate of future performance.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS (Continued)

The Group management determined the budgeted gross profit margin by taking into consideration for the previous performance of the Company and the market growth expectations. The weighted average growth rates used are in line with the estimation stated in industry reports. The discount rate used is the before tax discount rate and includes the Company specific risk factors.

As a result of impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of 31 March 2017.

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	31 March 2017	31 December 2016
Provision for litigation and obligation	1.593.633	1.593.633
Other debt provisions	19.870	117.285
	1.613.503	1.710.918

Movements of short term provisions as of 31 March 2017 and 31 March 2015 are as follows:

	Provision for litigation	Other Provisions	Total
1 January 2017	1.593.633	117.285	1.710.918
Payments during the year	-	(97.415)	(97.415)
31 March 2017	1.593.633	117.285	1.710.918

	Provision for litigation	Other Provisions	Total
1 January 2016	1.486.927		1.486.927
Increase during the year	16.310	-	16.310
Payments during the year	(15.999)	-	(15.999)
31 March 2016	1.487.238	-	1.487.238

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Short-term provision for employee benefits

	31 March 2017	31 December 2016
Provision for employee termination benefits	2.075.900	1.382.749
Provision for unused vacation	4.768.405	4.476.709
	6.844.305	5.859.458

b) Long-term provisions

Long-term provision for employee benefits:

	31 March 2017	31 December 2016
Provision for employee termination benefits	21.761.834	21.540.508
	21.761.834	21.540.508

Provision for employment termination benefits is booked according to the explanations below. There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service, who achieves the retirement age (58 for women and 60 for men), who has charged 25 years of services (20 years for women) and whose employment is terminated without due cause, is called up for military service or who dies.

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable at 31 March 2017 consists of one month's salary limited to a maximum of TL 4.426,16 TL (31 December 2016: TL 4.297,21) for each year of service.

The liability is not funded, as there is no funding requirement.

According to regulations in India, the Company is required to pay termination benefits to each employee in its subsidiaries and joint ventures who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at 31 March 2017 and the liability is limited to INR 350.000 per employee. Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees, IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The principal assumption is that the liability ceiling 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. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 4.426,16 which is effective from 1 January 2016 (31 December 2016: TL 4.297,21) has been taken into consideration in the calculations. Movements in the provision for employment termination benefits are as follows:

	31 Mart 2017	31 Mart 2016
As of January 1	27.399.966	23.197.804
Paid during the year	(668.839)	(1.325.197)
Increase/decrease during the year	2.014.618	435.645
Used during the period	(1.675.555)	(266.521)
Service Cost	540.081	816.586
Interest Cost	490.979	331.365
Actuarial gain/loss	-	3.483.791
Foreign currency translation differences	504.889	(24.359)
Canceled provisions	-	(869.129)
End of the period	28.606.139	25.779.985

Contingent assets and liabilities of the Group

	31 March 2017	31 December 2016
Guarantees received:		
Guarantee letters	8.833.095	7.962.854
Guarantee checks	1.400.628	1.563.011
Guarantee notes	1.085.484	1.051.737
	11.319.207	10.577.602
Guarantees given:		
Collateral	282.329.000	323.427.969
Guarantee letters	161.846.031	152.677.599
Share pledge	17.472.830	16.164.938
	461.647.861	492.270.506

The Company has contingent assets amounting to TL 1.702.009 (31 December 2016: TL 1.645.130), due to the legal cases in favor of the Company and contingent liabilities amounting to TL 27.264.838 due to the legal cases and enforcement proceedings against the Company as of 31 March 2017 (31 March 2016: TL 26.343.631), TL 21.075.236 portion of contingent liabilities are comprised of legal cases and enforcement proceedings related with the fire in warehouse (Note 29) in which Company is a sole defendant and co-defendant with the DHMI, other warehouse management companies and insurance companies(31 March 2016: TL 20.318.125).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of collaterals, pledges and mortgages ("CPM") of the Company at 31 March 2017 and 31 December 2016 are as follows:

