

elebi Hava Servisi Anonim Őirketi

Consolidated financial statements for the period January 1 – December 31, 2018 and independent auditor’s report

**(Convenience translation of financial statements into English and independent
auditor’s report originally issued in Turkish)**

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Çelebi Hava Servisi Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Çelebi Hava Servisi Anonim Şirketi (the Company) and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the key audit matter is handled in the audit
<p><i>The operations of Istanbul Atatürk International Airport ("Atatürk Airport") will be terminated with the opening of Istanbul Airport</i></p> <p>As explained in Note 1 in the accompanying consolidated financial statements as of December 31, 2018, the parent company, Çelebi Hava Servisi Anonim Şirketi, provides ground handling services, cargo services, and warehouse operations services for domestic and foreign airlines and private cargo companies at Atatürk Airport.</p> <p>As explained in Note 11 in the accompanying consolidated financial statements as of December 31, 2018, a tender for the construction of the third airport was made in Istanbul on May 3, 2013. As a result of the aforementioned tender, it is announced that the commercial flights made from Atatürk Airport will be terminated upon the new airport's operation and the Company will continue its activities at the new airport.</p> <p>In accordance with the assumption that the ground handling services to be provided by the Group to commercial passenger aircraft at the Atatürk Airport will end within the first quarter of 2019, the Group has reviewed the useful lives of the property, plant and equipment classified as leasehold improvements in the related station and decided to amortize the remaining net book value in accordance with the assumptions. The effect of the useful life estimate change on net profit for the year is TL 21.130.026 as expense.</p> <p>Additionally, as stated in Note 11 in the accompanying consolidated financial statements as of December 31, 2018, the Company has construction in progress amounting to TL 154.531.497 for Istanbul Airport.</p> <p>The effect of change in accounting estimate for aforementioned leasehold improvements in Atatürk Airport and new investments for Istanbul Airport to consolidated financial statements of the Group is determined as key audit matter.</p>	<p>The audit procedures we performed include; analysis of the property, plant and equipment in immovable asset at Atatürk Airport, assessment of the significance of the net book values of these property, plant and equipment in terms of the Group's consolidated financial statements as of December 31, 2018 and a recalculation of the effects of the change in accounting estimates.</p> <p>Additionally, review of the nature of investments made for Istanbul Airport and testing of invoices on a sampling basis are included in the audit procedures.</p>



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"Service Concession

Arrangements" recognised within the scope of Turkish Financial Reporting Interpretations Committee 12 ("TFRIC") and "Build Operate Transfer Investments"

As explained in Note 2 in the accompanying consolidated financial statements as of December 31, 2018, the Group has "Service Concession Arrangements" and "Build Operate Transfer Investments" in the countries where its subsidiaries continue their operations.

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop / upgrade, operate and maintain the grantor's infrastructure. During the arrangement period, the operator receives income from the services provided. The party that recognizes the concession, controls the infrastructure investment and the contractor will eventually be transferred to the party that recognizes the operator's infrastructure investment. The Group has applied the intangible asset model within the scope of TFRIC 12 "Service Concession Agreements" in the related agreements because the Group has the right to demand compensation from the users for the infrastructure investment subject to the service concession agreement, and intangible assets arising from "Concession Rights" is recognised at the account of intangible assets. In addition, contracted maintenance or modernization obligations in the framework of service concession contracts are recognized in accordance with the Turkish Accounting Standard ("TAS") 37 "Provisions, Contingent Liabilities and Contingent Assets". In addition, the intangible assets from build-operate-transfer investments have been accounted under "Build-Operate-Transfer Investments" account.

As presented in Note 12, the net book value of "Concession Rights" accounted under intangible assets as of December 31, 2018 is TL 120.503.524 and net book value of "Build-operate-transfer investments" is TL 86.909.569, and as presented in Note 14, "Maintenance obligation liability" accounted under other current and non-current liabilities is TL 45.309.747. "Concession rights", "Build-operate-transfer investments" and "Maintenance obligation liability" which are recognized within the scope of such agreements have been determined as key audit matter due to the complexity of judgements and assumptions included in such transactions.

The audit procedures we have performed includes examination of terms and conditions of the contracts, testing of expenditures made within the scope of the agreements in terms of appropriateness and timely accounting, evaluation of the useful lives and residual values, examination of the assumptions included in the calculations, testing of the amortization amounts, review of the renewal investments estimated to be made in the following years and evaluation of the discount rates applied for discounting these liabilities, comparison of estimated amounts with the actual amounts, verification of the deposits paid under the contract through related documents. In addition to above, we questioned and evaluated the appropriateness of the disclosures and explanatory notes provided in the consolidated financial statements.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 8 March 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Kaan Birdal.

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



8 March 2019
Istanbul, Turkey

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

		<i>Current Period</i>	<i>Prior Period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2018	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	4	197.023.791	113.572.241
Financial Investments		51.444.157	13.369.356
-Restricted cash	5	51.444.157	13.369.356
Trade receivables		175.331.861	118.040.117
- Due from related parties	8	1.608.646	1.702.170
- Due from third parties	8	173.723.215	116.337.947
Other receivables		57.689.178	8.439.720
- Due from third parties	9	33.524.518	8.439.720
- Due from related parties	9	24.164.660	-
Inventories	10	14.113.626	12.461.996
Prepaid expenses	15	21.045.610	14.727.192
Current income tax assets	28	251.958	1.583.721
Other current assets	14	6.554.957	1.160.953
Total current assets		523.455.138	283.355.296
Non-current assets			
Financial investments	5	166.650	20.527
Other long-term receivables		151.619.911	34.828.278
- Due from related parties	9	95.869.814	-
- Due from third parties	9	55.750.097	34.828.278
Investments accounted using the equity method	6	95.725.908	64.991.304
Property, plant and equipment	11	321.805.178	155.619.737
Intangible assets		263.033.821	203.913.858
- Goodwill	12	43.925.159	34.112.091
- Other intangible assets	12	219.108.662	169.801.767
Prepaid expenses	15	43.673.520	21.402.819
Deferred tax asset	28	98.539.804	54.043.004
Other non-current assets	14	24.040.111	17.867.363
Total non-current assets		998.604.903	552.686.890
Total assets		1.522.060.041	836.042.186

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

		<i>Current Period</i>	<i>Prior Period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2018	December 31, 2018
LIABILITIES			
Current liabilities			
Short-term financial liabilities	7	4.047.575	1.069.729
Short term portion of long term financial liabilities	7	229.741.802	57.766.719
Trade payables		99.964.539	77.397.349
- Due to related parties	8	9.649.715	11.262.592
- Due to third parties	8	90.314.824	66.134.757
Employee benefit obligations	17	39.211.242	28.208.863
Other payables		12.845.993	8.642.998
- Due to third parties	9	12.845.993	8.642.998
Deferred income	16	15.698.571	10.765.786
Current income tax liabilities	28	12.443.013	439.410
Short-term provisions		18.416.550	13.975.285
- Provisions for employee benefits	13	12.474.484	8.801.865
- Other provisions	13	5.942.066	5.173.420
Other current liabilities	14	9.878.674	5.288.645
Total current liabilities		442.247.959	203.554.784
Non-current Liabilities			
Long-term financial liabilities	7	488.025.051	282.516.358
Other payables		16.098.610	12.532.767
- Due to third parties	9	16.098.610	12.532.767
Long-term provisions		27.467.482	22.006.598
- Provisions for employee benefits	13	27.467.482	22.006.598
Deferred tax liabilities	28	5.876.935	5.646.811
Other non-current liabilities	14	188.220.156	138.701.411
Deferred income	16	1.036.334	2.228.283
Total non-current liabilities		726.724.568	463.632.228
Total liabilities		1.168.972.527	667.187.012
SHAREHOLDER'S EQUITY			
Equity attributable to equity holders of the parent		336.259.562	158.880.032
Paid-in capital	18	24.300.000	24.300.000
Other accumulated comprehensive income/(expense) not to be reclassified to profit or loss		(24.478.059)	(18.927.043)
- Actuarial gain/(loss) arising from defined benefit plans		(24.478.059)	(18.927.043)
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss		97.242.555	42.350.965
- Foreign currency translation differences		97.242.555	42.350.965
Restricted reserves	18	50.630.456	43.097.456
Retained earnings		(16.019.346)	(17.302.954)
Net profit for the year		204.583.956	85.361.608
Non-controlling interest		16.827.952	9.975.142
Total shareholder's equity		353.087.514	168.855.174
Total liabilities and shareholder's equity		1.522.060.041	836.042.186

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2018
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Current Period</i>	<i>Prior Period</i>
		<i>Audited</i>	<i>Audited</i>
		January 1 -	January 1 -
	Notes	December 31, 2018	December 31, 2017
CONTINUING OPERATIONS			
Net Sales	19	1.334.270.054	917.789.663
Cost of sales (-)	19	(877.169.122)	(649.293.500)
GROSS PROFIT	19	457.100.932	268.496.163
General administrative expenses (-)	21	(186.745.255)	(125.392.966)
Other income from operating activities	22	194.183.103	22.521.334
Other expenses from operating activities (-)	23	(188.608.265)	(17.262.508)
OPERATING PROFIT		275.930.515	148.362.023
Income from investment activities	24	3.948.024	1.113.674
Expenses from investment activities (-)	25	(305.699)	(2.454.859)
Income from investments accounted by using the equity method	6	23.371.805	11.527.783
OPERATING INCOME BEFORE FINANCIAL INCOME		302.944.645	158.548.621
Financial income	26	77.551.573	19.701.438
Financial expenses (-)	27	(165.684.117)	(70.866.589)
PROFIT BEFORE TAX		214.812.101	107.383.470
Tax expense		(6.361.830)	(20.982.295)
Taxes on income	28	(34.366.471)	(25.914.945)
Deferred tax income	28	28.004.641	4.932.650
NET PROFIT FOR THE PERIOD		208.450.271	86.401.175
Attributable to:			
Non-controlling interest		3.866.315	1.039.567
Equity holders of the parent		204.583.956	85.361.608
		208.450.271	86.401.175
Earnings per share (Kr)	29	0,084	0,035

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2018

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>Audited</i>	<i>Audited</i>
	January 1-	January 1-
Notes	December 31, 2018	December 31, 2018
Net profit for the period	208.450.271	86.401.175
Other comprehensive income / (expense)		
Not to be reclassified to profit or loss		
- Actuarial gain/(loss) arising from defined benefit obligation	(6.698.169)	(3.389.969)
Shares from investments accounted using the equity method regarding to other comprehensive income / (expense) not to be reclassified to profit of loss		
- Actuarial gains/(losses) arising from defined benefit obligation from investments accounted using the equity method	(270.248)	(193.487)
Taxes regarding to other comprehensive income / (expense) not to be reclassified to profit or loss		
- Tax on actuarial gain/(loss) arising from defined benefit obligation	1.322.286	679.414
- Tax on actuarial gain/(loss) arising from defined benefit obligation from investments accounted using the equity method	69.481	49.746
To be reclassified to profit or loss		
- Foreign currency translation differences	57.897.521	20.305.838
Other comprehensive income	52.320.871	17.451.542
Total comprehensive income	260.771.142	103.852.717
Attributable to:		
Non-controlling interest	6.846.612	1.771.977
Equity holders of the parent	253.924.530	102.080.740
	260.771.142	103.852.717

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2018

(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			Accumulated Profits			
	Paid-in capital	Actuarial gain/(loss) arising from defined benefit plans	Foreign currency translation differences	Restricted Reserves	Retained earnings	Net profit for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total shareholder's equity
Balances at January 1, 2018	24.300.000	(18.927.043)	42.350.965	43.097.456	(17.302.954)	85.361.608	158.880.032	9.975.142	168.855.174
Transfers	-	-	-	7.533.000	77.828.608	(85.361.608)	-	-	-
Dividend distribution	-	-	-	-	(76.545.000)	-	(76.545.000)	-	(76.545.000)
Capital contribution of non-controlling interests	-	-	-	-	-	-	-	6.198	6.198
Other comprehensive income / (expenses)	-	-	-	-	-	-	-	-	-
- Foreign currency translation differences	-	-	54.891.590	-	-	-	54.891.590	3.005.931	57.897.521
- Actuarial gain/(loss) arising from defined benefit plans	-	(5.551.016)	-	-	-	-	(5.551.016)	(25.634)	(5.576.650)
Total other comprehensive income / (expenses)	-	(5.551.016)	54.891.590	-	-	-	49.340.574	2.980.297	52.320.871
Net profit for the period	-	-	-	-	-	204.583.956	204.583.956	3.866.315	208.450.271
Total comprehensive income / (expense)	-	(5.551.016)	54.891.590	-	-	204.583.956	253.924.530	6.846.612	260.771.142
Balances at December 31, 2018	24.300.000	(24.478.059)	97.242.555	50.630.456	(16.019.346)	204.583.956	336.259.562	16.827.952	353.087.514

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 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	Accumulated Profits			Equity attribute table to equity holders of the parent			Total shareholder's equity
	Paid-in capital	Actuarial gain/(loss) arising from defined benefit plans	Foreign currency translation differences	Restricted Reserves	Retained earnings	Net profit for the year	Non- controlling interest		
Balances at January 1, 2017	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	-	-	-	2.916.000	23.920.035	(26.836.035)	-	-	-
Dividend distribution	-	-	-	-	(30.375.001)	-	(30.375.001)	-	(30.375.001)
Adjustments relates to previous years (*)	-	-	-	-	1.206.775	-	1.206.775	-	1.206.775
Transactions with non-controlling interest (**)	-	-	-	-	(1.519.999)	-	(1.519.999)	(6.034.249)	(7.554.248)
Capital contribution of non-controlling interests	-	-	-	-	-	-	-	28.167	28.167
Other comprehensive income / (expenses)									
- Foreign currency translation differences	-	-	19.569.925	-	-	-	19.569.925	735.913	20.305.838
-Actuarial gain/(loss) arising from defined benefit plans	-	(2.850.793)	-	-	-	-	(2.850.793)	(3.503)	(2.854.296)
Total other comprehensive income / (expenses)	-	(2.850.793)	19.569.925	-	-	-	16.719.132	732.410	17.451.542
Net profit for the period	-	-	-	-	-	85.361.608	85.361.608	1.039.567	86.401.175
Total comprehensive income/(expense)	-	(2.850.793)	19.569.925	-	-	85.361.608	102.080.740	1.771.977	103.852.717
Balances at December 31, 2017	24.300.000	(18.927.043)	42.350.965	43.097.456	(17.302.954)	85.361.608	158.880.032	9.975.142	168.855.174

- (*) Çelebi GH Delhi, a subsidiary of the Group, acquired additional 8,33% shares of DASPL which is the associate of it. Following the acquisition, purchased shares from retained earnings for the years ended December 31, 2016 and prior years of DASPL, which has been started to be accounted by using the equity method as of June 30, 2017, are disclosed in line named adjustments relates to previous years (Note 6).
- (**) Çelebi Hava Servisi Anonim Şirketi acquired an additional 25.9% share of Çelebi Ground Handling Delhi, a subsidiary at the Group on May 22, 2017 (Note 2).

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2018

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

		Current Period	Prior Period
		Audited	Audited
	Notes	January 1- December 31, 2018	January 1- December 31, 2017
A. Cash flows from operating activities		322.036.269	183.518.445
Net period profit / loss		208.450.271	86.401.175
Adjustment for reconciliation of net for the period profit / loss			
Adjustment related depreciation and amortisation expense	11, 12	290.764.169	142.065.219
Adjustments related impairment (reversals)	8	66.961.944	38.492.674
Adjustment related to provisions		9.508.554	1.985.128
- Adjustment related to provisions for employee benefits		60.286.992	41.827.357
- Adjustments related other provisions (reversals)		-	-
Adjustments related to interest income and expense	22, 23	10.768.247	12.132.118
- Adjustment related to interest income		49.518.745	29.695.239
- Adjustment related to interest expense		12.681.076	13.521.801
Adjustment related to unrealized related foreign exchange translation differences		(11.894.091)	(4.792.257)
Adjustment related to tax (income) expense		24.575.167	18.314.058
Adjustment related to undistributed profit of investments are accounted by the equity method	6	161.977.903	37.427.690
Adjustment related to (gain / loss) on sales of property, plant and equipment, net	24	6.361.830	20.982.295
		(23.371.805)	(11.527.783)
		(3.642.325)	(643.943)
Changes in working capital		(142.798.748)	(8.843.165)
Increase/decrease in financial investments		(38.346.116)	(2.798.302)
Adjustment related to increase/decrease in trade receivables		(67.501.053)	(26.602.988)
- Increase/decrease in due from related parties		93.524	(663.928)
- Increase/decrease in due from third parties		(67.594.577)	(25.939.060)
Adjustment related to increase/decrease in other receivables related with operations		(57.573.370)	(5.641.290)
Adjustment related to increase/decrease in inventories		(1.651.630)	(1.266.164)
Increase/decrease in prepaid expenses		(28.589.119)	152.062
Adjustment related to increase/decrease in trade payables		22.567.191	12.939.852
- Increase/decrease in due to related parties		(1.612.877)	4.257.827
- Increase/decrease in due to third parties		24.180.068	8.682.025
Increase/decrease in payables related to employee benefits		11.184.496	3.206.378
Adjustment related to increase/decrease in other payables related with operations		17.110.853	11.167.287
Cash flows from operating activities		356.415.692	219.623.229
Payment related to provisions for employee benefit	13	(11.129.629)	(9.913.189)
Payments related to other provision		(242.504)	(117.285)
Tax payments/returns		(23.007.290)	(26.074.310)

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2018**

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

		Current Period	Prior Period
		Audited	Audited
		January 1- December 31, 2018	January 1- December 31, 2017
	Notes		
B. Cash flows from investing activities		(209.267.856)	(50.247.320)
Cash outflows due to purchase of shares or capital increase of associates and/or joint ventures		-	-
Cash inflows from the sale of property, plant and equipment and intangible asset		-	(7.554.249)
- Cash inflows from the sale of property, plant and equipment		9.109.365	935.439
- Cash inflows from the sale of intangible assets		9.109.365	935.439
- Cash inflows from the sale of intangible assets		-	-
Cash outflows from the purchase of property, plant and equipment and intangible asset			
- Cash outflows from the purchase of property, plant and equipment	11	(204.586.286)	(19.002.859)
- Cash outflows from the purchase of intangible asset	12	(22.335.607)	(25.675.651)
Dividend received	6	8.544.672	1.050.000
C. Cash flows from financing activities		40.316.391	(60.980.418)
Cash inflows from financial liabilities	7	259.515.220	130.949.500
Cash outflows due to debt payments of financial liabilities	7	(140.952.126)	(149.601.147)
Dividend paid		(76.545.000)	(30.375.001)
Interest paid		(13.595.794)	(16.746.027)
Interest received	7	11.894.091	4.792.257
Net increase / decrease in cash and cash equivalents, before the effect of foreign currency translation differences		153.084.804	72.290.707
D. Impact of foreign currency translation differences		(69.758.446)	(24.347.035)
Net increase/decrease in cash and cash equivalents		83.326.358	47.943.672
E. Cash and cash equivalents at beginning of period		113.404.415	65.460.743
Cash and cash equivalents at end of period	4	196.730.773	113.404.415

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Çelebi Hava Servisi Anonim Şirketi (referred as the "Company" or "Çelebi Hava") established in 1958 as the first private ground handling service company in the Turkish aviation sector. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc), fuel supplies to domestic and foreign airlines and private cargo companies, cargo services and warehouse operations. The Company operates in İstanbul Atatürk, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenışehir, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaraş, Isparta, Erzincan, Çanakkale, Balıkesir Edremit, Iğdır, Kocaeli, Bingöl, Hakkari, Uşak 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. ("HEAŞ"). The company is controlled by Çelebi Havacılık Holding Anonim Şirketi, the parent company which is jointly 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 "BIST" since November 18, 1996. As of December 31, 2018, the Company's free float rate is 12,61% (December 31, 2017: 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 Group consists of the Company and its subsidiaries, joint ventures and associate. The average number of employees employed by the Group for the year ended December 31, 2018 is 13.031 (December 31, 2017: 12.278).

Information on Subsidiaries, Joint Ventures, and Associate:

The nature of the business, their respective geographical segments, and the registered country of the subsidiaries, joint venture and associate of the Group are as follows.

- Subsidiaries of the Group are as below:

<u>Subsidiary</u>	<u>Registered Country</u>	<u>Geographical region</u>	<u>Nature of business</u>
CGHH	Hungary	Hungary	Ground handling services
Celebi Delhi Cargo	India	India	Warehouse and cargo services
CASI	India	India	Ground handling services
Çelebi Kargo	Turkey	Turkey	Warehouse and cargo services
Celebi Cargo	Germany	Germany	Warehouse and cargo services
Celebi Spain (*)	Spain	Spain	Ground handling services
Tasfiye halinde Çelebi Güvenlik	Turkey	Turkey	Aviation and other security services

(*) As of December 31, 2018 Celebi Spain has no operational activity.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

- Subsidiaries of the Group (Continued):

The Company won the tender offer on acquisition of Budapest Airport Handling Kereskedelmi és Szolgáltatási Korlátolt Felelősségű Társaság ("BAGH") which provides ground handling service in Budapest Airport, and participated in the Celebi Tanácsadó Korlátolt Felelősségű Társaság ("Celebi Kft") that was founded on September 22, 2006 as founding shareholder for the realization of the above mentioned share transfer. Celebi Kft acquired all the shares of BAGH on October 26, 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Foldi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH"). Celebi Kft was been taken over by CGHH with all assets and liabilities and merger transactions have been completed at October 31, 2007 in accordance with 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. At 2011, shares representing 30% of CGHH were purchased from Çelebi Havacılık Holding Anonim Şirketi for a consideration of TL 33.712.020. As of December 31, 2018, total paid in capital of CGHH is 200.000.000 Hungarian forint.

The Company participated as a co-founder 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 May 6, 2009 with a shareholding rate of 74%. The paid capital of the Celebi Delhi Cargo is 1.120.000.000 Indian Rupee.

As a result of the winning the tender for providing ground handling services at Delhi International Airport for a 10 years period in order to fulfill the requirements to meet the obligations and make the planned investments outlined in the Concession Agreement signed between Celebi GH Delhi and the tender to authority, the Company has made a premium capital increase amounting to 1.380.897.000 Indian Rupee on its subsidiary of Çelebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), which is established on November 18, 2009 with a shareholding rate of 74%. On May 22, 2017, the Company acquired 25,9% share of Çelebi GH Delhi and reached to an ownership rate of 99,9% and share capital of 23.890.000 Indian Rupee. The Company currently operates ground handling services in New Delhi, Ahmedabad, Cochin and Bangalore Airports in India as part of the ongoing concession agreements. As a result of the tender concluded on 14 December 2018, the concession agreement signing process at Hyderabad Airport, which has been granted a concession for a period of 10 years, continues. On 15 March 2018, the company's title was changed to Celebi Airport Services India Private Limited ("CASI").

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on November 20, 2008 to carry out transportation, cargo storage and distribution activities. Celebi Cargo GmbH ("Celebi Cargo"), the subsidiary of Çelebi Kargo with a 100% ownership, was established on November 2009 and has share capital amounting to EUR 32.100.000, rented storage and warehouse facilities at International Frankfurt Airport Cargo (Frankfurt Cargo City Süd) and carry out flight cargo storage and handling services. As of December 31, 2018, the paid share capital of Çelebi Kargo is TL 114.000.000.

On March 25, 2010, the Company participated as a founding partner to the Celebi Ground Handling Spain S.L.U ("Celebi Spain") with a capital of EUR 10.000 and an ownership rate of 100% as a founding partner for the purpose of entrepreneurship in abroad including European Union. Celebi Spain is a non-operating company.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

- Joint venture:

The joint venture of the Group accounted using the equity method is as below:

<u>Joint Venture</u>	<u>Registered Country</u>	<u>Geographical region</u>	<u>Nature of business</u>
Celebi Nas	India	India	Ground handling services

In the sequel of winning the tender of rendering ground handling services for a 10 years period in Mumbai Chhatrapati Shivaji International Airport (CSIA) in Mumbai, India by the consortium in which the Company takes part, a joint venture of the Company has been established on December 12, 2008 with the trade name of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai, India. The Company has participated as the founding partner in Celebi Nas and has 57% shareholding where the share capital of Celebi Nas is 552.000.000 Indian Rupee. A premium capital increase of 228.000.000 Indian Rupee has been paid by the shareholders of Celebi Nas in previous years. Although the Company has 57% shareholding, in accordance with the conditions in Articles of Association signed between the Company and the counterparty shareholder, Celebi Nas is accounted using the equity method and treated as a joint venture. On April 8, 2015, Celebi Nas has signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the CSIA International Airport, for rendering services of air conditioners and generators mounted on passenger boarding bridges in the passenger terminal. With this agreement, Celebi Nas has been granted the concession rights until May, 2036. In addition, the ten (10) year ground handling privilege of Celebi NAS, which has been in place since 2009 to carry out ground handling services at the CSIA international airport, expires in December 2019. Celebi Nas participated in the tender by CSIA international airport operator MIAL for the extension of its concession from January 1, 2020 to December 31, 2029 for 10 (ten) years. The proposal was submitted to MIAL on 29 January 2018. The concession agreement between Celebi Nas and the contracting authority MIAL was signed on 19 May 2018. Thus, Celebi Nas, a subsidiary of Celebi, will continue to provide ground services for additional 10 (ten) years from January 1, 2020 to December 31, 2029 after the expiry of the current concession period at CSIA airport in Mumbai, India. .

- Associate:

The associate of the Group accounted using the equity method is as below:

<u>Associate</u>	<u>Registered Country</u>	<u>Geographical region</u>	<u>Nature of business</u>
DASPL	India	India	Ground handling services

Çelebi GH Delhi, a subsidiary of the Group, has participated in establishment of Delhi Aviation Services Private Limited ("DASPL") with a shareholding of 16,66%, DASPL is resident in New Delhi, India and operating in rendering services of air conditioners, water providing systems and generators mounted on passenger boarding bridges with international standards established with a share capital is 250.000.000 Indian Rupee. On November 14, 2017, Çelebi GH Delhi, has acquired 8,33% of additional shares of DASPL and reached to a shareholding rate of 24,99%. The Group accounts DASPL by using the equity method in its consolidated financial statements.

As of December 31, 2018, the consolidated financial statements of the Group contains the Company, Celebi Nas, CGHH, Tasfiye halinde Çelebi Güvenlik, Celebi Delhi Cargo, CASI, Çelebi Kargo, DASPL and Celebi Cargo (all together will be referred as "the Group").

Consolidated financial statements of the Group for the period ended January 1 – December 31, 2018 has been approved for the issuance by the Board of Directors on March 8, 2019 and signed by Osman Yılmaz, the General Manager, and Deniz Bal, the Accounting and Finance Director, on behalf of Board of Directors.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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") on June 13, 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 ("TAS" / "TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

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 its Subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the principles and standards issued by POA, Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of Turkey. Foreign Subsidiaries, Joint Venture and Associate maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the Turkish Financial Reporting Standards have been accounted in the statutory financial statements the Company, its subsidiaries, joint venture and associate. Assets and liabilities included in the financial statements of the foreign subsidiaries of the Group have been translated into Turkish Lira using the exchange rates prevailed at the date of the consolidated statement of financial position and income and expenses are translated into Turkish Lira using the average exchange rates for the related period. The difference between using the period-end exchange rates and average exchange rates is accounted as the currency translation differences under equity.

These consolidated financial statements which have been prepared in accordance with Turkish Financial Reporting Standards, have been prepared in TL and under the historical cost conversion except for the financial assets and liabilities presented at fair values, and the revaluations related to the differences between the carrying value and fair value of the non-current assets recognized in business combinations.

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 Çelebi Hava and the presentation currency of the Group. As of December 31, 2018, the currency of Group's entities are as below.

Company

Tasfiye halinde Çelebi Güvenlik
CGHH
Celebi Delhi Cargo
CASI
Celebi Nas
Çelebi Kargo
Celebi Cargo GmbH
DASPL

Currency

Turkish Lira (TL)
Hungarian Forint (HUF)
Indian Rupee (INR)
Indian Rupee (INR)
Indian Rupee (INR)
Turkish Lira (TL)
Euro (EUR)
Indian Rupee (INR)

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

2.1. Basis of presentation (continued)

2.1.1 Financial reporting standards (continued)

Going Concern

The Group prepared its 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 consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. 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). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard did not have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 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, TFRS 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. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has applied TFRS 9 as the first application date of 1 January 2018. The effects of this standard on the financial position and performance of the Group are explained in Note 2.3.

TFRS 4 Insurance Contracts (Amendments);

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

2.1.2 Amendments in International Financial Reporting Standards (IFRS) (continued)

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 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. The interpretation did not have an impact on the financial position or performance of the Group.

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

In December 2017, POA issued amendments to TFRS 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

In December 2017, POA issued amendments to TAS 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 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 TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.1.2 Amendments in International Financial Reporting Standards (IFRS) (continued)

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

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 "Leases". This Standard replaces the existing TAS 17 "Leases" Standard, TFRIC 4 "Determining Whether an Arrangement Contains a Lease" Standard and TAS Interpretation 15 "Operating Leases – Incentives" for the accounting of leasing transactions and has resulted in amendments to TAS 40 "Investment Properties" Standard. TFRS 16 eliminates the dual-accounting model of leasing transactions that are the current application in terms of lessees that financial leasing transactions is following in balance sheet and liabilities related operational leasing is following in off-balance sheet. Instead, a single balance sheet-based accounting model is presented for all leases, similar to the current financial leasing accounting. For lessors, recognition is similar to existing practices. TFRS 16, is effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group. However, the explanation of preliminary analyses is as follows:

The Group will prefer to use the exemption right for less stable asset leases with the term less than 12 months and the other contracts that are not covered by the exemption on 1 January 2019 by taking advantage of the transition options which are recognized by the simplified retrospective approach.