			31 March 2017	31 December 2016	
Collaterals, pledges and mortgages given by the Company	Currency	Amount	TL equivalent	Amount	TL equivalent
A. CPM given on behalf of the Company's legal personality			125.401.793		110.907.857
	TL	9.301.492	9.301.492	9.281.049	9.281.049
	EUR	17.096.399	66.817.856	14.791.417	54.874.678
	USD	2.210.500	8.043.126	2.383.397	8.387.650
	INR	588.287.788	33.008.828	588.287.788	30.538.019
	HUF	651.662.000	8.230.491	651.662.000	7.826.461
B. CPM given on behalf of fully consolidated subsidiaries			308.191.069		381.362.650
	EUR	12.550.000	49.049.165	32.500.000	120.571.750
	USD	10.016.006	36.444.239	11.869.102	41.769.744
	INR	3.968.947.870	222.697.665	4.219.247.851	219.021.156
C. CPM given for continuation of its economic activities on behalf of third parties				-	-
D Total amount of other CPM		-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii. Total amount of CPM given on behalf of third Parties which are not in scope of C		-	-	-	-
			433.592.862		492.270.507

The Company has no benefit from CPM given to third parties.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - OTHER ASSETS AND LIABILITIES

	31 March 2017	31 December 2016
Other current assets		
Deferred Value-added tax ("VAT")	1.464.122	3.473.828
Advances given to personnel	251.065	408.328
Other	245.229	218.205
	1.960.416	4.100.361

	31 March 2017	31 December 2016
Other non-current assets		
Prepaid taxes and funds (*)	22.095.229	19.018.753
Other	3.242	3.242
	22.098.471	19.021.995

(*) The amount consist of prepaid taxes and funds, which can be offset in more than 1 year period, of Celebi GH Delhi and Celebi Delhi Cargo amounting to TL 5.974.569 (31 December 2016: TL 3.994.399) and TL 16.120.660 (31 December 2016: TL : 15.024.354).

	31 March 2017	31 December 2016
Other current liabilities		
Taxes and funds payable	4.007.365	2.921.626
Rent equalization reserves	1.475.339	1.394.029
Other miscellaneous payables and liabilities	1.236.344	1.290.358
	6.719.048	5.606.013

	31 March 2017	31 December 2016
Other non-current liabilities		
Provision for operational leasing equalization (*)	92.959.060	83.560.283
Maintenance obligation liability	27.311.424	25.445.889
	120.270.484	109.006.172

(*) Operating leasing cost equalization, in accordance with of IAS 17 "Leases", consists the difference between lease amounts defined on service concession agreement and the amount calculated taking into consideration the future constant lease increases and reflected on straight line basis to the financial statements.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 – PREPAID EXPENSES

	31 March 2017	31 December 2016
Short-term prepaid expenses		
Prepaid expenses (*)	8.936.113	9.714.535
Advances given	3.416.918	5.148.372
	12.353.031	14.862.907

	31 March 2017	31 December 2016
Long-term prepaid expenses		
Prepaid expenses (*)	14.850.323	17.697.284
Advances given for fixed assets	5.472.653	3.721.882
	20.322.976	21.419.166

(*) TL 15.882.240 (31 December 2016: TL 16.171.008) of total prepaid expenses consist of long-term prepaid rent expenses in an airport in which Celebi Hava operates.

NOTE 16 – DEFERRED INCOME

	31 March 2017	31 December 2016
Short-term Deferred Income		
Order advances received	4.528.719	3.768.438
Short term deferred revenues calculated based on IFRYK12	224.406	1.842.597
	4.753.125	5.611.035

NOTE 17 – LIABILITIES FOR EMPLOYEE BENEFITS

	31 March 2017	31 December 2016
Wages and salaries payable	12.249.743	10.267.141
Social security withholdings payment	10.762.957	8.576.262
Premium and bonus payable accruals	5.732.035	6.159.082
	28.744.735	25.002.485

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - EQUITY

Share Capital

As of 31 March 2017, the authorized share capital of the Group is TL 24.300.000 comprising of TL 2.430.000.000 registered shares with a face value each of 1 Kr (31 December 2016: 2.430.000.000).

At 31 March 2017 and 31 December 2016, the shareholding structure of the Group is stated in historical amounts below:

Shareholders	31 March 2017		31 December 2016	
	Amount	Share %	Amount	Share %
Çelebi Havacılık Holding A.Ş. (ÇHH)	19.042.115	78,36	19.042.115	78,36
Other	5.257.885	21,64	5.257.885	21,64
	24.300.000	100,00	24.300.000	100,00

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. 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% of paid-in capital.