In this context, the Group has adopted the TFRS 16 application and the existence of a right of use during the initial recognition of the lease agreements for warehouse lands, ground handling services lands, airport office areas, warehouses, passenger and commercial vehicles and the head office building, which were not previously recorded in the consolidated statement of financial position. take the obligation to record. In this context, the future leasing amounts foreseen in accordance with the agreements of operating leases stated in Note 15 are adjusted to their present values and their effects on the consolidated financial statements will be recognized. The effect is evaluated.

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.1.2 Amendments in International Financial Reporting Standards (IFRS) (continued)

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments) (continued)

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

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

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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2.1.2 Amendments in International Financial Reporting Standards (IFRS) (continued)

Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost. Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) 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 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

2.1. Basis of presentation (continued)

2.1.2 Amendments in International Financial Reporting Standards (IFRS) (continued)

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. 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 subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the Turkish 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 consolidated 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 consolidated statement of financial position date rates are included in the "currency translation differences" under the shareholders' equity.

2.1.4 Basis of Consolidation

- a) The consolidated financial statements include the accounts of the parent company. Çelebi Hava, its' Subsidiaries, its Joint Venture and its Associate (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 Turkish Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries, Joint Venture and Associate 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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2.1. Basis of presentation (continued)

2.1.4 Basis of Consolidation (continued)

- c) The direct and indirect ownership interests held by the Group in its subsidiaries are provided below, the direct and indirect ownership interest is equal to the proportion of effective interest.

Subsidiary	Ownership rate (%)	
	December 31, 2018	December 31, 2017
Tasfiye halinde Çelebi Güvenlik ⁽²⁾	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
CASI	99,9	99,9
Celebi Spain ⁽¹⁾	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

⁽¹⁾ As of December 31, 2018, The Group has 100% directly and indirectly ownership interest of Çelebi Spain who is inactive and is not significant to the consolidated financial statements of the Group. Accordingly, Celebi Spain is not consolidated in the consolidated financial statements and accounted as financial investment over cost value (Note 5).

⁽²⁾ Pursuant to the resolution of Ordinary General Assembly meeting of Çelebi Güvenlik which have a capital of TL 1.906.736 and participated by the Company with an ownership rate of 94,8%, the liquidation process started as of December 31, 2013 and trade name of the Company was changed into Tasiye halinde Çelebi Güvenlik. As of December 31, 2018, since Tasfiye halinde Çelebi Güvenlik is not significant to the consolidated financial statements of the Group, no additional presentation was made in accordance with IFRS 5 Assets Held for Sale and Discontinued Operations.

- d) The Group recognizes the transactions of acquisitions and sales of shares of the subsidiaries, those are controlled by the Group, realized with the non-controlling interest as transactions of the Group with equity holders. Therefore, in transactions of additional share acquisition from non-controlling interest, the difference between the acquisition cost and the share of net assets of the additional shares acquired and in transactions of sale of shares to non-controlling interest, the difference between the consideration received and the share of net assets of the shares sold is recognised in equity.
- e) Joint venture and the associate of the Group are accounted by using the equity method.

The direct and indirect ownership interests held by the Group in its joint venture and associate are provided below, the direct and indirect ownership interest is equal with the proportion of effective interest.

Joint venture	Ownership rate (%)	
	December 31, 2018	December 31, 2017
Celebi Nas	57,00	57,00

Associate	Ownership rate (%)	
	December 31, 2018	December 31, 2017
DASPL	24,99	24,99

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.1. Basis of presentation (continued)

2.1.4 Basis of Consolidation (continued)

- f) Financial assets in which the Group has ownership interests below 20%, or over 20% but which the Group does not exercise a significant influence or which are not significant to the consolidated financial statements are classified as available-for-sale financial assets in the consolidated financial statements. Available-for-sale financial assets that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any accumulated impairment loss in the consolidated financial statements.

Financial investment	December 31, 2018	Ownership rate (%) December 31, 2017
Celebi Spain	100,00	100,00

2.2. Changes in accounting policies

2.2.1 Comparative information

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

The Group presented the consolidated statement of financial position as of December 31, 2018 comparatively with the consolidated statement of financial position as of December 31, 2017, presented the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period ended December 31, 2018 comparatively with the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period ended December 31, 2017.

2.3 Changes in Significant Accounting Policy and Estimations

2.3.1 Changes in Significant Accounting Policy

The significant accounting policies used in preparing the consolidated financial statements for the year ended December 31, 2018 are consistent with the accounting policies disclosed in detail in the financial statements for the year ended December 31, 2017, except for the TFRS 9 Financial Instruments standard effective as of January 1, 2018.

Effects on consolidated financial statements

The Group has applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers in the fiscal period that started on 1 January 2018 and the related standards are explained below and their current accounting policies are explained in Note 2.4.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.3 Changes in Significant Accounting Policy and Estimations (continued)

Effects on consolidated financial statements (continued)

In the consolidated financial statements of the Group, there is no significant effect resulting from implementation of TFRS 15 Revenue from Contracts with Customers Standard.

TFRS 9 Financial Instruments Impact Measurement

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. TFRS 9 removes loans and receivables and available-for-sale financial asset categories included in the current TAS 39 standard.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Classification under TAS 39	Classification under TFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial asset	Available for sale	Fair value through other comprehensive income
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Other payables	Amortised cost	Amortised cost

Impairment:

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Trade receivables
- Cash and cash equivalents
- Financial investments
- Other receivables

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables. According to new impairment provision model applied in accordance with TFRS 9, In the consolidated financial statements, the Group has accounted an additional provision for impairment of TL 4.431.612. The effect of the provision on net profit for the year 2018 is TL 3.754.188.

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2.3 Changes in Significant Accounting Policy and Estimations (continued)

2.3.2 Changes in Significant Accounting Estimations

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The useful life of some part of equipments used in operations in Turkey by the Group has been reassessed and the increased estimation of useful life by changing. As a result of increase in useful life, TL 3.642.332 less depreciation expense is calculated and the effect is reflected in the current period.

In May 2013, a tender was made for the construction of the third airport in Istanbul. Following the aforementioned tender, Istanbul Airport investment was commenced by the Joint Venture Group and the commercial flights made from Istanbul Atatürk Airport as of March 2019 were announced by the General Directorate of State Airports Authority after the start of the activities of Istanbul Airport. Under the assumption that the Group's cargo warehouse and general aviation activities at the Atatürk Airport will be terminated as of 1 March 2019, the Group has reviewed the useful lives of the property, plant and equipment classified as leasehold improvements in the related station and decided to amortize the remaining net book value in accordance with their estimations. The effect of change in the economic life estimate on depreciation and net profit for the period is 21.130.026 TL as an expense.

2.4 Summary of significant accounting policies

2.4.1 Accounting of income

Revenue is recognized on an accrual basis at the fair value of the consideration received or receivable from the sale of goods and services. Net sales represent the invoiced value of goods delivered and services rendered free of sales discounts and returns. In the event that there is an important financing element in the sales, the fair value is determined by deducting the future collections from the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis. According to the ratios determined in the concession agreements for Celebi Delhi Cargo and CASI, the concession amounts paid over the revenues obtained from the operation of the cargo terminal and the ground handling services provided at the relevant airports are netted off with the sales revenue and are shown in the consolidated financial statements. Since the gross revenue of CGHH is not subjected to concession fee payment to authorities, revenue of CGHH has not been net-off in the consolidated financial statements.

Dividend Income

Dividend income is recognized as income at the time of collection.

2.4.2 Financial Assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

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2.4 Summary of significant accounting policies (continued)

2.4.2 Financial Assets(continued)

Recognition and Measurement

"*Financial assets measured at amortized cost*" are non-derivative financial assets held within the scope of a business model aimed at collecting contractual cash flows and with cash flows including interest payments arising solely on principal and principal balance at specific dates under contractual terms. Group's financial assets are accounted at the amortized cost include items such as "cash and cash equivalents", "trade receivables", "other receivables" and "financial investments". Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

"Financial assets at fair value through other comprehensive income" are non derivative financial assets that are held in the context of business model aimed at collecting contractual cash flows and selling financial assets, and cash flows include interest payments solely at principal and principal balance on contractual terms. Any gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment losses, gains or losses and exchange rate differences income or expenses. In the case of the sale of assets, the valuation differences classified as other comprehensive income are classified as retained earnings.

"Financial assets at fair value through profit or loss" are financial assets measured at amortized cost other than financial assets at fair value through comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the consolidated income statement.

Financial Statement Exclusion

The Group derecognizes the financial assets when it terminates the rights related to the cash flows due to the contract or when the related rights are transferred through a purchase and sale of all risks and rewards related to the financial asset. Any rights created or held by financial assets transferred by the Group are recognized as a separate asset or liability.

Impairment

The impairment of financial assets and contractual assets is calculated using the "expected credit loss" (ECL) model. The impairment model applies to amortized cost financial assets and contractual assets.

In the case of financial asset has a low credit risk at the reporting date, the Group can determine that the credit risk of the financial asset has not increased significantly. However, the lifetime ECL measurement (simplified approach) is always valid for commercial receivables and contract assets, without significant financing.

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2.4 Summary of significant accounting policies (continued)

2.4.3 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

2.4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, restated to the equivalent purchasing power at December 31, 2004 for the items purchased before January 1, 2005 and stated at cost less depreciation for the items purchased after January 1, 2005. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	<u>Useful Lives (Years)</u>
Machinery and equipment	1-20
Motor vehicles	2-10
Furniture and fixtures	1-20
Leasehold improvements	5-15

Depreciation is provided for assets when they are ready for use. Depreciation continues to be provided on assets when they become idle.

Gains or losses on disposals of property, plant and equipment are determined by comparing the carrying amount at financial statements and collected amount and included in the other income or expense accounts, as appropriate.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred.

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2.4 Summary of significant accounting policies (continued)

2.4.5 Intangible Assets

a) Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

The estimations related with the future cash flows do not include cash inflows and outflows related with restructuring that the Group has not committed yet or the enhancing or the improving the performance of the asset.

b) Computer software

Rights arising on computer software are recognized at its acquisition cost. Computer software is amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is between 3-5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

c) Service Concession Arrangements & Build - Operate – Transfer Investment

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure. During the arrangement period, operator recognizes revenue in return for the services it provides. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement. The operator is obliged to hand over the infrastructure to the party that grants the service arrangement.

Since the Group has a right to charge to users regarding usage of investment, determined with Service Concession Agreements, Group has applied an intangible asset model described in TFRIC 12 "Service Concession Agreements" for the agreements listed below.

Intangibles arising from concession service agreement classified as build- operate - transfer investment as intangible assets.

Revenues arising from service concession agreements are accounted for in accordance with TAS 11 "Construction Contracts" by considering rate of completion.

Operation or service income are recognized in the reporting period in which the services are rendered.

According to service concession agreements, maintenance and modernization within in the scope of the contractual obligations are accounted in accordance with TAS 37 ("Provisions, Contingent Liabilities and Contingent Assets").

Investment costs related to the construction of the terminal are amortized on a straight-line basis over the life of the terminal (5-25 years).

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2.4 Summary of significant accounting policies (continued)

2.4.5 Intangible Assets (continued)

Borrowing costs that are directly attributable to the Build-Operate-Transfer investment are capitalized as part of the cost of that asset, if the amount of costs can be measured reliably and it is probable that the economic benefits associated with the qualifying asset will flow to the Group.

Celebi Delhi Cargo

An Agreement regarding improvement, modernization, financing and 25 years finite operating rights of the airport located in Delhi city of India has been signed on August 24, 2009. The deposit amount of INR 1.691.135.907 was paid in total.

Celebi Nas

Operating rights agreement providing ground services of airport in Mumbai, India for 11 years was signed on November 14, 2008. The amount of INR 210.000.000 paid as a deposit. As of December 31, 2018 INR 92.500.000 of the deposit amount had been recovered back. On the other hand, following the expiry of the current concession period on December 31, 2019, it will continue to provide ground handling services for an additional 10 (ten) years from January 1, 2020 to December 31, 2029. In this context, a deposit of INR 1.847.700.000 was paid to the contracting authority.

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 deposit amount of INR 150.000.000 as deposit was paid.

CASI

An agreement for providing ground handling services for a period of 10 years at the airport in Delhi city of India has been signed on June 2, 2010 and INR 400.000.000 deposit has been paid. Additionally, a deposit amounting of INR 132.220.000 has been paid within the scope of the concession agreement signed for providing services at airports in Cochin, Bangalore and Kannur.

According to these concession agreements, the Group capitalized the differences between the paid deposit paid and its net present value as Build-Operate-Transfer investment and amortized the amount during the periods of concession agreements (Note 12).

2.4.6 Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

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

2.4 Summary of significant accounting policies (continued)

2.4.7 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that deferred tax assets, an asset other than intangible assets with indefinite useful lives, and financial assets at fair value may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

An impairment loss recognized in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements.

2.4.8 Financial Liabilities and Borrowing Costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings.

If financing costs arising from loans are associated with acquisition and construction of qualifying assets, it has been included in the cost price of the qualifying assets. The qualifying assets refer to assets that are required for a long period of time to be ready for use or sale as intended.

2.4.9 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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2.4 Summary of significant accounting policies (continued)

2.4.10 Business Combinations and Goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with TFRS 3 (Note 12).

The cost of a business combination is allocated by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has been recognized as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. In business combinations, the acquirer recognizes identifiable assets (such as deferred tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. The goodwill previously recognized in the financial statements of the acquiree is not considered as an identifiable asset.

Goodwill recognized as a result of business combinations is not amortized and its carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Provisions for goodwill impairment loss are not cancelled at subsequent periods. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, a statement of profit or loss contains the operations that take place after the business combination. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted as "effect of transactions under common control" under "Additional contribution to shareholders' equity related to take-over".

2.4.11 Foreign Currency Transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of profit or loss.

2.4.12 Earnings per Share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned (Note 29).

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, 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 year in which they were issued and for each earlier period.

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2.4 Summary of significant accounting policies (continued)

2.4.13 Subsequent Events

The Group adjusts the amounts recognized in the consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influences on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 34).

2.4.14 Provisions, Contingent Liabilities and Contingent Assets

The conditions which are required to be met in order to recognize a provision in the consolidated financial statements are those that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (Note 13).

Where the effect of the time value of money is significant, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Liabilities or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity should not be recognized as liabilities or assets, however they should be disclosed as contingent liabilities or assets.

2.4.15 Leases

Financial lease

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged as expense to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over its useful life (Note 7).

Operational lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

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

2.4 Summary of significant accounting policies (continued)

2.4.16 Related Parties

Related party is the person or entity related to Company which is preparing financial statements ("reporting Company") (Note 30).

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4.17 Segment Reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorized to make decisions regarding the activities of the Group. The organs and persons authorized to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on activity basis as ground handling services and cargo and warehouse services.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.4 Summary of significant accounting policies (continued)

2.4.18 Taxes on Income

Current Tax Expense and Deferred Tax

Tax expense includes current tax expense and deferred tax expense. The tax is included in the income statement, provided that it is not directly related to an operation accounted under equity. Otherwise, the tax is accounted under equity as well as the related transaction.