In accordance with the communique numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communique") published in Official Gazette dated June 13, 2013 numbered 28676, TAS, the "Paid-in capital", "Restricted reserves" and "Share premiums" should be stated at their amounts in the legal records. The differences arising in the valuations during the application of the communiqué (such as differences arising from inflation adjustment):

- "If the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";
- If the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on TMS. Capital adjustment differences have no other use other than being transferred to share capital.

The amount of restricted reserves is TL 40.181.456 as of 31 March 2017 (31 December 2016: TL 40.181.456).

Listed companies distribute dividend in accordance with the Communique No. II-19.1 issued by the CMB which is effective from February 1, 2015. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - EQUITY (Continued)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Furthermore, in the event that the account item "Equity Effect on Acquisition" exists in the equity in the consolidated financial statements, this account item is not considered as a discount or addition item in the calculation of the net distributable profit for the period.

NOTE 19 – REVENUE AND COST OF SALES

	1 January - 31 March 2017	1 January- 31 March 2016
Ground handling services	116.282.398	113.446.054
Cargo and warehouse services income	59.120.010	52.667.514
Revenue in the context of IFRIC 12	1.957.604	-
Rental revenue not related to aviation	6.086.075	3.608.276
Less: Returns and discounts	(1.839.451)	(1.998.009)
Sales revenue- net	181.606.636	167.723.835
Cost of sales	(139.422.686)	(130.794.158)
Gross profit	42.183.950	36.929.677

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - EXPENSES BY NATURE

	1 January - 31-Mar 2017	1 January - 31-Mar 2016
Personnel expenses	(82.932.136)	(78.256.160)
Payments to authorities and terminal managements (*)	(30.263.109)	(28.486.944)
Equipment repair, maintenance, fuel and security expenses	(15.024.243)	(13.458.392)
Consultancy expenses (****)	(14.002.503)	(13.027.456)
Depreciation and amortization expenses	(9.437.548)	(8.655.144)
Expense in the context of IFRIC (**)	(3.179.139)	(931.908)
Cost of sales(****)	(1.766.640)	(2.090.840)
Insurance premiums	(1.147.559)	(1.190.042)
Travel and transportation expenses	(929.483)	(885.868)
Other expenses	(11.304.035)	(10.105.539)
	(169.986.395)	(157.088.293)

(*) Various expenses paid to authorities are comprised of royalty, rental facilities and check-in desks within the airport area, work licenses, and similar expenses.

(**) Those mentioned expenses are comprised of construction costs calculated under scope of IFRIC 12 and provisions for other liabilities within the frame of concession agreement.

(***) Those mentioned expenses are comprised of de-icing and spare part cost.

(****) TL10.564.325 of aforementioned expenses consists of holding company expenses.

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31-Mar 2017	1 January - 31-Mar 2016 (*)
Consultancy expenses	(13.920.633)	(12.909.557)
Personnel expenses	(10.856.613)	(9.259.051)
Equipment repair, maintenance, fuel and security expenses	(1.564.184)	(908.665)
Payments to authorities and terminal managements	(1.369.485)	(1.373.413)
Depreciation and amortization	(934.396)	(416.143)
Travel and transportation expenses	(713.797)	(688.654)
Insurance premiums	(354.873)	(164.585)
Other expenses	(849.728)	(574.067)
	(30.563.709)	(26.294.135)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 22 - FINANCIAL INCOME

	1 January - 31 March 2017	1 January - 31 March 2016
Foreign exchange gains	6.096.076	3.123.461
Interest income	1.845.207	1.899.184
Other financial income	440.733	570.572
	8.382.016	5.593.217

NOTE 23 - FINANCIAL EXPENSES

	1 January - 31 March 2017	1 January - 31 March 2016
Foreign exchange losses	(12.107.072)	(6.410.324)
Interest expenses	(4.895.265)	(4.620.645)
Financial expenses incurred under scope of IFRIC 12	(402.126)	(292.586)
Other financial expenses	(1.144.831)	(530.547)
	(18.549.294)	(11.854.102)

NOTE 24 - TAX ASSETS AND LIABILITIES

	1 January - 31 March 2017	1 January - 31 December 2016
Current period corporate tax provision	18.473.071	14.084.821
Less: prepaid corporate tax expense	(19.594.485)	(16.255.650)
Current tax liability - net	(1.121.414)	(2.170.829)
Deferred tax assets	47.171.326	42.357.043
Deferred tax liabilities	(6.086.285)	(5.825.508)
Deferred tax assets / (liability) - net	41.085.041	36.531.535

(*) Group's current tax assets and current corporate tax payables are shown separately in balance sheet.

ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

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

In Turkey, the corporation tax rate is 20% (December 31, 2016: %20). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions and income tax deductions.

The corporation tax rate has been changed in 2014 as 19% up to fiscal profit HUF 500.000.000 and 10% for fiscal profit over HUF 500.000.000 with the regulation in Hungary. Effective from January 1, 2017, the rate of Hungarian corporate tax will be implemented as 9%.

In India, the corporate tax rate is 34,6% in Mumbai (2016: %34,6), 34,6% in Delhi for fiscal year 2016 (2016: 34,6%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

In Germany, the corporate tax rate is 31,925% for fiscal year 2017 (2016: 31,925%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

Tax expense for the periods end 31 March 2017 and 2016 is presented below:

	1 January - 31 March 2017	1 January - 31 March 2016
- Current year corporate tax	(2.541.449)	(2.362.751)
- Deferred tax income /(expense)	1.139.057	436.490
Current year tax expense – net	(1.402.392)	(1.926.261)

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes

The Group considers the differences arising from different valuation of the financial statements prepared in accordance with CMB regulations in the calculation of deferred tax assets and liabilities. The differences mainly arise due to the different accounting of income and expenses in line with Tax Laws and CMB Accounting Standards in different periods. In accordance with the method of liabilities based on subsequent differences, the rates for deferred revenue asset and liabilities are 20%, 9% or 10%, 29,65% and 34,6% for Turkey, Hungary, Germany, India respectively.

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 31 March 2017 and 31 December 2016 using the enacted tax rates are as follows:

	<u>Deferred tax base</u>		<u>Deferred tax assets / (liabilities)</u>	
	<u>31 March 2017</u>	<u>31 December 2016</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Deferred tax assets				
Non-deductible financial losses (*)		-		-
Personnel bonus accrual	(1.228.225)	(2.429.158)	245.645	485.832
Accrued sales commissions	(2.898.551)	(4.097.579)	579.710	819.516
Provision for employment termination benefits	(18.627.162)	(18.187.995)	3.725.432	3.637.599
Provision for operational leasing equalization	(92.570.032)	(83.143.756)	32.036.637	28.774.391
Provision for unused vacation	(3.095.199)	(2.907.717)	619.040	581.543
Provision for legal claims	-	(1.593.633)	-	318.727
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	(28.939.212)	(25.971.397)	10.015.282	8.988.181
Other	(16.164.144)	(14.083.860)	5.664.051	4.609.902
	(163.522.525)	(152.415.095)	52.885.797	48.215.691
Net off			(5.714.471)	(5.858.648)
Deferred tax assets			47.171.326	42.357.043

- (*) Tax receivable consisting of accumulated financial losses is reflected to records provided that it is mostly possible that a sufficient financial profit shall be obtained in future periods. Deferred tax receivable at an amount of TL 12.488.890 (December 31, 2016: TL 9.749.479) as of December 31, 2016 is not reflected to statements since Celebi GH Delhi have the possibility not to benefit from a part or whole of their financial losses at an amount of TL 38.492.496 (December 31, 2016: TL 28.161.406) in a foreseeable period.

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

	Deferred tax base		Deferred tax assets / (liabilities)	
	March 31 2017	December 31 2016	March 31 2017	December 31 2016
Deferred tax liabilities				
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	63.236.420	62.357.049	(11.800.756)	(11.684.156)
	63.236.420	62.357.049	(11.800.756)	(11.684.156)
Net off			5.714.471	5.858.648
Deferred tax liabilities			(6.086.285)	(5.825.508)
Deferred tax asset, net			41.085.041	36.531.535

Deferred tax movement table is as below:

	31 March 2017	31 March 2015
1 January	36.531.535	26.040.482
Foreign currency translation difference	3.414.449	(860.159)
Charge for the period	1.139.057	436.490
Actuarial gain / (loss) arising from defined benefit plans	-	696.758
31 March	41.085.041	26.313.571

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NOTE 25 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Basic earnings per share are determined by dividing net income attributable to shareholders by the weighted average number of issued ordinary shares as below:

	1 January - 31 March 2017	1 January - 31 March 2016
Net profit / (loss) attributable to the equity holders of the parent	248.929	4.822.953
Weighted average number of shares with 1 Full TL face value each	2.430.000.000	2.430.000.000
Earnings / (losses) per share (Full TL)	0,0001	0,0020

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties during the periods and a summary of major transactions with related parties during the period are as follows:

i) **Balance with related parties**

Short term receivables from related parties

	31 March 2017	31 December 2016
Celebi Spain	586.018	556.269
Celebi Ground Services Austria	197.770	172.296
ÇHH	48.449	4.919
Other	390.642	304.758
	1.222.879	1.038.242

Due to related parties

	31 March 2017	31 December 2016
ÇHH (*)	4.916.034	5.001.248
Celebi Nas	380.159	1.093.663
Ce-Tur	616.875	479.549
Other	31.028	99
	5.944.096	6.574.559

- (*) As of March 31, 2017, the related amount consists of legal, financial, human resources, management, corporate communication, procurement, business development services provided to the Group by ÇHH along with business development projects run by ÇHH on behalf and on account of the Group and expense projections.

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties

	1 January - 31 March 2017	1 January - 31 March 2016
Miscellaneous sales to related parties		
ÇHH	59.473	31.944
Celebi Ground Services Austria	357.236	603.334
Other	113.112	329.648
	529.821	964.926

	1 January- 31 March 2017	1 January - 31 March 2016
Employee and transportation expenses payable to related parties		
Çe-Tur	933.377	1.194.409
Contribution to holding expenses (*)		
ÇHH	10.564.325	10.699.210

(*) Contribution paid to Çelebi Havacılık Holding A.Ş. for services legal counseling, financial consultancy and human resource consultancy provided to Çelebi Hava Servisi A.Ş. by Çelebi Havacılık Holding A.Ş.

	1 January- 31 March 2017	1 January - 31 March 2016
Other purchases from related parties (*)		
ÇHH	805.495	687.691
Other	238.818	168.141
	1.044.313	855.832

(*) Other purchases include vehicle rent, organizational cost and other expenses. Purchases ÇHH that are classified under other purchases from related parties are comprised of expenses directly related to the Company that are business development projects and tenders executed and followed up ÇHH.

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Collaterals given in favor of related parties for borrowings as of 31 March 2017 and 31 December 2016 are as follow:

31 March 2017	Euro	INR	Total TL
CGHH (2)	11.550.000	-	45.140.865
Celebi Nas (1)	-	91.080.000	5.110.499
Celebi Delhi Cargo (3)	-	2.695.785.299	151.260.513
Celebi Delhi GH (4)	-	1.182.082.571	66.326.653
Celebi Cargo GmbH (5)	1.000.000	-	3.908.300
December 31, 2016	Euro	INR	Total TL
CGHH (2)	11.550.000	-	42.849.345
Celebi Nas (1)	-	91.080.000	4.727.963
Celebi Delhi Cargo (3)	-	2.596.085.280	134.762.687
Celebi Delhi GH (4)	-	1.032.082.571	53.575.406
Celebi Cargo GmbH (5)	21.951.591	-	77.722.405

- (1) 55% of shares corresponding to 30% part of shares of total shares owned by the Company is pledged on behalf of the Bank related to long-term project financing consisting of cash at an amount of INR 1.145.000 which was concluded between Celebi Nas and an Indian resident bank.
- (2) CGHH has concluded a contract for project financing loan at an amount of EUR 11.550.000 in cash in scope of refinancing of its current loans and guarantee is given to related banks by the Company for the aforementioned loan. The balance of the loan is EUR 7.575.000 as of December 31, 2016 with the repayments of the loan in question.
- (3) Guarantee at an equivalent amount to the loan amount is given to aforementioned banks for the financial liabilities sourcing from agreements concluded with related banks regarding long term cash project loan at an amount of INR 2.380.100.000 concluded between Celebi Delhi Cargo and two India resident banks and 26.06% portion of the shares having a nominal value of INR 828.800.000 at a ratio of 74% of the total shares owned by the Company are pledged on behalf of the bank. Cash loan risk amount in related banks is INR 842.991.113 as of March 31, 2017.
- (4) Guarantee and a letter of guarantee at an amount of INR 606.631.957 is given to aforementioned banks in lieu for cash and non-cash loan amounts for the financial liabilities sourcing from contracts concluded related to long-term project financing package consisting of cash and non-cash loans at an amount of INR 626.744.721 and INR 551.000.000 respectively signed between Celebi Delhi GH and banks resident in India. Additionally, a portion corresponding to 32,3% of participation stocks of the Company in Celebi Delhi GH at a ratio of 74% are pledged on behalf of related banks. Cash loan risk amount in related banks is INR 410.651.427 as of March 31, 2017.