Current tax expense is calculated by taking into account the tax laws applicable in the countries where the Group's subsidiaries and investments accounted by using the equity method are active as of the date of statement of financial position.

Income Tax

The Company and its subsidiaries established in Turkey and other countries in the scope of consolidation, associates, and joint ventures are subject to the tax legislation and practices in force in the countries they are operating.

According to Turkish tax legislation, legal or business centers institutions in Turkey is subject to corporate tax. The corporate tax rate in Turkey is 20%, however, according to Provisional Article 10 added to the Corporate Tax Act, the 20% corporate tax rate, will be applied as 22% for the corporate earnings of the institutions in the taxation periods of 2018, 2019 and 2020 (accounting periods for the institutions appointed for the special accounting period). The corporate tax rate is applied to the net corporate income to be deducted from deduction of exemptions and reductions in tax laws and an addition of expenses not subject to deduction according to tax legislation. The corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the year in which it is relevant and paid until the end of the relevant month. However, According to the Turkish tax legislation, legal or business centers institutions in Turkey, 20% over the quarterly profit (22% for taxable year 2018, 2019 and 2020) provisional tax is calculated and the corresponding period of the second month until the 14th day declare the results of the relevant period and pay the temporary tax calculated until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax that will be calculated over the tax declaration of the corporations that will be given in the following year. If the amount of tax paid remained despite offsetting, tax paid can be deducted from this amount can be received in cash. As of December 31, 2018, and 2017, the tax provision has been set aside under the current tax legislation.

According to the Corporate Tax Law, losses presented on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within the upcoming five years.

Dividend payments are subject to 15% income tax for the resident companies in Turkey which are not responsible for corporate tax and income tax and made with except for those exempted to resident and non-resident in Turkey individuals and non-resident legal entity in Turkey. Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.4 Summary of significant accounting policies (continued)

2.4.18 Taxes on Income (continued)

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. Therefore, the tax liabilities of the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation. The taxes payable on the statement of financial position as of December 31, 2018, and December 31, 2017, are netted off for each Subsidiary and are separately classified in the Consolidated Financial Statements.

Deferred Tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred income tax is calculated using tax rates that are currently in effect as of the date of the statement of financial position.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset against each other if the same country is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

As of January 1, 2018, due to the fact that the tax rate for 2018, 2019 and 2020 has been changed to 22%, as of December 31, 2018, the deferred tax calculation used a tax rate of 22% for temporary differences expected to be realized and settled within 3 years (in 2018, 2019 and 2020). However, 20% tax rate is used for the current differences expected and expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. Therefore, the tax liabilities of the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation. The taxes payable on the statement of financial position as of December 31, 2018, and December 31, 2017, are netted off for each Subsidiary and are separately classified in the Consolidated Financial Statements.

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

2.4 Summary of significant accounting policies (continued)

2.4.19 Employee Benefits

Employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total reserve for future probable future obligations of the Group arising from the retirement of the personnel in accordance with the Turkish Labor Law and the laws of the countries in which the Subsidiaries operate. accordance with the law and the Turkish Labor Law regulates the current working life in Turkey, the Group has completed at least one year of service, their request with redundancy or improper conduct on-off work for reasons other than termination of the results of the work contract, who passed away or retired each staff it is obliged to pay severance pay collectively.

Provision which is allocated by the present value of the defined benefit obligation is calculated using the projected liability method. All actuarial gains and losses are accounted under equity.

The employment termination liability is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees.

After the legislative amendment on May 23, 2002, some transition process items related to the previous service period before retirement were issued. The amount payable consists of one month's salary for each year of service and is limited to TL 5.434,42 as of December 31, 2018 (December 31, 2017: TL 4.732,48).

Provision for unused vacation rights

The Company records a liability by calculating the number of vacation days earned by its employees but not used, such amount is short-term and measured without being discounted, and is recognized as an expense in the profit or loss as the related service is fulfilled.

2.4.20 Statement of Cash Flows

Cash flows during the period are classified and reported by main, investing and financing activities in the cash flow statements.

Cash flows from main activities represent the cash flows of the Group generated from airport ground handling services, airport construction and operation activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.4.21 Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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2.4 Summary of significant accounting policies (continued)

2.4.22 Paid-in Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.23 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net provided that the nature of the transaction or the event will qualify for offsetting.

2.5 Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that may have a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

(a) Goodwill impairment

As explained in Note 2.4.10 the Group performs impairment tests on goodwill annually at December 31 or more frequently if events or changes in circumstances indicate that it might be impaired. As of December 31, 2018, the Group does not have any impairment as a result of the analyzes.

(b) Impairment of intangible assets

According to the accounting policy stated in Note 2.4.5 the intangible assets are disclosed with their net value after the deduction of the accumulated depreciation, if any, and the value subtracted from the acquisition costs.

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2.5 Critical Accounting Estimates and Assumptions (continued)

(c) Provisions

In accordance with the accounting policy mentioned in Note 2.4.14, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the legal proceedings and damage claims raised against in courts as at December 31, 2018 and for the ones where the Group estimates a probability of losing the cases in courts, necessary provisions are accounted for in the consolidated financial statements (Note 13).

(d) Taxes calculated on the basis of the company's earnings

In accordance with the accounting policy mentioned in Note 2.4.18, a provision is made for the tax liability of current year calculated with tax rates which are valid on the balance sheet date over the portion of period income estimated based on period results of the Group as of balance sheet date. Tax legislation of jurisdictions, in which the subsidiaries and subsidiaries subject to joint control of the Group operates, are subject to different interpretations and may be amended. In this scope, interpretation of tax legislation by tax authorities related to operations of subsidiaries and subsidiaries subject to joint control of the Group may differ from the interpretation of the management. Therefore, transactions may be interpreted in a different manner by tax authorities and the Group may be exposed to additional tax, fines and interest payments.

As of December 31, 2018, the Group has reviewed possible tax fines which may source from its subsidiaries and subsidiaries subject to joint control and has not considered to make any provisions.

(e) Calculated deferred tax assets over tax deductions to be used

Tax receivable due to unused taxable losses is reflected on the records in the case of being most likely to have sufficient taxable profit in future periods.

(f) Investments made in the framework of concession arrangements in scope of TFRIC 12

Celebi Delhi Cargo, subsidiary of the Group resident in India, has signed a concession arrangement with Delhi International Airport Private Limited ("DIAL") on May 6, 2009 in order to operate in development, modernization, financing and management for 25 years of current cargo terminal in the airport located in New Delhi city of India.

Investment expenditures made by the Group within scope of aforementioned arrangement and concession arrangement signed by Çelebi Nas, which is a joint venture of the Group subject to joint control and resident in India, on April 8, 2015, are recognized in accordance with International Financial Reporting Interpretations Committee 12 ("TFRIC 12") Service Concession Arrangements.

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2.5 Critical Accounting Estimates and Assumptions (continued)

Preparation of consolidated financial statements in accordance with TAS requires the management to make decisions, estimations and assumptions affecting the implementation of policies and amounts of assets, liabilities, income and expense which are reported. Actual results may differ from those estimates.

Estimations and assumptions forming a basis for estimations are continuously reviewed. Updates made in accounting estimates are recorded in the period of update and following periods affected from the aforementioned updates.

Information on significant decisions applied to accounting policies which have the most significant impact on amounts recorded in consolidated financial statements is explained in the following notes:

Not 2.5 (f) – Application of profit margin to construction costs made in scope of TFRIC 12 "Service Concession Arrangements"

Information on estimates having significant impact on amounts recorded in consolidated financial statements is explained in the notes below:

Not 11 – Property, plant and equipment

Not 12 – Intangible assets

Not 17 – Employee benefit obligations

Not 28 – Tax assets and liabilities

Not 8 – Trade receivables and payables

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NOTE 3 - SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the Company's senior management and effective in making strategic decisions.

Management evaluates the Group in two different ways: geographical and operating segments. Management analyzes The Group's performance according to their departments; Ground Handling Services, Security Services and Cargo and Warehouse Services. Since the Group's revenues consist primarily of these operating segments, Ground Handling, Cargo and Warehouse Services are evaluated as reportable operating segments. Management follows the operating segments performance as ("EBITDA") after deduction of Operating lease equalization, effect of TFRIC 4-12, current year part of prepaid allocation cost expense, Retirement pay liability and unused vacation provisions from earnings before interest, tax, depreciation and amortization

The segment information provided to the board of directors as of December 31, 2018 is as follows:

	Operation Groups			
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
January 1 – December 31, 2018				
Revenue	878.669.433	461.913.720	(6.313.099)	1.334.270.054
Cost of sales	(565.624.995)	(317.047.280)	5.503.153	(877.169.122)
Gross profit	313.044.438	144.866.440	(809.946)	457.100.932
General administrative expenses	(141.268.207)	(47.355.162)	1.878.114	(186.745.255)
Addition: Depreciation and amortization	46.335.799	20.626.145	-	66.961.944
Addition: Operating lease equalization	(79.786)	10.349.500	-	10.269.714
Addition: Effect of TFRIC 4-12	-	6.446.852	-	6.446.852
Addition: Prepaid allocation cost expense	1.155.072	-	-	1.155.072
Addition: Retirement pay liability and unused vacation provisions	8.769.077	2.991.560	-	11.760.637
Effect to investments accounted by using equity method on EBITDA	45.810.673	(755.207)	-	45.055.466
EBITDA	273.767.066	137.170.128	1.068.168	412.005.362

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

	Operation Groups			
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
January 1 – December 31, 2017				
Revenue	590.024.640	332.405.709	(4.640.686)	917.789.663
Cost of sales	(406.954.065)	(244.999.128)	2.659.693	(649.293.500)
Gross profit	183.070.575	87.406.581	(1.980.993)	268.496.163
General administrative expenses	(94.382.021)	(33.122.098)	2.111.153	(125.392.966)
Addition: Depreciation and amortization	24.792.749	13.699.925	-	38.492.674
Addition: Operating lease equalization	(178.662)	9.374.346	-	9.195.684
Addition: Effect of TFRIC 4-12	-	6.854.881	-	6.854.881
Addition: Prepaid allocation cost expense	1.155.072	-	-	1.155.072
Addition: Retirement pay liability and unused vacation provisions	8.725.071	1.010.224	-	9.735.295
Effect to investments accounted by using equity method on EBITDA	31.178.886	(1.150.857)	-	30.028.029
EBITDA	154.361.670	84.073.002	130.160	238.564.832

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NOTE 3 - SEGMENT REPORTING (Continued)

Reconciliation of EBITDA to profit before tax is provided as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
EBITDA for reported segments	412.005.362	238.564.832
Depreciation and amortization	(66.961.944)	(38.492.674)
Operating lease equalization	(10.269.714)	(9.195.684)
Effect of TFRIC 4-12	(6.446.852)	(6.854.881)
Other operating income	194.183.103	22.521.334
Other operating expenses (-)	(188.608.265)	(17.262.508)
Addition: Prepaid allocation cost expense	(1.155.072)	(1.155.072)
Retirement pay liability and unused vacation provisions	(11.760.637)	(9.735.295)
Addition: Impairment of fixed assets		
EBITDA effect of investments accounted using the equity method	(45.055.466)	(30.028.029)
Operating profit	275.930.515	148.362.023
Share of profit from investments accounted using the equity method		
Income from investment activities	23.371.805	11.527.783
Expenses from investment activities (-)	3.948.024	1.113.674
Financial income	(305.699)	(2.454.859)
Financial expenses (-)	77.551.573	19.701.438
	(165.684.117)	(70.866.589)
Profit before tax		
Operating profit	214.812.101	107.383.470

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.

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NOTE 3 - SEGMENT REPORTING (Continued)

The reconciliation of the total assets of the geographical segment assets to the financial statements is as follows:

Total Assets

	December 31, 2018	December 31, 2017
Turkey	690.655.294	517.942.130
India	503.993.353	330.186.664
Hungary	257.080.867	93.293.540
Germany	41.692.496	28.236.749
Segment assets (*)	1.493.422.010	969.659.083
Unallocated assets (*)	293.113.589	142.598.016
Deduction: Inter-segment elimination	(264.475.558)	(276.214.913)
Total assets as per consolidated financial statements	1.522.060.041	836.042.186

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

The reconciliation of the total liabilities of the geographical segment liabilities to the financial statements is as follows:

Total liabilities

	December 31, 2018	December 31, 2017
Turkey	111.139.031	88.793.858
India	280.744.894	210.816.171
Hungary	24.854.916	17.252.212
Germany	26.434.642	22.526.078
Segment liabilities (*)	443.173.483	339.388.319
Unallocated liabilities (*)	727.691.363	346.999.617
Deduction: Inter-segment elimination	(1.892.319)	(19.200.924)
Total liabilities as per consolidated financial statements	1.168.972.527	667.187.012

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

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NOTE 3 - SEGMENT REPORTING (Continued)

Geographical region

Geographical segment analysis of the operating profit / (loss) for the period January 1 – December 31, 2018 is as follows:

	Turkey (*)	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	694.253.222	210.619.016	316.483.664	118.096.763	1.339.452.665	(5.182.611)	1.334.270.054
Cost of sales	(417.797.511)	(137.655.446)	(239.486.403)	(87.726.700)	(882.666.060)	5.496.938	(877.169.122)
Gross profit	276.455.711	72.963.570	76.997.261	30.370.063	456.786.605	314.327	457.100.932
General administrative expenses	(109.571.456)	(25.586.379)	(35.835.396)	(16.489.857)	(187.483.088)	737.833	(186.745.255)
Other operating income / expenses - net	5.242.417	878.784	33.275	564.963	6.719.439	(1.144.601)	5.574.838
Operating profit / (loss)	172.126.672	48.255.975	41.195.140	14.445.169	276.022.956	(92.441)	275.930.515

Geographical segment analysis of the operating profit / (loss) for the period January 1 – December 31, 2017 is as follows:

	Turkey (*)	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	499.806.883	125.242.443	222.111.554	74.638.977	921.799.857	(4.010.194)	917.789.663
Cost of sales	(315.405.010)	(83.248.677)	(185.818.234)	(67.479.098)	(651.951.019)	2.657.519	(649.293.500)
Gross profit	184.401.873	41.993.766	36.293.320	7.159.879	269.848.838	(1.352.675)	268.496.163
General administrative expenses	(74.898.387)	(17.187.297)	(20.132.529)	(14.654.115)	(126.872.328)	1.479.362	(125.392.966)
Other operating income / expenses - net	4.732.504	(244.627)	152.162	733.165	5.373.204	(114.378)	5.258.826
Operating profit / (loss)	114.235.990	24.561.842	16.312.953	(6.761.071)	148.349.714	12.309	148.362.023

*Profit / loss amounts related to rent operations of Çelebi Hava in Frankfurt are included in total.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash	394.786	276.193
Banks	196.629.005	106.670.336
- time deposit	146.792.870	75.185.656
- demand deposit	49.836.135	31.484.680
Other (Liquid fund)	-	6.625.712
	197.023.791	113.572.241

As of December 31, 2018, effective interest rates on TL, EUR, USD and INR denominated time deposits are 18,16%, 1,54%, 3,17% and 6,25% respectively. (December 31, 2017: TL 14,20%, EUR 1,60%, USD 3,20%, INR 5,25%). As of December 31, 2018 the maturity days of denominated time deposits are 2 days for TL and USD, 25 days for EUR and 51 days for INR (December 31, 2017: TL, EUR and USD 4 days , INR 10 days,).