Key management compensation:

The Group has determined key management personnel as members of board of directors, general manager and vice general managers, Compensation amounts have been classified as follow:

	1 January - 31 March 2017	1 January - 31 March 2016
Short-term employee benefits to key management	3.044.677	2.750.607
	3.044.677	2.750.607

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NOTE 27 - FINANCIAL RISK MANAGEMENT

Currency risk

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against Turkish Lira to shareholders' equity is aimed to be controlled under certain limits. Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilizing forward foreign currency transactions. The Group is exposed to foreign exchange rate risk mainly for Euro and USD.

As of 31 March 2017, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL (480.578) (31 December 2016: TL : 608.922).

As of 31 March 2017, other things being constant, if the TL was to appreciate/depreciate by 10% against the Euro, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL (21.331.488) (31 December 2016: TL (19.778.353)).

Foreign currency denominated assets and liabilities of the Group as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Assets denominated in foreign currency	138.799.217	101.518.523
Liabilities denominated in foreign currency (-)	(357.309.621)	(293.583.323)
Net balance sheet position	(218.510.404)	(192.064.800)

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes TL equivalent of the Group's foreign currency denominated assets and liabilities as of 31 March 2017 and 31 December 2016:

	TL Equivalent (Functional Currency)	USD	Euro	GBP/British Pound
31 March 2017				
1. Trade receivables	43.288.457	577.095	10.538.761	-
2. Monetary financial assets (Cash, Bank Accounts)	95.543.854	2.160.461	22.432.730	1.984
3. Other	110.300	-	28.222	-
4. Current Assets(1+2+3)	138.942.611	2.737.556	32.999.713	1.984
5. Other	178.484	-	45.668	-
6. Non-current assets (5)	178.484	-	45.668	-
7. Total assets (4+6)	138.799.217	2.749.805	33.051.208	(84.186)
8. Trade payables	18.040.491	(21.611)	4.633.636	2.100
9. Financial liabilities	106.438.505	24.653	27.211.013	-
10. Other monetary liabilities	4.207.152	-	1.076.466	-
11. Current liabilities (8+9+10)	128.686.148	3.042	32.921.115	2.100
12. Financial liabilities	214.162.603	50.258	54.750.079	-
13. Other monetary liabilities	-	-	-	-
14. Non-current liabilities (12+13)	214.162.603	50.258	54.750.079	-
15. Total liabilities (11+14)	342.848.750	53.300	87.671.194	2.100
16 Net foreign currency asset/(liability) position (7-15)	(204.049.533)	2.696.505	(54.619.986)	(86.286)
17. Net monetary foreign currency asset/(liability) Position (7-15)	(218.510.404)	2.696.505	(54.579.965)	(86.286)

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2016	TL Equivalent (Functional Currency)	USD	EUR	GBP
1. Trade receivables	46.819.779	1.313.273	11.373.993	401
2. Monetary financial assets	52.078.379	1.336.627	12.766.772	2.564
3. Other	2.450.942	-	660.649	-
4. Current Assets(1+2+3)	101.349.100	2.649.900	24.801.414	2.965
5. Other	169.423	-	45.668	-
6. Non-current assets (5)	169.423	-	45.668	-
7. Total assets (4+6)	101.518.523	2.649.900	24.847.082	2.965
8. Trade payables	29.922.950	834.705	7.170.087	89.178
9. Financial liabilities	122.765.409	24.307	33.068.242	-
10. Other monetary liabilities	2.487.911	-	671.614	-
11. Current liabilities (8+9+10)	155.176.270	859.012	40.909.943	89.178
12. Financial liabilities	138.407.053	60.604	37.250.000	-
13. Other monetary liabilities	-	-	-	-
14. Non-current liabilities (12+13)	138.407.053	60.604	37.250.000	-
15. Total liabilities (11+14)	293.583.323	919.616	78.159.943	89.178
16 Net foreign currency asset/(liability) position (7-15)	(192.064.800)	1.730.284	(53.312.861)	(86.213)
17. Net monetary foreign currency asset/(liability) Position (7-15)	(192.064.800)	1.730.284	(53.312.861)	(86.213)

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholders' of the Company, in order to maintain or modify capital structure, can change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to decrease financing needs consistent with the regulations of the CMB.