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Cash and banks	197.023.791	106.946.529
Other	-	6.625.712
Less: Interest accruals	(293.018)	(167.826)
	196.730.773	113.404.415

NOTE 5 - FINANCIAL INVESTMENTS

Restricted Bank Balances:

	December 31, 2018	December 31, 2017
Restricted bank balances (*)	51.444.157	13.369.356
	51.444.157	13.369.356

(*) Restricted bank balances are the cash amounts collected from the customers and the cash amounts obtained for the project financing as outlined in the concession agreement signed for the operation of the New Delhi Airport in India. Restricted bank balances are kept in blocked bank accounts with a maturity of longer than 3 months.

Financial investments with fair value difference reflected to other comprehensive income

	December 31, 2018		December 31, 2017	
	Percentage of shares %	TL	Percentage of shares %	TL
Celebi Spain (*)	100,00	166.650	100,00	20.527
		166.650		20.527

(*) As at December 31, 2018, Celebi Spain, which is non-operational, is not significant to the consolidated financial statements of the Group, accordingly accounted as Financial investments with fair value difference reflected to other comprehensive income with the cost amount less impairment, if any, in the consolidated financial statements of the Group.

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NOTE 6 - INVESTMENT ACCOUNTED BY USING THE EQUITY METHOD

	Percentage of shares %	December 31, 2018	Percentage of shares %	December 31, 2017
Çelebi Nas	57,00	87.725.263	57,00	59.201.097
DASPL	24,99	8.000.645	24,99	5.790.207
		95.725.908		64.991.304

The movements of investments accounted using the equity method during the periods ended December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
As of January 1	64.991.304	42.739.300
Share of profit / loss	23.371.805	11.527.783
Currency translation differences	16.108.238	7.094.789
Transfers to investments accounted by using the equity method (*)	-	3.616.398
Shares from retained earnings	-	1.206.775
Actuarial gains/losses from defined benefit plans	(200.767)	(143.741)
Equity effect on acquisition of additional shares	(8.544.672)	(1.050.000)
As of December 31	95.725.908	64.991.304

- (*) As of December 31, 2017, it is the effect of the accounting of the the additional share purchase of 8.33% by subsidiary of CASI, DASPL.
- (**) The dividend that DASPL and Celebi Nas paid to their shareholders from retained earnings are the shares of CASI and Çelebi Hava shares respectively.

Shares of profit/loss from investments accounted using the equity method:

	January 1- December 31, 2018	January 1- September 31, 2017
Çelebi Nas	20.372.822	10.487.861
DASPL	2.998.983	1.039.922
	23.371.805	11.527.783

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NOTE 6 - INVESTMENT ACCOUNTED USING THE EQUITY METHOD (Continued)

Summary of financial statments of the investment accounted by using the equity method

Summary of financial statements of Çelebi Nas is as follows:

	December 31, 2018	December 31, 2017
Total Assets	340.587.418	187.460.245
Total Liabilities	191.429.738	88.344.963
	January 1 - December 31, 2018	January 1 - December 31, 2017
Revenue	177.375.530	119.575.076
Net profit / (loss) for the period	35.741.793	18.399.756

Summary of financial statements of DASPL is as follows:

	December 31, 2018	December 31, 2017
Total Assets	44.129.002	39.007.085
Total Liabilities	10.586.487	15.647.774
	January 1 - December 31, 2018	January 1 - December 31, 2017
Revenue	41.299.106	23.642.807
Net profit / (loss) for the period	12.000.729	4.161.350

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NOTE 7 - SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term financial liabilities:

			December 31, 2018
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Short term borrowings:</i>			
INR Borrowings	8,80-9,75	47.277.078	3.559.964
			3.559.964
<i>Short-term finance lease obligations</i>			
INR finance lease obligations	9,10	4.473.798	336.877
USD finance lease obligations	11,20	28.652	150.734
			487.611
Total short term financial liabilities			4.047.575

Short-term portion of long-term financial liabilities:

			December 31, 2018
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Short-term portion of long-term borrowings:</i>			
Interest expense accrual – EUR	-	955.854	5.761.886
Interest expense accrual – INR	-	7.307.610	550.263
INR borrowings	8,80-9,75	386.636.441	29.113.724
EUR borrowings	2,20-5,25	32.235.556	194.315.929
Total short-term portion of total long term financial liabilities			229.741.802

Long-term financial liabilities:

			December 31, 2018
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Long term borrowings:</i>			
INR Borrowings	8,80-9,75	1.151.762.948	86.727.750
EUR Borrowings	2,20-5,25	64.946.154	391.495.420
			478.223.170
<i>Long-term finance lease obligations:</i>			
INR finance lease obligations	9,10	129.304.821	9.736.651
USD finance lease obligations	11,20	12.399	65.230
			9.801.881
Total long-term financial liabilities			488.025.051
Total financial liabilities			721.814.428

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

Short term financial liabilities:

			December 31, 2017
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Short term borrowings:</i>			
INR Borrowings	10,00	12.299.712	726.913
			726.913
<i>Short-term finance lease obligations</i>			
USD finance lease obligations	11,20	24.778	249.354
INR finance lease obligations	9,10	4.219.188	93.462
			342.816
Total short term financial liabilities			1.069.729

Short-term portion of long-term financial liabilities:

			December 31, 2017
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Short-term portion of long-term borrowings:</i>			
Interest expense accrual – EUR	-	271.026	1.223.818
Interest expense accrual – INR	-	5.824.247	344.213
INR borrowings	8,55 - 13,00	171.583.553	10.140.588
EUR borrowings	2,20 - 2,75	10.200.000	46.058.100
Total short-term portion of total long term financial liabilities			57.766.719

Long-term financial liabilities:

			December 31, 2017
	Effective interest rate (%)	Original balance	Effective interest rate (%)
<i>Long term borrowings:</i>			
INR Borrowings	8,55 - 13,00	1.014.304.196	59.945.378
EUR Borrowings	2,20 - 2,75	47.550.000	214.712.025
			274.657.403
<i>Long-term finance lease obligations:</i>			
USD finance lease obligations	11,20	35.827	135.136
INR finance lease obligations	9,10	130.690.677	7.723.819
			7.858.955
Total long-term financial liabilities			282.516.358
Total financial liabilities			341.352.806

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

The redemption schedules of financial liabilities of the Group as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Less than 3 months	97.598.929	2.207.104
Between 3-12 months	136.190.448	56.629.344
Between 1-5 years	488.025.051	282.516.358
	721.814.428	341.352.806

The redemption schedules of long-term borrowings as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Between 1-2 years	271.918.056	126.364.283
Between 2-3 years	72.307.854	115.045.922
Between 3-4 years	68.050.697	8.515.482
4 years and more	65.946.563	24.731.716
	478.223.170	274.657.403

The remaining repricing periods for the Group's floating interest rate borrowings as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Less than 3 months	8.196.296	798.057
Between 3-12 months	25.126.973	10.188.865
Between 1-5 years	177.147.752	127.677.878
	210.471.021	138.664.800

The redemption schedules of financial lease obligations as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018			December 31, 2017		
	Minimum financial lease payments	Interest	Total obligation	Minimum financial lease payments	Interest	Total obligation
Less than 1 year	1.397.464	(909.853)	487.611	1.083.939	(741.123)	342.816
Between 1-2 years	1.296.235	(871.235)	425.000	1.071.564	(712.847)	358.717
Between 2-3 years	1.221.513	(836.620)	384.893	1.006.845	(683.659)	323.186
Between 3-4 years	1.212.963	(800.500)	412.463	958.718	(656.630)	302.088
4 years and more	14.095.579	(5.516.054)	8.579.525	11.832.572	(4.957.608)	6.874.964
	19.223.754	(8.934.262)	10.289.492	15.953.638	(7.751.867)	8.201.771

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

Movement of financial liabilities for the period ended December 31, 2018 is as follows:

	2018	2017
As of January 1	341.352.806	322.576.763
Addition in current year	379.549.694	130.949.500
Principal payments	(140.952.126)	(134.423.151)
Interest payments	(13.595.794)	(16.746.027)
Change in exchange differences	137.368.967	37.427.690
Change in interest accruals	18.090.881	1.568.031
As of December 31	721.814.428	341.352.806

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

	December 31, 2018	December 31, 2017
Due from third parties	186.052.360	122.450.352
Less: Provision for doubtful receivables	(12.329.145)	(6.112.405)
Trade receivables from third parties (net)	173.723.215	116.337.947
Due from related parties (Note 30)	1.608.646	1.702.170
Total short-term trade receivables	175.331.861	118.040.117

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of the financial assets. This method requires the recognition of lifetime expected credit losses for all trade receivables. According to the impairment provision model in accordance with TFRS 9, the Group has accounted for an additional provision of TL 4.431.612 in the consolidated financial statements. The effect of the provision on net profit for the year 2018 is TL 3.754.188.

Movements of provision for doubtful receivables is as follows:

	December 31, 2018	December 31, 2017
Opening balance	6.112.405	2.996.580
Foreign currency translation differences	700.755	240.114
Collections and provision reversals	(3.992.569)	(3.119)
Additional provisions in current period	9.508.554	2.878.830
Closing balance	12.329.145	6.112.405

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Credit risks exposed by the Group for each financial instrument type as of December 31, 2018 and 2017 are shown below:

December 31, 2018	Trade receivables		Other receivables		Bank deposits (*)
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	1.608.646	173.723.215	120.034.474	89.274.615	248.073.162
- Amount of risk covered bu guarentees	-	1.459.146	-	-	-
Net carrying value of financial assets which are not due or not impaired	1.608.646	114.331.364	120.034.474	89.274.615	248.073.162
Net carring value of financial assets which are overdue but not impaired	-	59.391.851	-	-	-
- Amount of risk covered bu guarentees	-	840.923	-	-	-
Net carrying value of impaired assets	-	12.329.145	-	-	-
- Overdue (gross carrying value)	-	12.329.145	-	-	-
- Impairment amount (-)	-		-	-	-
- Amount of risk covered by guarentees	-	(12.329.145)	-	-	-
The maximum of credit risk exposed at					

(*) Relevant balance includes restricted bank balances that are classified under financial investments.

December 31, 2017	Trade receivables		Other receivables		Bank deposits (*)
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	1.702.170	116.337.947	-	43.267.998	120.039.692
- Amount of risk covered bu guarentees	-	5.820.013	-	-	-
Net carrying value of financial assets which are not due or not impaired	1.702.170	73.333.624	-	43.267.998	120.039.692
Net carring value of financial assets which are overdue but not impaired	-	43.004.323	-	-	-
- Amount of risk covered bu guarentees	-	5.009.731	-	-	-
Net carrying value of impaired assets	-	6.112.405	-	-	-
- Overdue (gross carrying value)	-	6.112.405	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Amount of risk covered by guarentees	-	(6.112.405)	-	-	-
The maximum of credit risk exposed at	-	-	-	-	-

(*) Relevant balance includes restricted bank balances that are classified under financial investments.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Aging which is prepared considering the overdue days of overdue receivables that are not impaired including receivables from related parties is as follows:

	December 31, 2018	December 31, 2017
Overdue 1 month	21.143.433	17.121.644
Overdue 1-3 months	26.399.096	15.489.682
Overdue 3-12 months	11.777.601	6.648.675
Overdue 1-5 years	71.721	3.744.322
	59.391.851	43.004.323

Credit risk covered by guarantees of overdue receivables that are not impaired as of December 31, 2018 is 840.923 TL. (December 31, 2017: 5.009.731 TL)

Short term trade payables

	December 31, 2018	December 31, 2017
Trade payables to third parties	75.215.390	58.964.865
Accrued liabilities	15.099.434	7.169.892
Total trade payables to third parties	90.314.824	66.134.757
Due to third parties (Note 30)	9.649.715	11.262.592
Total trade payables	99.964.539	77.397.349

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	December 31, 2018	December 31, 2017
Receivables from tax office	28.750.070	6.037.026
Deposits and guarentees given	4.774.448	2.402.694
Short term other due from related parties	33.524.518	8.439.720
Due from related parties (Note 30)	24.164.660	-
Total short-term other receivables	57.689.178	8.439.720

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES (continued)

Other long term receivables

	December 31, 2018	December 31, 2017
Deposits and guarantees given (*)	55.750.097	34.828.278
Due from third parties	55.750.097	34.828.278
Due from related parties (Note 30)	95.869.814	-
Total long-term other receivables	151.619.911	151.619.911

(*) As of December 31, 2018, deposits and guarantees given predominantly consists of the deposits given by the subsidiaries of the Group, CASI and Celebi Delhi Cargo, to the local authorities and companies amounting to TL 34.172.242 (December 31, 2017: TL 21.905.228) and TL 21.173.569 (December 31, 2017: TL 12.819.338).

Other short-term payables

	December 31, 2018	December 31, 2017
Other short-term payables (*)	12.536.171	8.487.809
Deposits and guarantees received	309.822	155.189
	12.845.993	8.642.998

(*) As of December 31, 2018, TL 11.474.289 of other short-term payables (December 31, 2017: TL 8.183.852) are the payables of Celebi Delhi Cargo, a subsidiary of the Group, to its shareholder of Delhi International Airport Private Limited'e (DIAL) due to the concession contract signed between the parties.

Other long-term payables

	December 31, 2018	December 31, 2017
Deposits and guarantees received	16.098.610	12.532.767
	16.098.610	12.532.767

NOTE 10 – INVENTORIES

	December 31, 2018	December 31, 2017
Merchandises	3.053.738	3.068.338
Other inventories (*)	11.059.888	9.393.658
	14.113.626	12.461.996

(*) 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

Movements in property, plant and equipment for the period ended December 31, 2018 are as follows:

	Opening				Currency Translation Differences	Closing
	January 1, 2018	Additions	Disposals	Transfers		December 31, 2018
Cost						
Plant, machinery and equipment	270.953.620	33.289.019	(11.933.987)	553.585	20.363.330	313.225.567
Motor vehicles	64.371.389	10.855.317	(371.063)	167.462	17.203.638	92.226.743
Furniture and fixtures	26.259.867	2.497.059	(501.352)	61.308	1.672.696	29.989.578
Leasehold improvements (*)	120.745.249	1.958.063	(45.563)	74.898	2.244.773	124.977.420
Construction in progress	1.672.075	155.986.828	-	(1.057.852)	377.976	156.979.027
	484.002.200	204.586.286	(12.851.965)	(200.599)	41.862.413	717.398.335
Accumulated depreciation						
Plant, machinery and equipment	(187.451.076)	(15.138.464)	6.512.199	39.489	(13.037.174)	(209.075.026)
Motor vehicles	(44.943.828)	(3.400.991)	371.061	-	(11.810.596)	(59.784.354)
Furniture and fixtures	(21.925.042)	(1.884.677)	501.665	-	(1.187.753)	(24.495.807)
Leasehold improvements (*)	(74.062.517)	(27.152.811)	-	-	(1.022.642)	(102.237.970)
	(328.382.463)	(47.576.943)	7.384.925	39.489	27.058.165	(395.593.157)
Net book value	155.619.737					321.805.178

(*)In May 2013, a tender was made for the construction of the third airport in Istanbul. The Joint Venture Group, which won the tender, started to invest in Istanbul Airport. The General Directorate of State Airports Authority announced that Istanbul Airport will start its operations in March 2019 and the commercial flights made from Istanbul Ataturk Airport will be terminated. In accordance with the assumption that the ground handling services to be provided by the Group to commercial passenger aircraft at the Atatürk Airport will end within the first quarter of 2019, the Group has reviewed the useful lives of the tangible fixed assets classified as special cost in the related station and decided to redeem the remaining net book value. The effect of the economic life estimate change on the net profit for the year is TL 21.130.026 as expense.

(**)TL 154.531.497 of the investments in progress is composed of investments made for Istanbul Airport.

Depreciation expense for the period ended December 31, 2018 in the amount of TL 41.630.011 and TL 5.946.932 are respectively included in cost of sales and operating expenses.

The net book value of plant, machinery and equipment amounting TL 189.065 are purchased by financial leasing as of December 31, 2018.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT(Continued)

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

	Opening				Currency Translation Differences	Closing
	January 1, 2018	Additions	Disposals	Transfers		December 31, 2018
Cost						
Plant, machinery and equipment	255.823.826	11.407.233	(1.685.853)	(3.102.300)	8.510.714	270.953.620
Motor vehicles	51.586.757	520.854	(542.773)	3.323.343	9.483.208	64.371.389
Furniture and fixtures	26.595.962	1.079.967	(142.908)	(2.216.763)	943.609	26.259.867
Leasehold improvements (*)	121.020.459	1.852.837	(33.316)	(3.458.228)	1.363.497	120.745.249
Construction in progress	2.340.056	4.749.636	-	(5.708.546)	290.929	1.672.075
	457.367.060	19.610.527	(2.404.850)	(11.162.494)	20.591.957	484.002.200
Accumulated depreciation						
Plant, machinery and equipment	(173.771.036)	(16.825.328)	1.473.403	7.491.532	(5.819.647)	(187.451.076)
Motor vehicles	(36.190.543)	(2.495.701)	444.752	(131.310)	(6.571.026)	(44.943.828)
Furniture and fixtures	(21.786.275)	(1.516.938)	181.861	1.857.062	(660.752)	(21.925.042)
Leasehold improvements (*)	(68.859.400)	(6.094.118)	13.338	1.337.539	(459.876)	(74.062.517)
	(300.607.254)	(26.932.085)	2.113.354	10.554.823	(13.511.301)	(328.382.463)
Net book value	156.759.806					155.619.737

(*)The land plots where the stations and cargo buildings were constructed by the Group in the airports where it operates were rented from the DHMI and other local authorities. 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 December 31, 2017 the net book value of these stations is TL 42.247.551. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The Group amortizes these station buildings over 15 years which correspond to their economic lives.

Depreciation expense for the period ended December 31, 2017 in the amount of TL 24.651.915 and TL 2.280.170 are respectively included in cost of sales and operating expenses.

The net book value of plant, machinery and equipment amounting TL 283.014 are purchased by financial leasing as of December 31, 2017.

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NOTE 12 – INTANGIBLE ASSETS

Other Intangible Assets

Movements in other intangible assets for the period ended December 31, 2018 are as follows:

	Opening January 1, 2018	Additions	Transfers	Currency Translation Differences	Closing December 31, 2018
Cost					
Rights	10.150.600	-	-	-	10.150.600
Customer relations	58.113.650	-	-	16.747.823	74.861.473
Software	16.914.994	3.352.299	200.599	2.003.890	22.471.782
Concession rights (**)	138.195.764	4.819.989	-	38.223.885	181.239.638
Build-operate-transfer investments (*)	96.831.439	14.163.319	-	29.631.436	140.626.194
	320.206.447	22.335.607	200.599	86.607.034	429.349.687
Accumulated depreciation					
Rights	(3.639.336)	(594.424)	-	-	(4.233.760)
Customer relations	(58.113.650)	-	-	(16.747.823)	(74.861.473)
Software	(13.069.233)	(1.816.471)	(39.489)	(1.767.860)	(16.693.053)
Concession rights (**)	(39.408.272)	(9.827.000)	-	(11.500.842)	(60.736.114)
Build-operate-transfer investments (*)	(36.174.189)	(7.147.106)	-	(10.395.330)	(53.716.625)
	(150.404.680)	(19.385.001)	(39.489)	(40.411.855)	(210.241.025)
Net book value	169.801.767				219.108.662

(*) The difference amounting to TL 82.094.114 between the discounted value of the deposit payment made amounting to INR 1.691.135.907 which is discounted with a discount rate of 11,46%, within the scope of the concession agreement signed for the development, modernization and the operation for 25 years of the existing cargo terminal of the New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 25 years. In addition, the difference amounting to TL 4.815.455 between the discounted value of the deposit payment made amounting to INR 532.220.000 which is discounted with a discount rate of – 6,25% - 10,82%, within the scope of the concession agreement signed for rendering ground handling services for 10 years in New Delhi Airport, India and 5+2 years in Cochin and Kannur Airport and 10 years in Bangalore Airport is recognised as build-operate-transfer investment and will be amortised during the concession period of 10 years.

(**) Refers to fixed asset expenditures made within within the scope of the concession agreement signed between DIAL Celebi Delhi Cargo and are recognized in accordance with TFRIC 12 and TFRIC 4. As of December 31, 2017, there are financial lease assets in the concession rights with the net book value of TL 9.500.958.

Amortization expense for the period ended December 31, 2018 in the amount of TL 1.627.902 and TL 17.757.099 are included in operating expenses and cost of sales respectively.

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NOTE 12 – INTANGIBLE ASSETS (Continued)

Other Intangible Assets (Continued)

Movements in other intangible assets for the period ended December 31, 2017 are as follows:

	Opening January 1, 2017	Additions	Transfers	Currency Translation Differences	Closing December 31, 2017
Cost					
Rights	10.688.549	7.506	(545.455)	-	10.150.600
Customer relations	47.785.826	-	-	10.327.824	58.113.650
Software	14.349.206	1.084.211	596.439	885.138	16.914.994
Concession rights (**)	103.273.865	20.163.446	-	14.758.453	138.195.764
Build-operate-transfer investments (*)	80.738.245	3.812.818	-	12.280.376	96.831.439
	256.835.691	25.067.981	50.984	38.251.791	320.206.447
Accumulated depreciation					
Rights	(4.147.904)	(48.119)	556.687	-	(3.639.336)
Customer relations	(47.785.826)	-	-	(10.327.824)	(58.113.650)
Software	(10.771.187)	(1.327.164)	-	(970.882)	(13.069.233)
Concession rights (**)	(29.548.221)	(5.465.012)	-	(4.395.039)	(39.408.272)
Build-operate-transfer investments (*)	(27.410.525)	(4.720.293)	-	(4.043.371)	(36.174.189)
	(119.663.663)	(11.560.588)	556.687	(19.737.116)	(150.404.680)
Net book value	137.172.028				169.801.767

(*) The difference amounting to TL 56.631.176 between the discounted value of the deposit payment made amounting to INR 1.453.873.935 which is discounted with a discount rate of 11,46%, within the scope of the concession agreement signed for the development, modernization and the operation for 25 years of the existing cargo terminal of the New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 25 years. In addition, the difference amounting to TL 4.107.209 between the discounted value of the deposit payment made amounting to INR 400.000.000 which is discounted with a discount rate of 10,82%, within the scope of the concession agreement signed for rendering ground handling services for both 10 years in New Delhi Airport, India and 5+2 years in Cochin Airport is recognised as build-operate-transfer investment and will be amortised during the concession period of 10 years.

(**) Refers to fixed asset expenditures made within within the scope of the concession agreement signed between DIAL Celebi Delhi Cargo and are recognized in accordance with TFRIC 12 and TFRIC 4. As of December 31, 2017, there are financial lease assets in the concession rights with the net book value of TL 7.945.665.

Amortization expense for the period ended December 31, 2018 in the amount of TL 1.547.141 and TL 10.013.447 are included in operating expenses and cost of sales.

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NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill

Positive goodwill at December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	December 31, 2017
Goodwill due to acquisition of CGHH	43.925.159	34.112.091
	43.925.159	34.112.091

- Goodwill due to acquisition of CGHH

Group has won the bid to acquire BAGH shares, which is providing airport ground handling services at Budapest Airport, and participated as a founding partner to Celebi Kft established on September 22, 2006 in order to realize the share transfer. On October 26, 2006, Celebi Kft acquired all of its BAGH shares and the commercial title of BAGH changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH"). Celebi Kft merged with CGHH with all assets and liabilities in Hungary on October 31, 2007, within the framework of related legislative provisions, through taking over by CGHH which has 70% share of the Company.

Goodwill details relating to the acquisition of CGHH at December 31, 2018 and 2017 are below:

	December 31, 2018	December 31, 2017
January 1	34.112.091	28.060.700
Foreign currency translation differences	9.813.068	6.051.391
Goodwill	43.925.159	34.112.091

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

Ground handling services - Hungary

December 31, 2018

43.925.159

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

%9,20

The Group management determined the budgeted gross profit margin by taking into consideration 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 December 31, 2018.

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NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	December 31, 2018	December 31, 2017
Provision for litigation and indemnity	5.942.066	5.173.420
	5.942.066	5.173.420

Movements of other short term provisions for the periods ended December 31, 2018 is as follows:

	Provision for litigation	Other provisions	Total
January 1, 2018	5.173.420	-	5.173.420
Addition during the year	863.124	-	863.124
Payments during the year	(242.504)	-	(242.504)
Currency translation differences	407.547	-	407.547
Provision reversal	(259.521)	-	(259.521)
December 31, 2018	5.942.066	-	5.942.066

Movements of other short term provisions for the periods ended December 31, 2017 is as follows:

	Provision for litigation	Other provisions	Total
January 1, 2017	1.593.633	117.285	1.710.918
Addition during the year	3.515.068	-	3.515.068
Payments during the year	-	(117.285)	(117.285)
Currency translation differences	64.719	-	64.719
December 31, 2017	5.173.420	-	5.173.420

Short-term provision for employee benefits

	December 31, 2018	December 31, 2017
Provision for employee termination benefits (*)	5.961.921	3.962.186
Provision for unused vacation rights	6.512.563	4.839.679
	12.474.484	8.801.865

(*) Consists of employee termination benefits of the outsourced employees of CASI, Celebi Delhi Cargo and Celebi Cargo, the subsidiaries of the Group.

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

b) Long-term provisions

Long-term provision for employee benefits

	December 31, 2018	December 31, 2017
Provision for employee termination benefits	27.467.482	22.006.598
	27.467.482	22.006.598

Provision for employment termination benefits is recorded based on the explanations below. The Group does not have any other defined benefit plans except for the legally mandatory one explained below.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

Under the Turkish Labour 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 May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable as at December 31, 2018 consists of one month's salary limited to a maximum of 5.434,42 (December 31, 2017: TL 4.732,48) for each year of service.

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

In accordance with local regulations in India, the Group is required to make employee termination benefit payments to each employee in its subsidiaries, joint ventures and associate, 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 September 30, 2018 and the liability is limited to INR 350.000 per employee.

TAS/IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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

Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 6.017,60 which is effective from January 1, 2018 (January 1, 2018: TL 5.001,76) has been taken into consideration in the calculations.

Movements in the provision for employment termination benefits are as follows:

	2018	2017
As of January 1	25.968.784	22.923.257
Payments of provisions during the year	(10.497.227)	(9.289.759)
Service cost of employee termination benefits	6.859.839	6.549.642
Interest cost of employee termination benefits	2.190.014	1.963.918
Actuarial (gain)/loss	6.698.169	3.327.543
Currency translation differences	2.209.824	494.183
As of period end	33.429.403	25.968.784

Movements in the provision for unused vacation rights are as follows:

	2018	2017
January 1	4.839.679	4.476.709
Payments of provisions during the year	(632.401)	(623.429)
Increase in unused vacation rights during the year	6.249.535	5.036.527
Usage of vacation rights during the year	(4.374.659)	(4.242.529)
Currency translation differences	430.409	192.401
As of period end	6.512.563	4.839.679

c) Contingent assets and liabilities

Guarantess received and given as of December 31, 2018 and 2017 are as follows:

Guarantees received:

	December 31, 2018	December 31, 2017
Guarantee letters	18.709.268	8.142.691
Guarantee cheques	1.503.672	9.354.905
Guarantee notes	1.932.256	1.209.627
	22.145.196	18.707.223

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

Guarantees given:

	December 31, 2018	December 31, 2017
Guarantee letters	190.664.947	138.796.462
Collaterals (*)	175.772.990	113.136.325
Pledged shares (*)	32.408.518	25.859.737
	398.846.455	277.792.524

(*) TL 208.181.508 of the collaterals given and pledged shares are given to the banks for the loans borrowed by the subsidiaries and joint venture of the Group (December 31, 2017: TL 138.958.882) (Note 30).

The litigations and claims those generate contingent assets and liabilities to the Group are as below:

As of December 31, 2018, the Group has contingent liabilities amounting to TL 25.928.433 (December 31, 2017: TL 26.467.434) due to the legal cases and enforcement proceedings in progress against the Group.

The details of collaterals, pledges, guarantees and mortgages ("CPGM") of the Company at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018		December 31, 2017	
		TL		TL
CPGM given by the Group	Amount	Equivalent	Amount	Equivalent
A. CPGM given on behalf of the Group's legal personality		184.919.012		134.676.808
TL	17.877.847	17.877.847	13.238.634	13.238.634
EUR	5.616.164	33.854.238	7.919.244	35.759.346
USD	2.210.500	11.629.219	2.210.500	8.337.785
INR	1.405.334.369	105.821.678	1.147.839.828	67.837.334
HUF	837.022.897	15.736.030	650.939.000	9.503.709
B. CPGM given on behalf of fully consolidated subsidiaries		213.927.443		143.115.716
EUR	50.000	301.400	50.000	225.775
USD	1.092.196	5.745.935	1.092.196	4.119.654
INR	2.760.692.000	207.880.108	2.348.059.000	138.770.287
C. CPGM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D Total amount of other CPGM	-	-	-	-
i. Total amount of CPGM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPGM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPGM given on behalf of third Parties which are not in scope of C	-	-	-	-
		398.846.455	-	277.792.524

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NOTE 14 - OTHER ASSETS AND LIABILITIES

Other current assets

	December 31, 2018	December 31, 2017
Deferred VAT	5.642.187	536.595
Advances given to personnel	912.770	624.358
	6.554.957	1.160.953

Other non current assets

	December 31, 2018	December 31, 2017
Prepaid taxes and funds (*)	24.036.869	17.864.121
Other	3.242	3.242
	24.040.111	17.867.363

(*) As of December 31, 2018, prepaid taxes and funds which can be offset more than 1 year, belong to CASI and Celebi Delhi Cargo with an amount of TL 10.748.789 (December 31, 2017: TL 6.963.935) and TL 13.288.080 respectively (December 31, 2017: TL 10.900.186).