Consistent with others in the industry, the Group monitors capital on the basis of the debt / equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents and deferred tax liability, Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The ratio of netdebt/ (equity+net debt at 31 March 2017 and 31 December 2016 is as follows:

	31 March 2017	31 December 2016
Total financial liabilities	392.205.974	322.576.763
Less: Cash and cash equivalents	(126.148.478)	(65.477.817)
Less: Restricted cash	(14.259.532)	(10.721.807)
Net debt	251.797.964	246.377.139
Equity	108.013.802	101.696.764
Equity + net debt	359.811.766	348.073.903
Net debt / (Equity + net debt) ratio	0,70	0,71

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NOTE 28 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Group's assets and liabilities measured fair value at 31 March 2017 and 31 December 2016 are as follows:

31 March 2017	Level 1	Level 2	Level 3	Total
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Assets

Available for sale financial assets	-	-	3.929.524	3.929.524
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31 March 2017	Level 1	Level 2	Level 3	Total
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Other financial liability	-	-	-	-
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Total Liability

December 31, 2016	Level 1	Level 2	Level 3	Total
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Assets	-	-	3.636.923	3.636.923
Available for sale financial assets (Note 5)	-	-	3.636.923	3.636.923

December 31, 2016	Level 1	Level 2	Level 3	Total
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Liabilities	-	-	-	-
Other financial liability	-	-	-	-

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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NOTE 29 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

The cargo building of the Company located at Ataturk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire that broke out on May 24, 2006.

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage to property, plant and equipment and leasehold improvements of the Company. As of March 31, 2017 some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

There are legal cases and enforcement proceedings under way: this comprises legal cases and enforcement proceedings amounting to TL 11.838.191 (Note 13) in which the Company is a co-defendant along with the DHMI, other warehouse management companies and insurance companies; and legal cases and enforcement proceedings amounting to TL 9.237.045 in which the Company is the sole defendant. Total legal cases and enforcement proceedings is TL 21.075.236.

The Company has an insurance policy regarding these commodities amounting to USD 1.500.000 which has been recorded as revenue and the whole amount of which has been collected as of September 30, 2013.

For the purpose of compensating legal claims related to the fire that broke out on May 24, 2006, the company management has decided to use another insurance policy amounting to USD 10.000.000 in a special fund created in conjunction with the DHMI and other warehouse management company in accordance with the "Sharing Agreement" signed with same parties. The Sharing Agreement mentioned was established in order to deal with the consequences of legal cases and enforcement proceedings in which the Company is a co-defendant along with the DHMI and other warehouse management company.

As of March 13, 2017, 225 lawsuits with value of TL 155.257.249 (USD 42.669.501) to which the Fund Companies have been a side and which has an invoice value of TL 92.018.646 (USD 25.289.574) has been settled amicably paid to the claimants.

Negotiations regarding 10 requests, which cannot reach an agreement yet, between the fund and other claimants are still going on. The invoice value of the aforementioned requests is USD 3.950.801 and remaining part available in fund currently amounting to USD 14.6 million is managed against all the fund parties but it is anticipated that the aforementioned amount shall be sufficient for the settlement of all requests whose negotiations are still going on.

In view of the foregoing, the Company believes that all legal claims faced may be settled as part of the insurance policy collected and the fund formed. Since there are no further development which adversely affects the matters disclosed in past, the Company has not booked any provision in consolidated financial statements dated March 31, 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2017

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NOTE 30 – SUBSEQUENT EVENTS

- a) According to the group’s General Meeting held as of 20.04.2017, net profit amounting TL 26.836.035 and retained earnings amounting TL 6.454.965, are decided to be distributed as dividend.
- b) Dave Dorner, who has been, a member of Çelebi Havacılık Holding A.Ş.’s BOD since 2013 and deputy CEO since 16 August 2016, became Çelebi Havacılık Holding A.Ş.’s CEO with a definitive appointment.