Other current liabilities

	December 31, 2018	December 31, 2017
Taxes and funds payable	5.167.724	2.502.021
Provision for operational leasing equalization (*)	785.947	1.083.260
Maintenance obligation liability	1.641.247	-
Other	2.283.756	1.703.364
	9.878.674	5.288.645

Other non current liabilities

	December 31, 2018	December 31, 2017
Provision for operational leasing equalization (*)	144.551.656	104.553.198
Maintenance obligation liability	43.668.500	34.148.213
	188.220.156	138.701.411

(*) Provision for operational leasing equalization, is the difference between the lease payments defined on concession agreement and the lease payments calculated by future constant lease increases on straight line basis in accordance with of IAS 17 "Leases".

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NOTE 15 – PREPAID EXPENSES

Shor-term prepaid expenses

	December 31, 2018	December 31, 2017
Prepaid expenses	15.398.692	11.818.319
Advances given	5.646.918	2.908.873
	21.045.610	14.727.192

Long-term prepaid expenses

	December 31, 2018	December 31, 2017
Prepaid expenses	17.525.550	14.695.876
Advances given for fixed assets (*)	26.147.970	6.706.943
	43.673.520	21.402.819

(*) TL 14.964.229 of the amount consists of advances given to suppliers related to construction and equipment investments in Istanbul Airport.

NOTE 16 – DEFERRED INCOME

Short-term deferred income

	December 31, 2018	December 31, 2017
Other advances received	14.506.622	9.573.837
Deferred income	1.191.949	1.191.949
	15.698.571	10.765.786

Long-term deferred income

	December 31, 2018	December 31, 2017
Deferred income	1.036.334	2.228.283
	1.036.334	2.228.283

NOTE 17 - LIABILITIES FOR EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
Wages and salaries payable	16.694.157	12.413.866
Bonus payable accruals	16.802.024	10.478.790
Social security withholdings payable	5.715.061	5.316.207
	39.211.242	28.208.863

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NOTE 18 - EQUITY

Share Capital

As of December 31, 2018, 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 (December 31, 2017: 2.430.000.000).

At December 31, 2018 and December 31, 2017, the shareholding structure of the Group is stated in historical amounts below:

Shareholders	December 31, 2018		December 31, 2017	
	Amount	Share %	Amount	Share %
Çelebi Havacılık Holding A.Ş. (ÇHH)	21.236.463	87,39	19.042.115	78,36
Other	3.063.537	12,61	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. The Turkish Commercial Code 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 Turkish Commercial Code, 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, 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 communique (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 TAS. Inflation adjustment to share capital have no other use other than being transferred to share capital.

As of December 31, 2018, the amount of restricted reserves is TL 50.630.456 (December 31, 2017: TL 43.097.456).

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 instalments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

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NOTE 18 – EQUITY (Continued)

In accordance with the Turkish Commercial Code, 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.

At the Ordinary General Assembly Meeting of the Group held on April 19, 2018, it was resolved; to distribute the full amount of net profit for the period constituted in the consolidated financial statements of the Group amounting to TL 85.361.608 as of December 31, 2018 and to distribute TL 84.078.000 of retained earnings in accordance with the local regulations of CMB, to the legally obligated tax payers and to the limited taxpayer who are receiving dividend by an office resident in Turkey or by resident representative, for an amount of TL 3,1500 gross dividend corresponding to per share with a nominal amount of TL 1.00 and for an amount of TL 2,6775 net dividend corresponding to per share with a nominal amount of TL 1.00. The remaining TL 1.283.608 of the net profit for the period is transferred to extraordinary reserves. Cash dividend payments were completed as of April 24, 2018.

NOTE 19 – REVENUE AND COST OF SALES

	January 1- December 31, 2018	January 1- December 31, 2017
Ground handling services	874.188.801	590.466.433
Revenue from cargo and warehouse services	434.713.876	305.854.137
Rental revenue not related to aviation	45.898.241	29.466.378
Revenue in the context of TFRIC 12	4.819.989	14.232.822
Less: Returns and discounts	(25.350.853)	(22.230.107)
Revenue- net	1.334.270.054	917.789.663
Cost of sales	(877.169.122)	(649.293.500)
Gross profit	457.100.932	268.496.163

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NOTE 20 - EXPENSES BY NATURE

	January 1- December 31, 2018	January 1- December 31, 2017
Personnel expenses	(502.410.164)	(374.124.672)
Payments to authorities and terminal managements (*)	(188.750.102)	(151.031.749)
Technical maintenance of equipment, fuel and security expenses	(91.343.181)	(67.546.786)
Consultancy expenses (****)	(89.369.983)	(59.621.827)
Depreciation and amortization expense	(66.961.944)	(38.492.674)
Expenses within the scope of TFRIC 12 (**)	(11.266.841)	(21.087.703)
Insurance expense	(6.176.302)	(5.151.012)
Travel and transportation expense	(8.046.730)	(4.783.458)
Cost of sales(***)	(2.650.349)	(2.916.300)
Other expenses	(96.938.781)	(49.930.285)
	(1.063.914.377)	(774.686.466)

- (*) Payments to authorities and terminal managements are composed of royalty, rental facilities and check-in desks within the airport area, working licenses and similar expenses, office rental expenses and other miscellaneous expenses related to utilization of office area.
- (**) Aforementioned expenses are composed of construction costs calculated in accordance with TFRIC 12 and provisions for other liabilities within the scope of concession agreement.
- (***) Aforementioned expenses are composed of sales and utilization cost of de-icing and spare part inventories.
- (****) TL 63.556.968 of the consultancy expenses are comprised of share of holding company expenses. (31.12.2017: TL 45.463.882)

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	January 1- December 31, 2018	January 1- December 31, 2017
Consultancy expenses	(85.500.532)	(59.236.933)
Personnel expenses	(59.927.795)	(41.853.677)
Technical maintenance of equipment, fuel and security expenses	(13.281.885)	(6.657.930)
Payments to authorities and terminal managements(*)	(6.942.785)	(5.564.660)
Depreciation and amortization expense	(7.574.834)	(3.827.311)
Travel and transportation expense	(5.120.321)	(3.432.889)
Insurance expense	(1.631.748)	(731.106)
Other expenses	(6.765.355)	(4.088.460)
	(186.745.255)	(125.392.966)

- (*) Payments to authorities and terminal managements are composed of office rental expenses and other miscellaneous expenses related to utilization of office area.

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NOTE 22 - OTHER OPERATING INCOME

	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange gains from operating activities	163.441.577	11.968.502
Delay interest charge from operating activities	5.084.199	2.807.704
Provision reversal income	5.072.934	1.276.315
Income from insurance claims	1.378.783	314.795
Other incomes	19.205.610	6.154.018
	194.183.103	22.521.334

NOTE 23 - OTHER OPERATING EXPENSE

	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange losses from operating activities	(158.857.677)	(5.553.242)
Provision for doubtful receivable	(9.508.554)	(2.878.830)
Litigation and indemnity provision expenses	(863.124)	(3.515.068)
Damage and indemnity expenses	(415.055)	(58.969)
Donation expenses	(384.492)	(330.755)
Administrative fine	-	(654.796)
Other expenses	(18.579.363)	(4.270.848)
	(188.608.265)	(17.262.508)

NOTE 24 – INCOME FROM INVESTMENT ACTIVITIES

	January 1- December 31, 2018	January 1- December 31, 2017
Profit from the sale of fixed assets	3.948.024	1.113.674
	3.948.024	1.113.674

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NOTE 25 - EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- December 31, 2018	January 1- December 31, 2017
Loss from the sale of fixed assets	(305.699)	(469.731)
Goodwill impairment (Note 12)	-	(1.985.128)
	(305.699)	(2.454.859)

NOTE 26 - FINANCIAL INCOME

	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange gains	61.633.146	11.426.064
Interest income	11.894.091	4.792.257
Other financial income	4.024.336	3.483.117
	77.551.573	19.701.438

NOTE 27 - FINANCIAL EXPENSES

	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange losses	(136.812.378)	(48.853.754)
Interest expenses	(24.575.167)	(18.314.058)
Financial expenses incurred within the scope of TFRIC 4-12	(1.642.786)	(854.423)
Other financial expenses	(2.653.786)	(2.844.354)
	(165.684.117)	(70.866.589)

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NOTE 28 - TAX ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Current period corporate tax provision	36.342.656	27.100.828
Less: prepaid corporate taxes	(24.151.601)	(28.245.139)
Current income tax liability - net (*)	12.191.055	(1.144.311)
Deferred tax assets	98.539.804	54.043.004
Deferred tax liabilities	(5.876.935)	(5.646.811)
Deferred tax assets - net	92.662.869	48.396.193

(*) Current income tax assets and current income tax liabilities from the different subsidiaries of the Group have been separately presented in the consolidated statement of financial position.

Income tax

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. Therefore, the tax liabilities of the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation.

In Turkey, the corporate tax rate is 20% (will be 22% for taxation periods of 2018, 2019 and 2020) (December 31, 2017: %20). The corporate tax rate is applied to the net corporate income to be deducted from deduction of exemptions and reductions in tax laws and an addition of expenses not subject to deduction according to tax legislation.

In 2014, the corporate tax rate in Hungary, has been changed as 19% up to a fiscal profit of HUF 500.000.000 and 10% for a fiscal profit over HUF 500.000.000. Effective from January 1, 2018, the corporate tax rate in Hungarian will be implemented as 9%.

In India, the corporate tax rate is 34,94% (2017: 34,6%) for the fiscal year of 2018. The corporate tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (affiliation privilege, 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 2018 (2017: 31,925%). The corporate tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (affiliation privilege, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

For the periods ended on December 31, 2018 and December 31, 2017, tax expenses of the Group are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
- Current period corporate tax	(34.366.471)	(25.914.945)
- Deferred tax income /(expense)	28.004.641	4.932.650
	(6.361.830)	(20.982.295)

Reconciliation of tax expenses presented in consolidated statements of income for the periods ended at December 31, 2018 and December 31, 2017 are as follows:

	2018	2017
Profit before tax in the financial statements	214.812.101	107.383.470
Expected tax expense according to parent company tax rate (20%)	(47.258.664)	(21.476.694)
Differences in tax rates of subsidiaries	(2.449.658)	(3.967.272)
Expected tax expense of the Group	(49.708.322)	(25.443.966)
Non-deductible expenses	(2.686.122)	(496.748)
Reductions	11.929.539	637.494
Retained earnings offset	8.041.890	1.347.218
Other tax payables liabilities (*)	(4.449.869)	(1.340.781)
Tax incentive effect (**)	24.224.796	-
Investments accounted using the equity method effect	7.972.687	3.924.720
Other	(1.686.429)	389.768
Current period tax expense of the Group	(6.361.830)	(20.982.295)

(*) Consists of innovation and other local taxes calculated over the period profit which companies are obliged to pay in accordance with the tax system in Hungary.

(**) The Company was entitled to receive a corporate income tax incentive from the Ministry of Economy for its investments in Istanbul Airport. At present, TL 36.548.740 of the total investment amounting to TL 146.194.959 has been granted and TRY 12.323.944 of this amount has been deducted from the temporary tax amount calculated. The remaining amount of TL 24.224.796 has been recognized as deferred tax asset in the current period.

Deferred Taxes

The Group calculates deferred tax assets and liabilities on temporary differences on statement of financial position items arising from different evaluation of financial statements prepared in accordance with CMB and statutory accounting standards. In general, such temporary differences are resulted from accounting of income and expenses in different reporting periods in accordance with Tax laws and CMB accounting standards. Rates for deferred tax assets and liabilities calculated by liability method over temporary differences to be realized in future periods are 20% or 22%, 9% or 10%, 31,925% and 34,94% for Turkey, Hungary, Germany and India respectively.

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NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

The details of cumulative temporary differences and the related deferred tax assets and liabilities calculated with currently enacted tax rates as at December 31, 2018 and December 31, 2017 are as follows:

	Deferred tax base		Deferred tax assets / (liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deferred tax assets				
Personnel bonus accrual	(4.225.814)	(4.001.712)	929.679	800.342
Accrued sales commissions	(8.183.855)	(5.215.095)	1.800.448	1.043.019
Provision for employment termination benefits	(23.600.610)	(19.443.266)	4.720.122	3.888.653
Provision for operational leasing equalization	(144.298.040)	(104.553.193)	50.422.062	36.183.769
Provision for unused vacation rights	(3.899.340)	(3.243.079)	857.855	648.616
Provision for litigation and indemnity	(4.529.700)	(3.909.080)	996.534	781.816
Adjustments related to property plant and equipment and intangible assets	(66.578.499)	(46.998.133)	23.265.191	16.265.114
Investment incentives	(110.112.709)	-	24.224.796	-
Other	(3.776.673)	(4.287.865)	1.671.312	1.927.768
	(369.205.240)	(191.651.423)	108.887.999	61.539.097
Net off			(10.348.195)	(7.496.093)
Deferred tax assets			98.539.804	54.043.004
Deferred tax liabilities				
Adjustments related to property plant and equipment and intangible assets	75.686.003	68.452.540	(13.744.093)	(12.696.468)
Income accrual	9.335.660	-	(2.053.847)	-
Other	2.135.949	2.232.181	(427.190)	(446.436)
	87.157.612	70.684.721	(16.225.130)	(13.142.904)
Net off			10.348.195	7.496.093
Deferred tax liabilities			(5.876.935)	(5.646.811)
Deferred tax assets, net			92.662.869	48.396.193

The table of deferred tax movement is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
January 1, 2018	48.396.193	36.531.535
Foreign currency translation differences	14.939.749	6.252.594
Deferred tax income / (expenses) for the current period	28.004.641	4.932.650
Recognized in other comprehensive income	1.322.286	679.414
December 31, 2018	92.662.869	48.396.193

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NOTE 29 - 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.

Companies can increase their capital by distributing shares ("Bonus Shares") to existing shareholders from retained earnings in proportion of their shares. When earnings per share are calculated, these bonus shares are considered as issued shares. Therefore, weighted average of shares used in earnings per share calculation are obtained by retrospective application of the issuance of the shares as free of charge.

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

	January 1- December 31, 2018	January 1- December 31, 2017
Net profit / (loss) attributable to the parent company	204.583.956	85.361.608
Weighted average number of shares with 1 KR face value each	2.430.000.000	2.430.000.000
Earnings / (loss) per share (Kr)	0,084	0,035

NOTE 30 - RELATED PARTY DISCLOSURES

Details of amounts due from and due to related parties as of reporting periods and a summary of transactions with related parties during the period are as follows:

i) Balances with related parties

Short term receivables from related parties

	December 31, 2018	December 31, 2017
Celebi NAS ⁽⁴⁾	759.928	525.689
Celebi Ground Services Austria ⁽²⁾	401.506	262.445
Çelebi Havacılık Holding ⁽¹⁾	378.227	196.885
Celebi Spain ⁽³⁾	-	677.062
Other	68.985	40.089
	1.608.646	1.702.170

Other receivables from related parties

	December 31, 2018	December 31, 2017
Çelebi Havacılık Holding ^{(1)(*)}	120.034.474	-
	120.034.474	-

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NOTE 30 - RELATED PARTY DISCLOSURES(Continued)

Payables to related parties

	December 31, 2018	December 31, 2017
Çelebi Havacılık Holding ^{(1) (**)}	4.969.255	9.145.704
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁶⁾	2.206.121	616.959
DASPL ⁽⁵⁾	1.490.860	457.736
Kamil Koç ⁽⁶⁾	577.914	655.760
Çelebi Nas ⁽⁴⁾	388.089	303.300
Diğer	17.476	83.133
	9.649.715	11.262.592

- (1) Parent company
(2) Subsidiary of the Group
(3) Non-operational asset available for sale of the Group
(4) Joint venture of the Group
(5) Associate of the Group
(6) Other related party

(*)The related amount is comprised of the CHH's group loan receivable from CGHH amounting to EUR 20.000.000 with 30 June 2023 maturity and 3.95% interest rate.

(**)As of December 31, 2018, the related amount consists of legal, financial affairs, human resources, management, corporate communication, procurement, IT and business development services received from ÇHH and expenses invoiced within the scope of business development projects run by ÇHH on behalf and on account of the company.

ii) Significant transactions with related parties

	January 1- December 31, 2018	January 1- December 31, 2017
Miscellaneous sales to related parties		
Celebi Ground Handling Services Austria (2) (*)	7.656.682	1.441.785
Çelebi Havacılık Holding (1)	381.302	233.628
DASPL (3)	469.367	299.869
Other	580.841	245.008
	9.088.192	2.220.290

*Relevant amount consists of fixed asset sales to CGSA.

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NOTE 30 - RELATED PARTY DISCLOSURES (Continued)

	January 1- December 31, 2018	January 1- December 31, 2017
Employee and customer transportation expenses paid to related parties		
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁴⁾	9.139.390	3.491.125
Kamil Koç ⁽⁶⁾	5.543.660	-
Contribution to holding expenses (*)		
Çelebi Havacılık Holding ⁽¹⁾	63.365.968	45.463.882
(*) Contribution paid to Çelebi Havacılık Holding includes services received from Çelebi Havacılık Holding to Çelebi Hava such as legal, financial, human resource, management, business development, corporate communication, procurement, IT consultancy.		
	January 1- December 31, 2018	January 1- December 31, 2017
Other purchases from related parties (*)		
Çelebi Havacılık Holding ⁽¹⁾ (*)	6.585.609	4.459.115
DASPL ⁽³⁾ (**)	6.878.512	3.980.308
Celebi Nas ⁽³⁾ (***)	3.207.560	2.217.959
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁴⁾	43.642	16.281
Other	215.211	155.842
	16.930.534	10.829.505

(1) Parent company

(2) Subsidiary of the Group

(3) Associate of the Group

(4) Other related party

(*) The purchases made from Çelebi Havacılık Holding consist of expenses directly reflected the Company regarding business development projects and tenders conducted by Çelebi Aviation Holding on behalf and account of the Company.

(**) Purchases from DASPL that are related to services provided for the aeration, generator and utility water installed in passenger bridges.

(***) Purchases from Celebi Nas that are related to expenses reflected of equipment rent and staff fees.

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NOTE 30 - RELATED PARTY DISCLOSURES (Continued)

As of December 31, 2018 and December 31, 2017, collaterals given in favour of the subsidiaries and joint venture of the Group for the loans borrowed by them are as follow:

December 31, 2018	EUR	INR	Total TL
Celebi Nas (1)	-	94.392.000	7.107.718
Celebi Delhi Cargo (2)	-	336.000.000	25.300.800
CASI (3)	-	2.337.467.000	176.011.265
Celebi Cargo GmbH (4)	50.000	-	301.400
	50.000	2.767.859.000	208.721.183

December 31, 2017	EUR	INR	Total TL
Celebi Nas (1)	-	94.392.000	5.578.567
Celebi Delhi Cargo (2)	-	336.000.000	19.857.600
CASI (3)	-	1.917.667.000	113.334.120
Celebi Cargo GmbH (4)	50.000	-	188.595
	50.000	2.348.059.000	138.958.882

- (1) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Nas and a bank resident in India amounting to INR 1.145.000.000 cash and INR 845.000.000 non-cash, 30% of the 57% shares of Celebi Nas owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of December 31, 2018, the risk of the cash loan in the respective bank is amounting to INR 1.688.150.170.
- (2) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Delhi Cargo and a bank resident in India amounting to INR 1.200.000.000 cash and INR 100.000.000 non-cash, 30% of the shares of the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of December 31, 2018, the risk of the cash loan in the respective bank is amounting to INR 794.332.450.
- (3) Celebi Airport Services has a borrowing amounting to INR 1.200.000.000 cash and INR 100.000.000 non-cash within the scope of the long-term project finance and working capital loan agreement signed between The Company and a bank resident in India. As of December 31, 2018, the risk of the cash loan in the respective bank is amounting to INR 800.037.643.
- (4) In order to fulfill the financial obligations arising from the loan agreements signed between Celebi Cargo GmbH and banks resident in Germany, a guarantee of EUR 50.000 is given by the Company to the lender banks.

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NOTE 30 - RELATED PARTY DISCLOSURES (Continued)

Key management compensation:

The Group has determined key management personnel as members of board of directors, general manager and vice general managers. Key management compensation includes salaries, bonuses, social security contributions and other benefits provided to key management of the Group:

	January 1- December 31, 2018	January 1- December 31, 2018
Short-term key management compensation	16.771.185	12.520.801
	16.771.185	12.520.801

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

The Group focused to manage miscellaneous financial risks including changes in foreign currency exchange rates and interest rates because of activities of the Group. The Group purposes to minimize potential adverse effects arising from fluctuations in financial markets with overall risk management program.

Risk management is carried out under policies approved by the Boards of Directors.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Interest rate positions of the Group at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Fixed interest rate financial instruments		
Financial Assets	194.573.785	88.555.012
- <i>Cash and cash equivalents</i>	194.573.785	88.555.012
Financial Liabilities	511.343.407	202.688.006
Floating interest rate financial instruments		
Financial liabilities	210.471.021	138.664.800

If other variables are kept constant and the interest rates were 1% higher / lower, interest expense due to financial liabilities would have been TL 245.752 higher or lower at December 31, 2018. (December 31, 2017: TL 183.141).

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NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Expected repricing and maturity dates are not disclosed in an additional table because they are not different from contractual maturity dates for non-credit financial assets and liabilities.

Credit risk

Credit risk consists of cash and cash equivalents, bank deposits and receivables from customers exposed to credit risk. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group management meets these risks by restricting the average risk for each counterparty (excluding related parties) and receiving collateral if necessary. Explanations for credit risk are disclosed in Note 7.

Liquidity risk

Cash flow generated through amount and term of borrowing back payments is managed by considering the amount of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities if necessary and on the other hand sufficient and reliable sources of high quality loans are accessible. The Group has long-term financial liabilities amounted TL 488.025.051 as of December 31, 2018 (December 31, 2017: TL 282.516.358) (Note 7).

The table below demonstrates the Group's liquidity risk arising from financial liabilities:

	Contractual					
December 31, 2018	Book value	Total cash out flow	Less than 3 monhts	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities						
Financial liabilities	721.814.428	782.733.514	99.298.774	157.185.579	505.250.902	20.998.259
Trade payables						
- Related party	9.649.715	9.649.715	9.649.715	-	-	-
- Other	90.314.824	90.314.824	15.099.434	75.215.390	-	-
Other liabilities	28.944.603	28.944.603	1.061.882	11.784.111	16.098.610	-
	Contractual					
December 31, 2017	Book value	Total cash out flow	Less than 3 monhts	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities						
Financial liabilities	341.352.806	382.225.752	7.003.936	66.863.548	288.377.590	19.980.678
Trade payables						
- Related party	11.262.592	11.262.592	11.262.592	-	-	-
- Other	66.134.757	66.134.757	6.224.743	59.910.014	-	-
Other liabilities	21.175.765	21.175.765	303.957	8.339.041	12.532.767	-

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NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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.

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 EUR, USD and GBP.

As of December 31, 2018, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 2.545.690 (December 31, 2017: TL 2.342.731).

As of December 31, 2018, other things being constant, if the TL was to appreciate/depreciate by 10% against the EUR, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 24.713.835 (December 31, 2017: TL (17.959.677)).

As of December 31, 2018, other things being constant, if the TL was to appreciate/depreciate by 10% against the GBP, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 13.549 (December 31, 2017: TL 14.973).

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NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Foreign currency denominated assets and liabilities of the Group as of December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Assets denominated in foreign currency	421.665.982	146.441.525
Liabilities denominated in foreign currency (-)	(643.482.923)	(302.760.718)
Net balance sheet position	(221.816.941)	(156.319.193)

The table below summarizes TL equivalents of foreign currency denominated assets and liabilities of the Group as of December 31, 2018 and December 31, 2017:

December 31, 2018	TL Equivalent	USD	EUR	GBP
1. Trade receivables	114.065.107	3.684.404	15.707.005	-
2. Monetary financial assets	177.421.410	1.639.996	27.952.305	44.652
3. Other	33.905.367	215.996	5.436.137	-
4. Current Assets (1+2+3)	325.391.884	5.540.396	49.095.447	44.652
5. Other	96.274.098	-	15.971.151	-
6. Non-current assets (5)	96.274.098	-	15.971.151	-
7. Total assets (4+6)	421.665.982	5.540.396	65.066.598	44.652
8. Trade payables	37.792.363	471.529	5.857.780	150
9. Financial liabilities	200.228.549	28.652	33.191.409	-
10. Other monetary liabilities	13.901.365	188.929	2.069.654	64.868
11. Short-term liabilities (8+9+10)	251.922.277	689.110	41.118.843	65.018
12. Financial liabilities	391.560.646	12.399	64.946.154	-
13. Other monetary liabilities	-	-	-	-
14. Long-term liabilities (12+13)	391.560.646	12.399	64.946.154	-
15. Total liabilities (11+14)	643.482.923	701.509	106.064.997	65.018
16. Net foreign currency asset/(liability) position (7-15)	(221.816.941)	4.838.887	(40.998.399)	(20.366)
17. Net monetary foreign currency asset/(liability) position (7-15)	(221.816.941)	4.838.887	(40.998.399)	(20.366)

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NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

December 31, 2017	TL Equivalent	USD	EUR	GBP
1. Trade receivables	70.374.520	2.877.913	13.181.114	-
2. Monetary financial assets	72.724.439	4.965.388	11.915.397	37.698
3. Other	3.238.854	25.630	695.798	60
4. Current Assets (1+2+3)	146.337.813	7.868.931	25.792.309	37.758
5. Other	103.712	-	22.968	-
6. Non-current assets (5)	103.712	-	22.968	-
7. Total assets (4+6)	146.441.525	7.868.931	25.815.277	37.758
8. Trade payables	32.084.375	1.418.924	5.917.469	2.363
9. Financial liabilities	47.375.378	24.778	10.471.026	-
10. Other monetary liabilities	8.453.804	178.392	1.650.178	64.868
11. Short-term liabilities (8+9+10)	87.913.557	1.622.094	18.038.673	67.231
12. Financial liabilities	214.847.161	35.827	47.550.000	-
13. Other monetary liabilities	-	-	-	-
14. Long-term liabilities (12+13)	214.847.161	35.827	47.550.000	-
15. Total liabilities (11+14)	302.760.718	1.657.921	65.588.673	67.231
16. Net foreign currency asset/(liability) position (7-15)	(156.319.193)	6.211.010	(39.773.396)	(29.473)
17. Net monetary foreign currency asset/(liability) position (7-15)	(156.319.193)	6.211.010	(39.773.396)	(29.473)

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NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Capital risk management

The Group's objectives when managing capital is able to maintain operations of the Group for maintaining optimal capital structure in order to provide return for its shareholders, reduce capital cost and benefit for other shareholders.

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, in consistency 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 found by dividing net debt to total capital. Net debt is calculated as total liabilities less cash and cash equivalents. Total capital invested is calculated as equity, as shown in the consolidated balance sheet, plus net debt. Net debt is calculated by deducting cash and cash equivalents and deferred tax liabilities from total debt. Total capital is calculated by adding equity and net debt as presented in the balance sheet.

The net debt / (equity + net debt) ratio as of December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	December 31, 2017
Total financial liabilities	721.814.428	341.352.806
Less: Cash and cash equivalents	(197.023.791)	(113.572.241)
Less: Restricted cash	(51.444.157)	(13.369.356)
Net debt	473.346.480	214.411.209
Shareholder's equity	353.087.514	168.855.174
Capital invested	826.433.994	383.266.383
Net debt / capital invested	0,57	0,56

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NOTE 32 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value is defined as the price received from an asset sale or paid at a payback period that will be earned between a market participants in a transaction at a measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial Assets

It is projected that the carrying values of financial assets, which are presented at their cost value including cash and cash equivalents, are equal to their fair value due to their short term nature.

The carrying values of trade receivables are estimated to reflect the fair value with related impairment.

Financial Liabilities

Short-term bank loans and other monetary liabilities are foreseen to approximate their carrying values due to their short-term nature and the significant portion of long-term bank loans and other monetary liabilities having variable interest rates.

Group classifies the fair value measurements of financial instruments at fair value on the financial statements into the following categories, using three levels of hierarchy, according to the sources of each class of financial instruments.

- Level 1: Valuation techniques using market prices (unadjusted) in the active market for the identified financial instruments.
- Level 2: Other valuation techniques, including indirect or direct observable input. The fair value of financial assets that are not traded in an active market is calculated using the observations on the market at the highest level that can be used and the assumptions at the lowest level for the company.
- Level 3: Valuation techniques that do not include observable market inputs.

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NOTE 32 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

The fair value measurement hierarchy table as of December 31, 2018 is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Financial investments with fair value difference reflected to other comprehensive income (Note 5)	-	-	166.650	166.650
December 31, 2018	Level 1	Level 2	Level 3	Total
Liabilities				
Other financial liabilities	-	-	-	-
December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Financial investments with fair value difference reflected to other comprehensive income (Note 5)	-	-	20.527	20.527
December 31, 2017	Level 1	Level 2	Level 3	Total
Liabilities				
Other financial liabilities	-	-	-	-

NOTE 33 - SUBSEQUENT EVENTS

CASI has participated to offer ground handling services at 16 airports in the tender held by the Airport Authority of India ("AAI") for ground handling services in 36 airports for a period of 10 years.